

Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004

The Public School &
The Non-Teacher School Employee



M. Steve Yoakum
Executive Director

Prepared by:
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Mission Statement

The Public School Retirement System of Missouri and the Non-Teacher School Employee Retirement System of Missouri (PSRS and NTRS) work in partnership with the member school districts of this state to provide eligible employees and their beneficiaries with a significant source of income based on the employee's length of service and compensation in order to enhance retirement, disability and death benefits received from other sources.

It is the fiduciary responsibility of those charged with administration of PSRS and NTRS to:

- effectively collect contributions,
- prudently invest the assets to obtain optimum returns,
- equitably provide benefits, and
- impartially and in accordance with applicable law administer the benefit programs.

The Board of Trustees and staff are committed to providing services to the members and beneficiaries professionally, promptly, courteously, and efficiently.

Mission Statement Principles

- We will conduct the business of the Retirement Systems in accordance with the mission statement.
- We will act as fiduciaries in the management of all funds for the exclusive benefit of our members.
- We will adhere to our investment policy to ensure the highest possible investment return consistent with the prudent investment of plan assets.
- We will have as our goal the replacement of 80% of a member's final average salary after a 30-year career through the combination of income from public pensions and, where applicable, the federal Social Security system.
- We shall have as our goal the retention of purchasing power of the initial retirement benefit through the retirement years.
- We will maintain an independent retirement system that retains the power of the trustees to set actuarial assumptions, appoint consultants, employ staff, establish a budget and conduct all business of the retirement systems.
- We will prepare and distribute an annual financial report that adheres to generally accepted accounting principles.
- We will provide prompt, courteous and accurate service to our members.
- We will provide clear and complete information to the members and the districts through the use of a summary plan document, newsletters, an annual member account statement and any other documents deemed necessary.
- We will adhere to the highest standards of ethical conduct.

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Board of Trustees

As of June 30, 2004

Wayne Wheeler

Chair

Elected PSRS Member

Term Expires 6/30/04



Peggy Preston

Vice-Chair

Elected PSRS Member

Term Expires 6/30/08



Cheryl Boggess

Elected PSRS Member

Term Expires 6/30/06



J. Richard Franklin

Appointed Retired Member

Term Expires 6/30/07



Nancy Gaines

Elected NTRS Member

Term Expires 6/30/06



Sherri Talbott

Appointed Member

Term Expires 6/30/08



John Kruse

Appointed Member

Term Expires 6/30/06





December 1, 2004

TO: Board of Trustees and Members of the Retirement Systems:

I am pleased to present the *Comprehensive Annual Financial Report* of the Public School Retirement System of Missouri (PSRS) and the Non-Teacher School Employee Retirement System of Missouri (NTRS) for the fiscal year ended June 30, 2004. The management and staff of the Systems are responsible for the accuracy and completeness of this report and for ensuring that all material disclosures have been made. To the best of our knowledge, the information presented is a fair and accurate portrayal of the financial position and operations of PSRS and NTRS as of June 30, 2004.

Report Contents

This report is presented in five sections:

- The Introductory Section contains general information about the Systems;
- The Financial Section contains the independent auditors' report, management's discussion and analysis of the financial statements, the financial statements and related notes, and required supplemental schedules;
- The Investment Section contains a summary of the investment activities during the year, including investment performance;
- The Actuarial Section reports the funded condition of both Systems, including a summary of major actuarial assumptions; and
- The Statistical Section contains general information concerning members, benefit recipients and finances.

Overview of the Retirement Systems

The Public School Retirement System of Missouri, a cost-sharing multiple employer retirement system, was established in 1946 by an act of the Missouri legislature to provide retirement, disability and death benefits to full-time, certificated employees in the public schools and four-year regional universities. It has been amended to include part-time certificated employees of public schools and no longer accepts new employees of the regional colleges and universities.

The Non-Teacher School Employee Retirement System of Missouri, also a cost-sharing multiple employer retirement system, was established in 1965 by an act of the Missouri legislature to provide retirement, disability and death benefits to non-certificated school employees in the public schools, community colleges and junior colleges who have elected to join the System.

Financial Information

The Systems' financial statements are prepared in accordance with generally accepted accounting principles (GAAP) within the guidelines established by the Governmental Accounting Standards Board (GASB). A system of internal

controls is in place to help monitor and safeguard assets and promote efficient operations. An independent certified public accounting firm selected by the Board of Trustees performs a financial audit each year. In addition, the Systems employ an internal auditor who performs operational reviews to ensure that the internal controls are functioning effectively.

Please refer to the Management's Discussion and Analysis on pages 18 through 22 for an overview of additions to and deductions from the plans for the fiscal year.

Investment Activities

The total investment return for the Systems in 2004 was higher than the actuarial assumed return of 8% for the first time since fiscal year 1999. The total fund performance was 12.4% for PSRS and 12.1% for NTRS. The Systems' strong investment returns were aided by the rebounding stock markets throughout the world, which had returns in excess of 20%. Additional detailed information regarding the PSRS and NTRS investments can be found in the Investment Section of this report.

Funding Status

PSRS and NTRS are defined benefit retirement systems. This means that a formula made up of credit (years of service) times final average salary, times a multiplier (2.5% for PSRS and 1.61% for NTRS) determines each member's retirement benefit. The actuarial accrued liability is calculated for each System using the plan provisions in effect at the time of the calculation. Actuarial assumptions used in the calculation are recommended by the Systems' outside actuary and are based upon prior experience of the plans.

To determine the relative health of the Systems, the actuarial accrued liability is compared to the actuarial value of assets to arrive at a funded percentage. As of June 30, 2004, PSRS was 82.0% funded, while NTRS was 82.7% funded. This is a slight increase from the June 30, 2003 funded ratios of 81.1% for PSRS and 81.9% for NTRS.

The actuarial value of assets was determined using a "smoothing" method that requires all gains (earnings in excess of 8%) and losses (earnings below 8%) to be recognized over a five-year period. Because of this methodology, only one-fifth of the 2004 gains in excess of 8% have been recognized as of June 30, 2004.

Although the investment returns for the year exceeded the expected returns, we are still not able to fund the unfunded actuarial accrued liabilities of the Systems over a 30-year period. During the 2004 fiscal year, the contribution rates collected in PSRS exceeded the normal cost required to fund the System by 1.07%. In NTRS, the contribution rate was 0.14% less than the amount needed to fund the normal cost. The contribution rates will continue to rise each year until the rates collected above the normal cost rates are adequate to fund the unfunded actuarial accrued liability within a 30-year period. We believe that it is probable that these rate increases will continue over the next several years.

Based upon the June 30, 2004 actuarial valuations, the Board of Trustees has set the 2005-2006 contribution rates at 23% (11.5% for employees matched by the employer) for PSRS and 11.0% (5.5% for employees matched by the employer) for NTRS. The annual required contribution rates recommended by the actuary were 27.76% for PSRS and 12.56% for NTRS. The approved rates were set in accordance with the annual contribution rate increase limits set forth in the statute.

Major Initiatives During 2003-2004

Although no new legislation was enacted during the 2004 legislative session, many administrative initiatives were launched during fiscal year 2004. Some of these are summarized below:

- **Partial Lump Sum Option (PLSO)**

The Partial Lump Sum benefit payment option became effective on August 28, 2003. Under this option, qualified members can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time, lump-sum payment at retirement equal to 12, 24, or 36 times the Option 1, Single-Life benefit amount. To qualify to elect the PLSO, a member must have a minimum of 33 years of service, or be at least 63 with a minimum of eight years of service, or have their years of service plus their age equal 86 or greater (Rule of 86). During fiscal year 2004, 247 PSRS service retirees and 34 NTRS service retirees elected the PLSO option.

INTRODUCTORY SECTION

- **Ticket to the Future**

During fiscal year 2004, a major technology initiative was launched that has been named the “Ticket to the Future.” This project encompasses several software projects that are being undertaken by the Systems. This initiative involves the following projects:

- **PeopleSoft Financial Management and Human Capital Management Implementation Project** – This project was launched in June 2004. In November 2004, we went live with this Web-based software. Over the next year, we will train employer school districts on the functionality available to view and pay contribution balances via the Web. In addition, we will be expanding the functionality available to internal staff.
- **Enterprise Content Management (ECM) Software and Backfile Conversion** – The System has contracted with eStream/Identitech to provide Enterprise Content Management software and to provide necessary services to image all member records. Over five million paper records will be converted to digital images that will be stored and accessed electronically. This project will allow us to set up workflows to electronically route retirement and withdrawal applications through the processing steps. It will also provide us with more effective disaster recovery options.
- **Expansion of the Member Education Program** – Over the past year, the Systems have focused a great deal of effort in providing additional educational opportunities to our members. Since we have experienced a 14% increase in office visitors, a 36% increase in educational events available to members, and a 13% increase in members attending pre-retirement planning seminars (previously referred to as regional retirement counseling), we have expanded the availability of these programs to our members. We began mailing a New Member Introduction Newsletter to all new members in August 2003.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PSRS and NTRS for the *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports. To be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents meet or exceed program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for only one year. We believe our current report continues to meet the Certificate of Achievement program requirements and are submitting it to GFOA for consideration again this year.

Professional Services

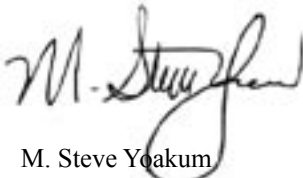
Certain professional services are provided to the Systems by retained consultants. The required opinion letters from two of those consultants, Gabriel, Roeder, Smith & Company, actuaries, and Williams Keepers LLC, independent certified public accountants, are contained elsewhere in this report.

Investment consulting services, as well as investment manager search assistance and investment performance analysis, have been provided by Russell Investment Group of Tacoma, WA.

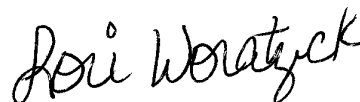
Acknowledgements

We would like to express our thanks and gratitude to the Board of Trustees, staff, and consultants who have worked diligently to produce this report and to ensure the successful operation of the Systems.

Respectfully submitted,



M. Steve Yoakum
Executive Director



Lori Woratzeck, CPA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Public School Ret. System
of Missouri and the Non-Teacher
School Employee Ret. System

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.



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director

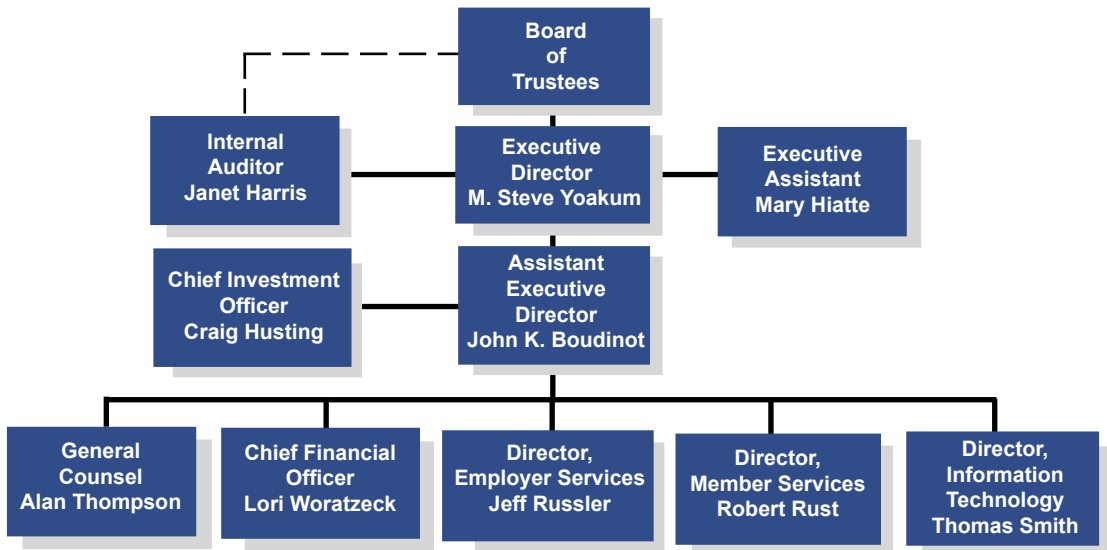
INTRODUCTORY SECTION

The Public School &
The Non-Teacher School Employee



Administrative Organization

June 30, 2004



Pictured front row from left to right: John K. Boudinot, Assistant Executive Director; M. Steve Yoakum, Executive Director; Mary Hiatte, Executive Assistant; Middle row from left to right: Lori Woratzeck, Chief Financial Officer; Janet Harris, Internal Auditor; Back row from left to right: Craig Husting, Chief Investment Officer; Robert Rust, Director, Member Services; Thomas Smith, Director, Information Technology; Jeff Russler, Director, Employer Services; and Alan Thompson, General Counsel.

Professional Services

June 30, 2004

Actuary

Gabriel, Roeder, Smith & Co.

Actuaries and Consultants
Norman S. Losk, F.S.A.
Alex Rivera, A.S.A.
Roseville, California

Auditor

Williams Keepers, LLC

Michael J. Oldelehr, CPA
Jill S. Hatfield, CPA
Jefferson City, Missouri

Computer Consultants

Catalyst Group

Michael Thibault
Lenexa, Kansas

Conqwest, Inc.

Michelle Drolet
Holliston, Massachusetts

eVerge Group

Brent Benn
Plano, Texas

eVisory

Dan Elam
Richmond, Virginia

Huber & Associates, Inc.

James Huber
Jefferson City, Missouri

IT Staffing, Inc.

Davis R. Corlew
Grand Junction, Tennessee

Mitten Software

Jim Morgan
Minnetonka, Minnesota

Total Network Integration

Kirt Dunwoody
Jefferson City, Missouri

Insurance Consultant

Charlesworth & Associates

Bob Charlesworth
Overland Park, Kansas

Legal Counsel

Thompson Coburn

Attorneys at Law

Allen Allred
St. Louis, Missouri

Blackwell Sanders Peper

Martin, LLP

Michael R. Annis
St. Louis, Missouri

Legislative Consultant

Jack Pierce
Jefferson City, Missouri

Medical Advisor

Andrew Matera
Columbia, Missouri

Investment Management Consultants*

Frank Russell Company

Michael Hall
Rachel Carroll
Tacoma, Washington

Pathway Capital Management

Doug LeBon
Irvine, California

The Townsend Group

Terry Ahern
Linda Assante
Cleveland, Ohio

U.S. Equity Investment Advisors*

Alliance Capital Management

John A. Koltas
Elizabeth Smith
Minneapolis, Minnesota

Aronson & Johnson & Ortiz, LP

Ted Aronson
Martha Ortiz
Philadelphia, Pennsylvania

Chartwell Investment Partners

Edward Antoian
Timothy Riddle
Berwyn, Pennsylvania

DSI International

John Holmgren, Jr.
Norwalk, Connecticut

State Street Global Advisors

Arlene Rockefeller
Michael Feehily
Mary Guy
Boston, Massachusetts

Systematic Financial Management

Kevin McCreesh
James Wallerius
Teaneck, New Jersey

Thomson, Horstmann & Bryant, Inc.

Richard Horstmann
Al Thomson
Saddle Brook, New Jersey

Trust Company of the West (TCW)

Glen Bickerstaff
Brian Beitner
Los Angeles, California

UBS Global Asset Management

John Leonard
Steven E. Wilde
Chicago, Illinois

Westcap Investors

Greg Weirick
Robert Foran
Los Angeles, California

(continued)

Professional Services *(continued)*

International Investment Advisors*

AllianceBernstein Institutional Investment Management

Giulio Martini
Elizabeth Smith
New York, New York

AQR Capital Management

Robert Krail
David Kabiller
Greenwich, Connecticut

BPI Global Asset Management

Dan Jaworski
Ryan Burrow
Orlando, Florida

Citigroup Asset Management

Aquico Wen
Alan Fressle
London, England

INVESCO Global Asset Management

Erik Granade
Lori McDermott
Atlanta, Georgia

Julius Baer Investment Management

Riad Younes
Brigid Flanagan
New York, New York

Oechsle International Advisors

Kathleen Harris
Jamie Macmillan
Boston, Massachusetts

Fixed Income Investment Advisors*

BlackRock Financial Management

Andy Phillips
Robert Capaldi
New York, New York

NISA Investment Advisors

Jess Yawitz
Robert Krebs
St. Louis, Missouri

Payden & Rygel

Brian Matthews
Michael Salvay
Los Angeles, California

Seix Investment Advisors

Christina Seix
Michael McEachern
Woodcliff Lake, New Jersey

State Street Global Advisors

Sean Flannery
John Kirby
Mary Guy
Boston, Massachusetts

Wellington Management Co., LLP

Tom Pappas
Alexander Grant
Boston, Massachusetts

Master Trustee/Custodian*

State Street Bank and Trust Company

R. Scott Paton
Steve Davies
Boston, Massachusetts

E-MAP U.S. Equity Advisors*

Analytic Investors, Inc.

Harindra de Silva
Los Angeles, California

Chartwell Investment Partners

David Dalrymple
Berwyn, Pennsylvania

Legg Mason Capital Management

Bill Miller
Baltimore, Maryland

New Amsterdam Partners

Michelle Clayman
New York, New York

Next Century Growth Investors, LLC

Tom Press
Minneapolis, Minnesota

Westwood Management Corporation

Susan Byrne
Dallas, Texas

Zevenbergen Capital, Inc.

Nancy Zevenbergen
Seattle, Washington

*Information on investment management and consulting fees can be found in the Schedule of Investment Expenses on page 64.

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JEFFERSON CITY
COLUMBIA
MEXICO

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Public School Retirement System of Missouri
Non-Teacher School Employee Retirement System of Missouri

We have audited the accompanying statement of plan net assets of the Public School Retirement System of Missouri and the Non-Teacher School Employee Retirement System of Missouri (the System) as of June 30, 2004 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Public School Retirement System of Missouri and the Non-Teacher School Employee Retirement System of Missouri at June 30, 2004 and the changes in plan net assets for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 18 through 22 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedules of funding progress and employer contributions on pages 35 and 36 are not a required part of the basic financial statements of the System, but are required by the Governmental Accounting Standards Board (GASB). The supplementary information included on pages 37 through 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the System. Such information, included on pages 35 through 39, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Williams - Keepers LLC

September 3, 2004

Management's Discussion and Analysis

June 30, 2004

This discussion and analysis of the financial position of the Public School Retirement System and the Non-Teacher School Employee Retirement System (collectively referred to as the Systems) provides an overview of the Systems' financial activities for the fiscal year ended June 30, 2004. We encourage you to consider the information presented here in conjunction with additional information presented in the financial statements and required supplementary information.

Financial Highlights

The following highlights are explained in more detail for each System later in this discussion.

The combined net assets of the Systems at June 30, 2004 were \$24.0 billion. The net assets were up \$2.3 billion from June 30, 2003. This increase was primarily due to the increase in the fair value of investments of \$2.1 billion.

The overall investment return was 12.4% for the Public School Retirement System (PSRS) and 12.1% for the Non-Teacher School Employee Retirement System (NTRS). Our relatively conservative asset allocation provided returns that exceeded our assumed rate of return of 8%, but trailed our peers of large institutional pension systems that took more risk with a more aggressive asset allocation and larger equity exposure.

The Systems' funding objective is to meet long-term benefit obligations through the accumulation of contributions and investment income. This funding shall be carried out in such a way to ensure that the burden of paying retirement costs shall be shared equitably by present and succeeding generations of members and taxpayers.

As of June 30, 2004, the funded ratios were 82.0% for PSRS and 82.7% for NTRS. As of June 30, 2003, the funded ratios were 81.1% for PSRS and 81.9% for NTRS. As of June 30, 2004, we calculated the actuarial value of assets using an asset smoothing method by which investment returns above or below 8% are recognized over a five-year period.

Revenues for the year were \$3.5 billion. This figure is comprised of contribution revenue of \$0.9 billion and investment income of \$2.6 billion.

Expenses increased 10.8% over the prior year from \$1.0 billion to \$1.2 billion. Most of this increase represents increased retirement benefits paid to members. Approximately \$9.7 million was paid to retirees electing the new Partial Lump Sum Option (PLSO). This option allows eligible retirees to elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time payment at retirement equal to 12, 24, or 36 times the Option 1, Single-Life benefit amount. Since this option was not available until September, this option will have an increased effect on cash flows in fiscal year 2005.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial report of the Systems. The financial report consists of: the basic financial statements, comprised of the Statements of Plan Net Assets and the Statements of Changes in Plan Net Assets; the notes to the basic financial statements; and the required and other supplementary information.

The Statements of Plan Net Assets (page 23) present information on the assets and liabilities of the Systems, with the difference between the two reported as net assets. The net assets of the Systems reflect the resources available to pay benefits to members when due. Over time, increases and decreases in net assets measure whether the Systems' financial position is improving or deteriorating.

The Statements of Changes in Plan Net Assets (page 24) present information detailing the changes in net assets that occurred during the current fiscal year. All changes in net assets are reported on an accrual basis. This means that the revenue or expense is recognized as soon as the underlying event giving rise to the change occurs, regardless of when the actual cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future

fiscal periods. For example, contributions due from a district, even though not yet paid by year end, will be reflected as revenue. Earned vacation accruals will be reflected as an expense, even though they have not been paid to employees.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 25 through 34. The report also contains required supplementary information in addition to the basic financial statements themselves. The Schedules of Funding Progress (page 35) include historical trend information about the actuarially funded status of each plan from a long-term, ongoing perspective and the progress made in accumulating assets to pay benefits when due.

The Schedules of Employer Contributions (page 36) present historical trend information about the annual required contributions of employers and the actual contributions made by employers.

Other supplementary schedules are also included. The Schedule of Administrative Expenses (page 37) presents the overall cost of administering the Systems. The Schedule of Professional/Consultant Fees (page 39) further details this category of administrative expense.

The Schedule of Investment Expenses (page 38) shows the costs associated with investing the assets of the Systems. These expenses are shown as a reduction of revenue on the Statements of Changes in Plan Net Assets.

Financial Analysis of the Public School Retirement System

The Public School Retirement System (PSRS) is a mandatory cost-sharing multiple employer retirement system for full-time certificated employees and certain part-time employees of participating employers. PSRS members were required to contribute 10.5% of their annual covered salary during 2004. The employer was required to match that amount. Most PSRS members do not contribute to Social Security, except for employees hired after March 31, 1986 who contribute to Medicare only.

Assets

Total assets of PSRS as of June 30, 2004 were \$26.9 billion and were mostly comprised of cash, investments and contributions due from employers. Total assets increased by \$2.6 billion or 10.6% from the prior year primarily due to increased investment earnings.

Liabilities

Total liabilities as of June 30, 2004 were \$4.7 billion and were mostly comprised of obligations under security lending arrangements and payables from the purchase of investments. Total liabilities increased by \$.5 billion. This increase was primarily due to increased obligations under security lending arrangements.

Net Assets

PSRS assets exceeded liabilities at June 30, 2004 by \$22.2 billion. This was up from 2003 net assets of \$20.0 billion by \$2.2 billion. This increase was a result of improved investment earnings that totaled \$2.4 billion for the year. Benefit payments and other expenses exceeded contribution revenue by \$300.7 million. This trend is a natural progression in a mature defined benefit plan.

Public School Retirement System Plan Net Assets (000's)

	2004	2003	Change
Cash & investments	\$ 25,421,407	\$ 23,039,370	\$ 2,382,037
Receivables	1,442,099	1,248,772	193,327
Other	9,615	9,561	54
Total assets	<u>26,873,121</u>	<u>24,297,703</u>	<u>2,575,418</u>
Total liabilities	<u>4,722,741</u>	<u>4,249,721</u>	<u>473,020</u>
Plan net assets	<u>\$ 22,150,380</u>	<u>\$ 20,047,982</u>	<u>\$ 2,102,398</u>

Public School Retirement System Changes in Plan Net Assets (000's)

	<u>2004</u>	<u>2003</u>	<u>Change</u>
Additions			
Members' contributions	\$ 405,614	\$ 378,434	\$ 27,180
Employer contributions	359,762	355,979	3,783
Investment income	2,402,566	873,340	1,529,226
Other	488	351	137
Total additions	<u>3,168,430</u>	<u>1,608,104</u>	<u>1,560,326</u>
Deductions			
Monthly benefits	1,024,740	930,450	94,290
Refunds of contributions	36,018	28,474	7,544
Administrative expenses	5,265	4,674	591
Other	9	1	8
Total deductions	<u>1,066,032</u>	<u>963,599</u>	<u>102,433</u>
Change in plan net assets	<u>\$ 2,102,398</u>	<u>\$ 644,505</u>	<u>\$ 1,457,893</u>

Revenues – Additions to Plan Net Assets

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through investment earnings. Total contributions for the year increased by \$31.0 million to \$765.4 million. This was a 4.2% increase over the prior year. Retirement contributions are calculated at 10.5% of retirement salary for each member. The employer matches this amount. Members may also pay contributions to reinstate previously withdrawn service credit or to purchase various types of elective credit.

The net investment gain was \$2.4 billion as compared to a net investment gain of \$873.3 million in 2003. All investment related expenses, such as fees paid to investment managers, are reflected as a reduction in revenue and are accounted for in this net figure.

Expenses – Deductions from Plan Net Assets

The primary expenses of PSRS include the payment of pension benefits to members and beneficiaries, refunds of contributions to former members, and the cost of administering the System. Total expenses for fiscal year 2004 were \$1.1 billion, an increase of 10.6% over fiscal year 2003.

Benefit expenses increased by \$94.3 million. This was a result of cost-of-living increases applied to the benefits of current retirees and the addition of 2,505 new service and disability retirees. There were no changes to the benefit formula during 2004. Refunds of contributions increased by \$7.6 million to \$36 million.

Administrative expenses increased by \$0.6 million to \$5.3 million. This was a 12.6% increase. This increase is mainly attributable to providing a 3% COLA increase for staff members, conducting a required Trustee election and adding five staff members for Member Services. The cost of these items was charged 60% to PSRS and 40% to NTRS. Because our Board continually strives to manage the Systems in a cost-effective manner, our costs remain below that of comparable public funds. The total cost (including all investment expenses) to administer the Systems in fiscal year 2004 was less than 0.17%. Per the 2003 Cost Effective Measurement Study of U.S. Pension Funds, the average cost to administer public funds is 0.31%.

FINANCIAL SECTION

Financial Analysis of the Non-Teacher School Employee Retirement System

The Non-Teacher School Employee Retirement System (NTRS) is a mandatory, cost-sharing, multiple employer retirement system for non-certificated employees and certain part-time certificated employees of participating employers. NTRS members were required to contribute 5% of their annual covered salary during 2004. The employer was required to match that amount. NTRS members also contribute to Social Security.

Assets

Total assets of NTRS as of June 30, 2004 were \$2.3 billion and were mostly comprised of cash, investments, and contributions due from employers. Total assets increased by \$0.3 billion or 13% from the prior year primarily due to increased investment returns.

Liabilities

Total liabilities as of June 30, 2004 were \$369.6 million and were mostly comprised of obligations under security lending arrangements and payables from the purchase of investments. Total liabilities increased by \$49.3 million. This increase was primarily due to an increased liability for obligations under security lending arrangements.

Net Assets

NTRS assets exceeded liabilities at the close of fiscal year 2004 by \$1.9 billion. This was up from 2003 net assets by \$0.2 billion. This increase was a result of improved investment earnings that totaled \$198.4 million for the year. Because NTRS is a much younger plan than PSRS, contribution revenues exceeded benefit payments and other expenses by \$12.1 million.

Non-Teacher School Employee Retirement System Plan Net Assets (000's)

	2004	2003	Change
Cash & investments	\$ 2,118,407	\$ 1,892,077	\$ 226,330
Receivables	139,426	105,998	33,428
Other	15	-	15
Total assets	<u>2,257,848</u>	<u>1,998,075</u>	<u>259,773</u>
Total liabilities	<u>369,578</u>	<u>320,305</u>	<u>49,273</u>
Plan net assets	<u><u>\$ 1,888,270</u></u>	<u><u>\$ 1,677,770</u></u>	<u><u>\$ 210,500</u></u>

Non-Teacher School Employee Retirement System Changes in Plan Net Assets (000's)

	2004	2003	Change
Additions			
Members' contributions	\$ 50,625	\$ 48,994	\$ 1,631
Employer contributions	49,977	48,933	1,044
Investment income	198,389	73,188	125,201
Other	10	16	(6)
Total additions	<u>299,001</u>	<u>171,131</u>	<u>127,870</u>
Deductions			
Monthly benefits	74,871	67,399	7,472
Refunds of contributions	10,420	8,033	2,387
Administrative expenses	3,210	2,946	264
Total deductions	<u>88,501</u>	<u>78,378</u>	<u>10,123</u>
Change in plan net assets	<u><u>\$ 210,500</u></u>	<u><u>\$ 92,753</u></u>	<u><u>\$ 117,747</u></u>

Revenues – Additions to Plan Net Assets

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through investment earnings. Total contributions for the year increased by \$2.7 million to \$100.6 million. This was a 2.7% increase over the prior year. Retirement contributions are calculated at 5% of retirement salary for each member. The employer matches this amount. Members may also pay contributions to reinstate previously withdrawn service credit or to purchase various types of elective credit.

The net investment gain was \$198.4 million as compared to a net investment gain of \$73.2 million in 2003. All investment related expenses, such as fees paid to investment managers, are reflected as a reduction in revenue and are accounted for in this net figure.

Expenses – Deductions from Plan Net Assets

The primary expenses of NTRS include the payment of pension benefits to members and beneficiaries, refunds of contributions to former members, and the cost of administering the System. Total expenses for fiscal year 2004 were \$88.5 million, an increase of 12.9% over fiscal year 2003.

Benefit expenses increased by \$7.5 million. This was a result of cost-of-living increases applied to the benefits of current retirees and the addition of 1,118 new service and disability retirees. There were no changes to the benefit formula during 2004. Refunds of contributions increased by \$2.4 million to \$10.4 million.

Administrative expenses increased by \$0.3 million to \$3.2 million. This was a 9.0% increase. This increase is mainly attributable to providing a 3% COLA increase for staff members, conducting a required

Trustee election and adding five staff members for Member Services. The cost of these items was charged 60% to PSRS and 40% to NTRS. As noted for PSRS, our Board continually strives to manage the Systems in a cost effective manner. The total cost (including all investment expenses) to administer the Systems in fiscal year 2004 was less than 0.17%. Per the 2003 Cost Effective Measurement Study of U.S. Pension Funds, the average cost to administer public funds is 0.31%.

Summary

Due to the long-term nature of defined benefit pension plans, it is important to look at the financial performance of the Systems over a period of years and not just at this single point in time. Although our earnings exceeded the 8% return assumption in 2004, our long-term financial concerns remain. The current contribution rates are still below the annual required contribution rates of 27.76% for PSRS and 12.56% for NTRS. Unless our investment returns greatly exceed our assumptions and expectations, we can expect contribution rate increases over the next several years. In addition, management will continue to strive to improve the financial position of the Systems through a prudent investment program and long-term strategic planning.

Requests for Information

This financial report is designed to provide the Board of Trustees, our members, and other users of our financial report with a general overview of the Systems' finances and to demonstrate the Systems' accountability for the money they receive. If you have any questions about this report or need additional financial information, contact the Public School and Non-Teacher School Employee Retirement System, P.O. Box 268, Jefferson City, MO 65102.

Statements of Plan Net Assets

As of June 30, 2004 with comparative totals for June 30, 2003

	PSRS	NTRS	Totals	
			June 30, 2004	June 30, 2003
ASSETS				
Cash	\$ 56,239,259	\$ 10,966,140	\$ 67,205,399	\$ 80,091,737
Receivables				
Contributions	115,256,048	10,448,208	125,704,256	118,873,551
Accrued interest and dividends	81,821,679	6,982,477	88,804,156	80,138,690
Investment sales	1,244,646,934	121,978,719	1,366,625,653	1,155,538,911
Due from NTRS	150,034	-	150,034	94,105
Other	224,754	16,633	241,387	124,090
Total receivables	1,442,099,449	139,426,037	1,581,525,486	1,354,769,347
Investments, at fair value				
Fixed income	9,244,379,497	790,981,656	10,035,361,153	10,426,208,619
Domestic stocks	8,740,375,111	736,729,209	9,477,104,320	8,103,655,384
International equities	3,848,121,518	326,240,790	4,174,362,308	2,968,338,051
Short term investments	451,558,155	48,688,253	500,246,408	1,101,773,646
Total investments	22,284,434,281	1,902,639,908	24,187,074,189	22,599,975,700
Invested securities lending collateral	3,080,733,856	204,801,001	3,285,534,857	2,251,379,438
Prepaid expenses	379,233	14,666	393,899	191,069
Capital assets, net of accumulated depreciation	9,235,232	-	9,235,232	9,369,445
Total assets	26,873,121,310	2,257,847,752	29,130,969,062	26,295,776,736
LIABILITIES				
Accounts payable	9,002,831	770,853	9,773,684	7,598,656
Interest payable	1,947,252	213,926	2,161,178	1,601,216
Securities lending collateral	3,080,733,856	204,801,001	3,285,534,857	2,251,379,438
Investment purchases	1,630,853,923	163,506,329	1,794,360,252	2,309,029,566
Due to PSRS	-	150,034	150,034	94,105
Lease liability	-	-	-	10,036
Compensated absences	203,543	135,695	339,238	312,537
Total liabilities	4,722,741,405	369,577,838	5,092,319,243	4,570,025,554
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
	<u>\$ 22,150,379,905</u>	<u>\$ 1,888,269,914</u>	<u>\$ 24,038,649,819</u>	<u>\$ 21,725,751,182</u>
<i>(Schedules of Funding Progress for the plans are presented on page 35)</i>				

See accompanying Notes to the Financial Statements.

Statements of Changes in Plan Net Assets

For the year ended June 30, 2004 with comparative totals for the year ended June 30, 2003

	Totals Year Ended			
	PSRS	NTRS	2004	2003
ADDITIONS				
Contributions				
Employer	\$ 359,762,556	\$ 49,976,898	\$ 409,739,454	\$ 404,912,353
Member	405,614,103	50,625,153	456,239,256	427,428,136
Total contributions	<u>765,376,659</u>	<u>100,602,051</u>	<u>865,978,710</u>	<u>832,340,489</u>
Investment income				
<i>From investing activities:</i>				
Net appreciation in fair value of investments	1,985,675,475	163,386,408	2,149,061,883	495,108,666
Interest from investments	279,862,927	23,927,227	303,790,154	322,567,429
Interest from bank deposits	62,438	2,624	65,062	92,014
Dividends	158,216,208	13,144,066	171,360,274	144,155,474
Total investment income	<u>2,423,817,048</u>	<u>200,460,325</u>	<u>2,624,277,373</u>	<u>961,923,583</u>
Less investment expenses	31,832,929	2,907,038	34,739,967	28,514,808
Net income from investing activities	<u>2,391,984,119</u>	<u>197,553,287</u>	<u>2,589,537,406</u>	<u>933,408,775</u>
<i>From security lending activities:</i>				
Security lending gross income	35,870,940	2,746,093	38,617,033	51,564,081
Less security lending activity expenses:				
Agent fees	2,140,864	166,117	2,306,981	3,488,537
Broker rebates	23,148,361	1,743,953	24,892,314	34,957,235
Total security lending expenses	<u>25,289,225</u>	<u>1,910,070</u>	<u>27,199,295</u>	<u>38,445,772</u>
Net income from security lending activity	<u>10,581,715</u>	<u>836,023</u>	<u>11,417,738</u>	<u>13,118,309</u>
Total net investment income	<u>2,402,565,834</u>	<u>198,389,310</u>	<u>2,600,955,144</u>	<u>946,527,084</u>
Other income				
NTRS capital asset charge	309,557	-	309,557	240,353
Miscellaneous income	178,621	9,695	188,316	127,039
Total other income	<u>488,178</u>	<u>9,695</u>	<u>497,873</u>	<u>367,392</u>
Total additions	<u>3,168,430,671</u>	<u>299,001,056</u>	<u>3,467,431,727</u>	<u>1,779,234,965</u>
DEDUCTIONS				
Monthly benefits	1,024,739,904	74,870,838	1,099,610,742	997,848,298
Refunds of contributions	36,018,258	10,419,660	46,437,918	36,507,823
Administrative expenses	5,265,259	3,210,161	8,475,420	7,620,021
Other expenses	8,882	128	9,010	1,761
Total deductions	<u>1,066,032,303</u>	<u>88,500,787</u>	<u>1,154,533,090</u>	<u>1,041,977,903</u>
Net increase	2,102,398,368	210,500,269	2,312,898,637	737,257,062
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
Beginning of year	20,047,981,537	1,677,769,645	21,725,751,182	20,988,494,120
End of year	<u>\$ 22,150,379,905</u>	<u>\$ 1,888,269,914</u>	<u>\$ 24,038,649,819</u>	<u>\$ 21,725,751,182</u>

See accompanying Notes to the Financial Statements.

Notes to the Financial Statements

June 30, 2004

(with comparative information for June 30, 2003)

Note 1 – Plan Descriptions

The Board of Trustees of the Public School Retirement System administers two separate retirement systems, the Public School Retirement System (PSRS) and the Non-Teacher School Employee Retirement System (NTRS). The Board of Trustees consists of seven members, three of whom are elected PSRS active members, one an elected active member of NTRS and three persons appointed by the governor, one of whom must be a retired member of either PSRS or NTRS.

The funds of the two Systems are invested in conjunction with each other but each System retains title to its own investments. Each System's assets may be used only for the payment of benefits to the members of the separate System in accordance with the statutes governing that System as well as expenses required to administer the System.

The Public School Retirement System

The Public School Retirement System of Missouri (PSRS) is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. The System also includes certificated employees of PSRS, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the state of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989.

PSRS was established as an independent trust fund by an Act of the Missouri General Assembly effective August 1, 1945. Statutes governing the Retirement System are found in Sections 169.010-169.141 and Sections 169.560-169.595, RSMo. It is a defined benefit plan providing service retirement, death and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of creditable service. Individu-

als who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service credit and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% formula factor. Beginning July 1, 2001, and ending June 30, 2008, a 2.55% formula factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55, or with 25 years of service (if not yet age 55). Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of credit may retire with a lesser benefit formula factor during a window that will close July 1, 2008.

Beginning September 2003, members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Option 1, Single-Life benefit amount. Annual cost-of-living adjustments (COLAs) are provided for eligible service and disability retirees and for surviving beneficiaries receiving payments under optional retirement plans, up to a lifetime maximum of 80% of the original benefit amount.

Contributions – PSRS members were required to contribute 10.5% of their annual covered salary during both fiscal years. The employing districts were required to match the contributions made by employees. The contribution rate is set each year by the Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030, RSMo. Administrative costs are financed through investment earnings. Contributions for employees of the state of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8, RSMo.

FINANCIAL SECTION

Members – The number of PSRS membership and benefit recipients served by the System at June 30 was:

	<u>2004</u>	<u>2003</u>
Retirees and beneficiaries receiving benefits	34,230	32,249
Inactive members entitled to but not yet receiving benefits	5,338	5,031
Active members:		
Vested	52,628	51,580
Non-vested	<u>21,169</u>	<u>22,767</u>
Total active members	73,797	74,347
Other inactive members	<u>6,336</u>	<u>5,300</u>
Total	<u>119,701</u>	<u>116,927</u>

Employers – PSRS had 545 contributing employers during 2003-2004, and 546 during 2002-2003.

The Non-Teacher School Employee Retirement System

The Non-Teacher School Employee Retirement System of Missouri (NTRS) is a mandatory cost-sharing multiple employer retirement system for all public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a regular basis and who are not contributing members of the Public School Retirement System of Missouri (PSRS) must contribute to NTRS. Employees of PSRS who do not hold Missouri teaching certificates also contribute to NTRS.

NTRS was established as a trust fund by an Act of the Missouri General Assembly effective October 13, 1965. Statutes governing the Retirement System are found in Sections 169.600-169.715 and Sections 169.560-169.595, RSMo. The statutes place responsibility for the operation of NTRS on the Trustees of the Public School Retirement System.

NTRS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of creditable service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the “Rule of 80” (service credit and age total at least 80) are entitled to a monthly benefit for life, which

is calculated using a 1.61% formula factor. Members qualifying for “Rule of 80” or “30 and Out” are entitled to a temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the “Rule of 80” but have between 25 and 29.9 years of credit may retire with a lesser benefit formula factor during a window that will close July 1, 2008. Beginning September 2003, members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Option 1, Single-Life benefit amount. Annual cost-of-living adjustments (COLAs) up to a lifetime maximum of 80% of the original benefit amount are provided for eligible service and disability retirees and for surviving beneficiaries receiving payments under optional retirement plans.

Contributions – NTRS members were required to contribute 5.0% of their annual covered salary during both years. The employing districts were required to match the contributions made by their employees. The contribution rate is set each year by the Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions in Section 169.620, RSMo. Administrative costs proportional to its membership size are reimbursed by NTRS to the Public School Retirement System and are financed through investment earnings.

FINANCIAL SECTION

Members – The number of NTRS membership and benefit recipients served by the System at June 30 was:

	<u>2004</u>	<u>2003</u>
Retirees and beneficiaries receiving benefits	15,445	14,837
Inactive members entitled to but not yet receiving benefits	3,246	3,002
Active members:		
Vested	22,683	21,408
Non-Vested	<u>23,197</u>	<u>25,455</u>
Total active members	45,880	46,863
Other inactive members	<u>15,591</u>	<u>14,649</u>
Total	<u>80,162</u>	<u>79,351</u>

Employers – NTRS had 536 contributing employers during both years.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting – The financial statements of both Systems were prepared using the accrual basis of accounting. For both Systems, member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds are recognized when due and payable in accordance with the statutes governing the Systems. Expenses are recognized when the liability is incurred, regardless of when payment is made. Administrative expenses are funded through investment earnings.

Cash – Cash includes cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables – Receivables consist primarily of contributions owed and yet to be remitted by the employing districts, pending investment trades and interest and dividends payable to the Systems as of the end of each fiscal year.

Method Used to Value Investments – Investments are reported at fair value on a trade date basis. Securities traded on international exchanges are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value.

Capital Assets – The building and most other capital assets are owned by PSRS and are stated at cost less depreciation accumulated since acquisition. The stated value does not purport to represent replacement or realized value. Costs of major additions and improvements are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is calculated using the straight-line method, with estimated lives ranging from three to 40 years in the following major classes: computers and software, three years; vehicles, five years; equipment, five years; building and land improvements, 15 years; building, 40 years.

NTRS owns office equipment purchased before 1997 and follows the same guidelines for depreciation. NTRS reimburses PSRS for the use of capital assets used by the two Systems on a proportional basis. The amount of this reimbursement was \$309,557 in 2004 and \$240,353 in 2003.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at June 30, 2004. Actual results could differ from those estimates.

Note 3 – Designations of Net Assets Held in Trust for Pension Benefits

The Systems designate the net assets held in trust for pension benefits for the following specific purposes:

PSRS

	<u>2004</u>	<u>2003</u>
<i>Designated for Members' Contributions (Member Reserves) –</i> Accumulation of active and terminated member contributions plus interest.	\$ 4,896,240,545	\$ 4,657,734,877
<i>Designated for the Payment of Benefits to Present Retirees –</i> Transfers from Member Reserves at retirement and an actuarially determined transfer from Operating Reserves to fund the System's obligation for benefit payments and cost-of-living adjustments to current retirees and beneficiary recipients.	12,624,731,188	11,386,250,807
<i>Designated for Additional Deposit Annuities –</i> Accumulation of the additional deposits over and above the contributions required by law. Defined contribution annuity payments are made to current retirees from this reserve.	1,193,950	1,292,088
<i>Designated for Operating Expenses/Benefits to Future Retirees (Operating Reserves) –</i> Accumulation of employer contributions and investment income used to fund future benefit payments, interest on member accounts and administration and maintenance expenses of the System.	4,628,214,222	4,002,703,765
Net Assets Held In Trust For Pension Benefits	<u>\$22,150,379,905</u>	<u>\$20,047,981,537</u>

NTRS

	<u>2004</u>	<u>2003</u>
<i>Designated for Members' Contributions (Member Reserves) –</i> Accumulation of active and terminated member contributions plus interest.	\$ 423,501,594	\$ 383,179,328
<i>Designated for the Payment of Benefits to Present Retirees –</i> Transfers from Member Reserves at retirement and an actuarially determined transfer from Operating Reserves to fund the System's obligation for benefit payments and cost-of-living adjustments to current retirees and beneficiary recipients.	804,863,982	731,059,146
<i>Designated for Operating Expenses/Benefits to Future Retirees (Operating Reserves) –</i> Accumulation of employer contributions and investment income used to fund future benefit payments, interest on member accounts and administration and maintenance expenses of the System.	659,904,338	563,531,171
Net Assets Held In Trust For Pension Benefits	<u>\$ 1,888,269,914</u>	<u>\$ 1,677,769,645</u>

FINANCIAL SECTION

Note 4 – Deposits and Investments

Deposits – Cash balances include short-term securities held by the custodial bank to meet future System obligations and operating balances held by the depository banks.

At June 30, 2004, the PSRS carrying amount of deposits at the depository bank was \$11,923,921 and the bank balance was \$4,531,429. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining \$4,431,429 was collateralized with securities held by the pledging financial institution's trust department or agent in the System's name.

At June 30, 2004, the NTRS carrying amount of deposits at the depository bank was (\$671,176) and the bank balance was \$0. Since the bank balance was \$0, no amount was required to be collateralized. To maximize investment income, the float caused by outstanding checks was invested in overnight repurchase agreements, thus causing the negative book balance. These overnight repurchase agreements are reflected on the Schedule of Investments in Note 4.

The deposits held by the custodial bank are in a pooled short-term investment fund which are not required to be categorized.

The following are the balances of these accounts at June 30:

	<u>2004 Book</u>	<u>2004 Bank</u>	<u>2003 Book</u>	<u>2003 Bank</u>
PSRS				
Depository bank	\$ 11,923,921	\$ 4,531,429	\$ 16,884,157	\$ 14,588,084
Custodial bank	41,765,660	41,765,660	38,109,933	38,109,933
NTRS				
Depository bank	\$ (671,176)	\$ -	\$ (577,789)	\$ -
Custodial bank	10,302,490	10,302,490	23,412,206	23,412,206

Authorization of Investments – Funds for both Systems that are in excess of a safe operating balance are invested by the investment agents under policies and procedures established by the Board of Trustees. Chapter 160.040, RSMo as amended effective August 13, 1984, authorizes any investment which a prudent person acting in a like capacity and familiar with similar matters would use in the conduct of an enterprise of a like character and with like aims. Any person with fiduciary responsibility with respect to the Systems is covered by this “prudent person” rule.

Categories of Custodial Credit Risk – The Governmental Accounting Standards Board Statement No. 3 requires disclosure of custodial credit risk. Investments are categorized into three categories of credit risk. Category 1 includes investments

that are insured or registered or for which the securities are held by the Systems' custodial agent in the name of each System. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the name of each System. Category 3 includes uninsured and unregistered investments, which are held by the custodial agent, but not in the Systems' names.

A security for purposes of credit risk disclosure is a transferable financial instrument that evidences ownership or creditorship. “Securities” do not include investments made in open-end pooled funds or securities on loan to broker-dealers under the security lending program. Such investments are shown as “not categorized.”

FINANCIAL SECTION

PSRS

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Category 1 Investments		
Municipals	\$ 5,918,455	\$ 18,995,888
U.S. Government & agencies securities	2,262,209,909	3,469,437,328
Domestic fixed income	1,703,635,959	1,601,906,662
Domestic equities	5,732,753,650	5,120,315,836
International equities	3,303,545,619	2,283,849,138
REITS	-	8,731,610
Category 2 Investments		
Repurchase agreements	2,549,677	526,665
Investments Not Categorized		
Loaned under the securities lending program		
U.S. Government & agencies securities	1,968,468,370	1,175,432,075
Domestic corporate fixed income securities	127,339,698	64,444,910
Domestic equities	446,300,952	396,286,661
International equities	538,624,836	459,031,133
Pooled funds		
Domestic corporate fixed income securities	2,646,903,719	3,299,006,678
Domestic equities	3,097,174,959	1,964,540,138
Money market fund	451,558,155	1,026,676,673
Total Investments	<u>22,286,983,958</u>	<u>20,889,181,395</u>
Security lending collateral (not categorized)	3,080,733,856	2,095,194,779
Total	<u>\$ 25,367,717,814</u>	<u>\$ 22,984,376,174</u>
Reconciliation to Statements of Plan Net Assets		
Number from above	\$ 25,367,717,814	\$ 22,984,376,174
Less:		
Security lending collateral	(3,080,733,856)	(2,095,194,779)
Repurchase agreements reported as cash	(2,549,677)	(526,665)
Investments per Statements of Plan Net Assets	<u>\$ 22,284,434,281</u>	<u>\$ 20,888,654,730</u>

FINANCIAL SECTION

NTRS

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Category 1 Investments		
Municipals	\$ 11,020,815	\$ 1,538,048
U.S. Government & agencies securities	232,149,591	283,769,008
Domestic fixed income	135,293,744	132,363,051
Domestic equities	494,557,039	426,293,352
International equities	288,673,678	195,728,912
REITS	1,301,633	703,864
Category 2 Investments		
Repurchase agreements	1,334,826	1,736,565
Investments Not Categorized		
Loaned under the securities lending program		
U.S. Government & agencies securities	129,254,569	95,389,446
Domestic fixed income	9,646,743	4,530,475
Domestic equities	28,511,660	26,535,870
International equities	37,388,029	29,728,868
Pooled funds		
Domestic corporate fixed income securities	223,076,872	279,395,050
Domestic equities	263,077,282	260,248,053
Money market fund	48,688,253	75,096,973
Total Investments	<u>1,903,974,734</u>	<u>1,713,057,535</u>
Security lending collateral (not categorized)	204,801,001	156,184,659
Total	<u><u>\$ 2,108,775,735</u></u>	<u><u>\$ 1,869,242,194</u></u>
Reconciliation to Statements of Plan Net Assets		
Number from above	\$ 2,108,775,735	\$ 1,869,242,194
Less:		
Security lending collateral	(204,801,001)	(156,184,659)
Repurchase agreements reported as cash	(1,334,826)	(1,736,565)
Investments per Statements of Plan Net Assets	<u><u>\$ 1,902,639,908</u></u>	<u><u>\$ 1,711,320,970</u></u>

FINANCIAL SECTION

Derivatives – The Systems are parties to certain financial investments with off-balance sheet risk used in the normal course of business to generate earnings and reduce exposure to fluctuations in market conditions. Derivatives are reported at fair value on the Statement of Plan Net Assets.

International security managers are authorized to engage in forward contracts to exchange different currencies at a specified date and rate. These forward contracts involve elements of custodial and market risk in excess of the amount recognized in the Statements of Plan Net Assets. The forward exchange contracts purchased/sold in effect at June 30 are shown below.

<u>2004</u>	<u>Purchase Value</u>	<u>Fair Value</u>
PSRS	\$ 415,301,646	\$ 414,301,788
NTRS	37,987,519	37,896,109
<u>2003</u>	<u>Purchase Value</u>	<u>Fair Value</u>
PSRS	\$ 61,969,938	\$ 62,812,527
NTRS	4,982,163	4,972,295

The Net Appreciation in Fair Value of Investments found on the Statements of Changes in Plan Net Assets includes for PSRS a net gain on forward contracts and currency disposal of \$11,931,529 during 2003-2004 and a net loss of \$1,722,322 during 2002-2003. NTRS had a similar net gain of \$978,997 during 2003-2004 and a net loss of \$149,542 in 2002-2003.

Certain managers are authorized to enter into contractual commitments involving other financial instruments with off-balance-sheet risk. During the year, the Systems held Russell 2000 futures, S&P 500 futures, equity linked notes, and Treasury futures. These are used to minimize the expenses and volatility of the portfolio.

In addition to the currency forwards listed above, the following derivatives were held by the Systems at June 30, 2004:

<u>Type</u>	<u>PSRS Notional Value</u>	<u>NTRS Notional Value</u>
S&P 500 futures	\$ 33,003,471	\$ 2,750,458
Russell 2000 futures	6,528,744	550,907
Equity linked notes	4,678,721	432,740
Treasury futures	67,202,827	5,365,663
Total	<u>\$ 111,413,763</u>	<u>\$ 9,099,768</u>

The Systems' exposure to derivatives as a percent of total investments does not differ substantially from June 30, 2003.

Security Lending Activity – Under the “prudent person” authority of the governing statutes and in accordance with the policies set by the Board of Trustees, the Systems lend securities to broker-dealers and banks pursuant to a form of loan agreement. The Systems' custodial bank is authorized to lend available securities to approved broker-dealers and banks subject to the receipt of acceptable collateral.

During the fiscal year, the Systems lent securities and received cash (both U.S. and foreign currency), securities issued or guaranteed by the U.S. government or its agencies, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. The Systems did not have the ability to pledge or sell noncash collateral absent borrower default. Borrowers were required to deliver collateral for each loan equal to: (1) in the case of loaned securities denominated in U.S. dollars or whose primary trading market was located in the United States, or sovereign debt issued by foreign governments, 102% of the fair value of the loaned securities; and (2) in the case of loaned securities not denominated in U.S. dollars or whose primary trading market was not located in the United States, 105% of the fair value of the loaned securities.

The Systems did not impose any restrictions during the fiscal year on the amount of the loans that the custodial bank made on their behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the year. There were no losses during the year resulting from a default of the borrowers or the custodial bank.

The Systems and borrowers each maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested; together with the cash collateral of other qualified tax-exempt plan lenders in a collective investment pool. The average duration of such investment pool as of June 30, 2004 was 55 days and an average weighted maturity of 483 days. Because the loans were terminable at will, their duration did not match the duration of the investments made with cash collateral. On June 30, 2004 the Systems had no credit risk exposure to borrowers because the amounts the Systems owed the borrowers exceeded the amounts the borrowers owed the Systems.

The collateral held (including both cash collateral recognized in the Statements of Plan Net Assets and non-cash collateral) and the fair values of securities on loan for PSRS were \$3,213,285,256 and \$3,143,015,722 for June 30, 2004 and \$2,363,532,666 and \$2,270,277,863 for June 30, 2003. Net security lending income was \$10,581,715 for the 2003-2004 fiscal year and \$12,129,376 for the 2002-2003 fiscal year.

The collateral held (including both cash collateral recognized in the Statements of Plan Net Assets and non-cash collateral) and the fair values of securities on loan for NTRS were \$220,773,492 and \$215,953,336 for June 30, 2004 and \$183,147,489 and \$174,836,594 for June 30, 2003. Net security lending income was \$836,023 for the 2003-2004 fiscal year and \$988,933 for the 2002-2003 fiscal year.

The collective investment pool in which the collateral received from security lending loans is invested has the following characteristics. The fair value of the investments held by the pooled fund is based upon valuations provided by a recognized pricing service. Because the pooled fund does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, the fund's investments are val-

ued at fair market value for reporting purposes. The pooled fund is not registered with the Securities and Exchange Commission.

The custodial bank and, consequently, the investment vehicles it sponsors (including the pooled fund), are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Systems' position in the pooled fund is not the same as the value of the fund shares. The Systems had no involuntary participation in an external investment pool through this fund and no income from one fund was assigned to another fund by the custodial bank during either fiscal year.

Note 5 – Additional Deposits Program

Section 169.035, RSMo provides for an additional deposits program for PSRS members. Members may make payments above the required defined benefit contribution amount to the retirement system in order to provide a monthly annuity at retirement based on the total of the deposits and interest.

This annuity is in addition to the defined benefit allowance provided by the System. Contributions to the program are tax-sheltered. As of September 1, 1996 new deposits to the program were limited to members currently with deposits in the program. No additional deposits were made during 2003-2004. The deposits and interest of the one member who has not yet retired totaled \$1,465 as of June 30, 2004.

The deposits to the program are included in the investment program of the PSRS defined benefit plan. The additional deposits program's basis of accounting and the asset valuation are identical to the defined benefit plan.

Note 6 – Retirement Plans

Section 401 (a) Defined Benefit Plan

All full-time System employees holding a valid Missouri teaching certificate are covered by PSRS. All other eligible employees are members of NTRS. Both Systems provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 169 RSMo contains the statutory provisions of both Systems.

PSRS members were required to contribute 10.5% of their annual covered salary during both years. PSRS, as the employer, was required to match that amount. The contribution rate is established and may be amended by the Board of Trustees. Employer contributions to PSRS totaled \$24,164 for the 2003-2004 fiscal year and \$28,618 for 2002-2003. The amounts for these years are equal to the required contributions.

NTRS members were required to contribute 5% of their annual covered salary during both years. PSRS, as the employer, was required to match that amount. The contribution rate is established and may be amended by the Board of Trustees. Employer contributions to NTRS totaled \$216,429 for the 2003-2004 fiscal year and \$195,887 for 2002-2003. The amounts for these years are equal to the required contributions.

Section 457 Deferred Compensation Plan

A voluntary Section 457 deferred compensation plan is administered to provide additional retirement benefits for employees. The plan provides for employer-matching contributions up to a set maximum. The total contributions are subject to the limitations established in IRC Section 457. The Board of Trustees has authority to establish the employer contribution levels. For employees that are members of PSRS, the System will match up to \$50 per month. For employees that are members of NTRS, the System will match \$50 plus 0.52% of salary per month. For certain employees, the System will make employer-paid contributions of \$1,000 per month. This is governed by individual employment contracts as approved by the Board of Trustees.

All employees immediately vest in the employer-matching and employer-paid contributions. Employer-matching contributions totaled \$60,804 for the 2003-2004 fiscal year and \$57,722 for the 2002-2003 fiscal year. Employer-paid contributions totaled \$24,000 for the 2003-2004 fiscal year and \$17,250 for the 2002-2003 fiscal year. Employee contributions totaled \$126,939 for the 2003-2004 fiscal year and \$131,077 for the 2002-2003 fiscal year.

Maintenance of individual member accounts and custody of assets have been contracted to a third party administrator and investment custodian. Total contributions are sent directly to the third party administrator by the employer. Employees can self-direct investments of their contributions and their respective share of matching contributions in a number of investment options. Because the System does not hold the plan's assets and does not have significant administrative responsibilities, the plan's assets and changes in net assets are not reported in the Systems' financial statements.

Note 7 – Risk Management

The Systems are exposed to various risks of loss related to natural disasters, errors and omissions, loss of assets, torts, etc. The Systems have chosen to cover such losses through the purchase of commercial insurance. There have been no material insurance claims filed or paid during the past three years.

The Systems have a disaster recovery plan that provides for continued computer operations at a remote location should the retirement office be unavailable for normal operations.

Note 8 – Commitments and Contingencies

PSRS was committed to the future purchase of investments at a cost of \$1,630,853,923 on June 30, 2004 and to the future purchase of \$2,145,805,458 in investments on June 30, 2003. NTRS had investment commitments of \$163,506,329 on June 30, 2004 and \$163,224,108 on June 30, 2003.

Certain legal proceedings are pending against PSRS and NTRS arising from normal activities. Although unable to predict the outcome of these matters, the Systems believe the final outcome of these actions will not have a material adverse effect on the Systems' financial statements.

Schedules of Funding Progress

Required Supplementary Information

Public School Retirement System

(Dollar amount in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)– Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/1999	\$ 17,209,870	\$ 16,373,144 ¹	\$ (836,726)	105.1%	\$ 2,690,007	(31.1)%
6/30/2000	19,437,223	18,279,113 ²	(1,158,110)	106.3	2,836,062	(40.8)
6/30/2001	21,146,294	21,282,203 ³	135,909	99.4	2,982,051	4.6
6/30/2002	22,236,105	23,333,937 ⁴	1,097,832	95.3	3,213,461	34.2
6/30/2003	20,047,982	24,719,450 ⁵	4,671,468	81.1	3,373,058	138.5
6/30/2004	21,501,572	26,225,259 ⁶	4,723,687	82.0	3,408,230	138.6

¹Legislative improvement to age of eligibility (“Rule of 80”) and ad hoc benefit increases for retirees added \$982.5 million to the AAL.

²Legislative improvements to the benefit formula and ad hoc benefit increases for retirees added \$643 million to the AAL.

³Legislative improvements to the benefit formula and ad hoc benefit increases for retirees added \$630.3 million to the AAL.

Actuarial assumptions were also revised.

⁴There were no legislative changes in fiscal year 2002.

⁵The extension of the 25-and-Out provision to 2008 is included in the AAL for 2003.

⁶There were no legislative changes in fiscal year 2004.

Non-Teacher School Employee Retirement System

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)– Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/1999	\$ 1,335,308	\$ 1,168,511 ¹	\$ (166,797)	114.3%	\$ 685,272	(24.3)%
6/30/2000	1,522,660	1,395,300 ²	(127,360)	109.1	735,400	(17.3)
6/30/2001	1,686,242	1,636,076 ³	(50,166)	103.1	814,158	(6.2)
6/30/2002	1,810,619	1,855,982 ⁴	45,363	97.6	895,420	5.1
6/30/2003	1,677,770	2,049,716 ⁵	371,946	81.9	971,177	38.3
6/30/2004	1,837,308	2,221,210 ⁶	383,902	82.7	984,866	39.0

¹Legislative improvements to age of eligibility and benefit formula plus ad hoc benefit increases for retirees added \$80.3 million to the AAL.

²Legislative improvements to the benefit formula and ad hoc benefit increases for retirees added \$121.7 million to the AAL.

³Legislative improvements to the benefit formula and ad hoc benefit increases for retirees added \$126.4 million to the AAL.

Actuarial assumptions were also revised.

⁴There were no legislative changes in fiscal year 2002.

⁵The extension of the 25-and-Out provision to 2008 is included in the AAL for 2003.

⁶There were no legislative changes in fiscal year 2004.

Schedules of Employer Contributions

Required Supplementary Information

Public School Retirement System

Year Ended June 30	Annual Required Contribution (ARC)	Percentage Contributed
1999	\$ 287,698,736	100.0%
2000	304,944,352	100.0
2001	324,525,673	100.0
2002	340,000,556	100.0
2003	355,979,027	94.5
2004	359,762,556	75.7

Non-Teacher School Employee Retirement System

Year Ended June 30	Annual Required Contribution (ARC)	Percentage Contributed
1999	\$ 30,012,859	100.0%
2000	34,185,605	100.0
2001	37,500,243	100.0
2002	45,773,119	100.0
2003	48,933,326	92.6
2004	49,976,808	80.2

Notes to the Schedules of Trend Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2004
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent, Open
Remaining amortization period	
PSRS	30 years (1)
NTRS	30 years (2)
Asset valuation method	5-year smoothed market Marked to Market as of June 30, 2003
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	
PSRS	5.0 - 10.0%
NTRS	5.0 - 10.0%
*Includes inflation at	3.5%
Cost-of-living adjustments	3.5%

- 1) 30 year amortization assumes an ARC rate of 27.76% for fiscal year 2005. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Contribution rates will be established by actuarial valuation.
- 2) 30 year amortization assumes an ARC rate of 12.56% for fiscal year 2005. The annual statutory increase in the total contribution rate may not exceed .5% of pay. Contribution rates will be established by actuarial valuation.

See accompanying Independent Auditors' Report.

Schedule of Administrative Expenses

For the year ended June 30, 2004

	PSRS	NTRS	TOTAL
Personal services	\$ 2,900,969	\$ 1,932,723	\$ 4,833,692
Professional services			
Actuarial	67,911	42,790	110,701
Audit	20,100	13,400	33,500
Computer consultants	95,152	63,435	158,587
Insurance consultant	3,600	2,400	6,000
Legislative consultant	19,200	12,800	32,000
Other consultants	12,583	8,389	20,972
Legal expenses	132,532	18,989	151,521
Total professional services	351,078	162,203	513,281
Communications			
Information and publicity	366,311	246,021	612,332
Postage	69,143	55,778	124,921
Printing	73,492	62,302	135,794
Staff field	23,517	8,061	31,578
Telephone	65,952	43,967	109,919
Total communications	598,415	416,129	1,014,544
Miscellaneous			
Building and utilities	72,762	48,505	121,267
Board of Trustees	90,640	60,426	151,066
Insurance	73,214	48,809	122,023
Office	205,475	136,983	342,458
Staff development	105,705	70,568	176,273
Miscellaneous	89,305	24,258	113,563
Total miscellaneous	637,101	389,549	1,026,650
Charge for use of capital assets	-	309,557	309,557
Depreciation expense	777,696	-	777,696
Total administrative expenses	\$ 5,265,259	\$ 3,210,161	\$ 8,475,420

See accompanying Independent Auditors' Report.

Schedule of Investment Expenses

For the year ended June 30, 2004

	<u>PSRS</u>	<u>NTRS</u>	<u>TOTAL</u>
Investment management expenses			
U.S. equity	\$ 14,250,508	\$ 1,195,701	\$ 15,446,209
International equity	8,549,128	717,222	9,266,350
Fixed income	5,380,705	456,786	5,837,491
Private equity	792,958	61,948	854,906
Total investment management expenses	<u>28,973,299</u>	<u>2,431,657</u>	<u>31,404,956</u>
Investment consultant fees	378,246	36,768	415,014
Custodial bank fees	2,089,436	177,312	2,266,748
Investment staff expenses	391,948	261,301	653,249
Total investment income expenses	<u>\$ 31,832,929</u>	<u>\$ 2,907,038</u>	<u>\$ 34,739,967</u>
Security lending expenses			
Agent fees	\$ 2,140,864	\$ 166,117	\$ 2,306,981
Broker rebates	23,148,361	1,743,953	24,892,314
Total security lending expenses	<u>\$ 25,289,225</u>	<u>\$ 1,910,070</u>	<u>\$ 27,199,295</u>

See accompanying Independent Auditors' Report.

Schedule of Professional/Consultant Fees

For the year ended June 30, 2004

	<u>PSRS</u>	<u>NTRS</u>	<u>TOTAL</u>
Actuarial services	\$ 67,911	\$ 42,790	\$ 110,701
Legal counsel	132,532	18,989	151,521
Financial audit	20,100	13,400	33,500
Legislative consulting	19,200	12,800	32,000
Technology consulting	95,152	63,435	158,587
Insurance consulting	3,600	2,400	6,000
Other consulting	12,583	8,389	20,972
Total fees	<u>\$ 351,078</u>	<u>\$ 162,203</u>	<u>\$ 513,281</u>

See accompanying Independent Auditors' Report.

INVESTMENT SECTION

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Russell Investment Group
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253-502-4243
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November 12, 2004

To the Members of the Board:

Fiscal year 2004 was a year of economic recovery and growth. After a cautious 2003, investors gained confidence and equity markets rebounded, buoyed by low interest rates, tax cuts and the prospects of new potential in China. This was countered by the threat of terrorism, mutual fund scandals, pre-election uncertainty, and the price of oil. These factors and looming inflation otherwise impeded the market's continued growth toward the end of the fiscal year.

The Total Fund return for the fiscal year ended June 30, 2004 was 12.4% for PSRS and 12.1% for NTRS. Both plans slightly trailed the index return of 12.7%. U.S. equities had positive returns for all four quarters of the fiscal year, though second quarter was the strongest – up over 12%. For the fiscal year, the combined U.S. equity portfolio had solid returns, up 20.9% for PSRS and 20.7% for NTRS, compared with 20.5% for the Russell 3000 Index. Non-U.S. equities, as measured by the MSCI ACWI ex-US Index ended the fiscal year up 32.5%. The non-U.S. equity segments of the PSRS and NTRS plans trailed the index for the year, returning 27.2% and 27.1%, respectively. The U.S. bond market, as represented by the Lehman Aggregate Index, struggled somewhat over the fiscal year, returning 0.3% as investors anticipated rising interest rates. Investment managers for the Systems, however, performed well, as both the PSRS and NTRS plans returned 0.6%. The Real Return Pool, composed of U.S. TIPS, outpaced bonds with a return of 2.8% for the fiscal year.

Over the fiscal year, the Board made additional changes to enhance the return potential of the plans. After an asset/liability study in January 2004, the allocation to non-U.S. equity was increased from 15% to 18% of total plan, 5% was allocated to Real Estate, and the fixed income allocation was decreased to 32%. In April, a real estate consultant, Townsend, was selected. After a restructure of the non-U.S. equity portfolio, the Systems terminated one developed markets manager, and added three new developed markets managers, as well as one dedicated emerging markets manager. A restructure of the fixed income portfolio resulted in the addition of a dedicated core-plus bond manager.

We at Russell have enjoyed the first year of our partnership with Missouri PSRS/NTRS, and look forward to the coming year.

Regards,



Michael Hall, A.S.A., E.A., M.A.A.A., CFA
Senior Consultant

The Public School &
The Non-Teacher School Employee



December 21, 2004

To the Members of the Systems:

On behalf of the PSRS and NTRS internal investment staff, I am pleased to present the following reports on the Systems' investments for the fiscal year ending June 30, 2004. The combined Retirement Systems ended the year as one of the 50 largest defined benefit plans in the United States with total assets of \$23.9 billion.

The Systems' assets increased over \$2.3 billion in fiscal year 2004 as the total fund performance was 12.4% for PSRS and 12.1% for NTRS. The total annualized fund performance for the five-year period was 3.9% for both PSRS and NTRS. The Systems' basic investment objective is to achieve a total return that exceeds the actuarial assumption of 8% over rolling five-year periods. Thus, while PSRS and NTRS exceeded the 8% assumption this past year, the objective was not achieved over the most recent five-year period. Over longer time periods (10 years), the Systems' annual investment return remains above the 8.0% objective. The total annualized fund performance for the ten-year period was 9.4% for both PSRS and NTRS.

The Systems' investment returns in each of the three previous fiscal years were in the top quartile of public funds greater than \$1 billion. The primary reason for the solid relative performance was due to a conservative allocation in the midst of a bear stock market. Conversely, the investment returns for PSRS and NTRS in fiscal year 2004 ranked in the bottom quartile of public funds, again, due primarily to asset allocation. Historically, the Systems' returns have trailed the market (and other public funds) in periods when the stock market has substantially outperformed the bond market. This was the case in fiscal year 2004 as stocks returned in excess of 20% while bonds returned less than 1%.

Changing asset allocation

As referenced above, the investment portfolio of PSRS and NTRS has historically consisted of a fairly conservative mix of stocks and bonds. Specifically, PSRS and NTRS have maintained at least half of the total investments in bonds for most of the life of the Systems. During the bull market that existed from 1982 to 2000, there was little need to invest the funds of the members outside of the traditional asset classes as stocks rose significantly and bonds provided stable returns in a period of falling interest rates. However, the internal investment staff, the external consultant and the Board of Trustees have made significant changes to the asset allocation over the last three years due to the following:

- a reduction in capital market expectations for stocks and bonds, and
- an objective to maintain low volatility within the total investment portfolio.

Lower capital market expectations

As I discussed in my letter to the members in 2003, bond yields have dropped to historical lows over the last several years. Thus, the expectation for fixed income (bond) returns over the next several years has declined accordingly. For example, when the yield on the 10-year Treasury bond was 8% (as it was for much of the late 1980's and early 1990's), one could argue that the expected long-term return on bonds would be centered around 8%. However, when the yield on the 10-year bond is close to 4% (as it is today), the range of expected bond returns by definition must be significantly lower.

Similarly, the consensus return expectation for stocks has dropped to the mid to high single digits for the next three to five years. The lower than normal return expectations are due primarily to the high current stock valuations, the substantial consumer and government debt levels and the vulnerable U.S. dollar. The most recent investment return history is indicative of lower market expectations, as it appears that both stocks and bonds

will close out 2004 with fairly modest returns. The calendar year return for stocks (S&P 500 Index) and bonds (Lehman Aggregate) was 7.5% and 4.2% respectively through December 20, 2004.

Portfolio volatility

The volatility of investment returns matters for institutional investors such as PSRS and NTRS because lower volatility translates into higher returns. If two portfolios have the same average return, the one with the lower volatility will generate a higher compounded annual return. For example, a public fund that generates an average annual return of 10% with returns of 9% and 11% each year will generate a compounded annual return of 10%. However, a public fund that generates an average annual return of 10% with returns of 0% and 20% each year will generate a compounded return of only 9.5%. Thus, the same average rate of return with lower volatility will result in a greater fund balance over time.

The primary method to reduce portfolio volatility is through the introduction of additional, uncorrelated asset classes (diversification). The theory behind utilizing uncorrelated assets is that one asset class may be declining (or lower) in value when another is rising. The result is a smoother series of returns for the portfolio as a whole than if the two asset classes moved down and up in a correlated fashion.

Result of changes

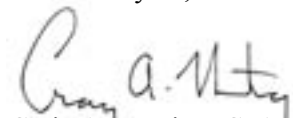
PSRS and NTRS have systematically lowered the allocation to bonds over the last several years and increased the allocation to other asset classes. This is a direct result of the expectation for lower capital market returns and a desire to maintain low portfolio volatility. The following table indicates the asset allocation for the Systems on June 30, 2001 as compared to the target asset allocation for the Systems as of June 30, 2004. The focus of the changing asset allocation has been to incrementally increase the expected return of the portfolio at a reasonable level of risk.

Asset Class	Asset Allocation June 30, 2001	Target Asset Allocation June 30, 2004
Fixed Income (Bonds)	47%	32%
U.S. Equity	38%	37%
Non-U.S. Equity	15%	18%
Real Return Assets	0%	5%
Real Estate	0%	5%
Private Equity	0%	3%

Historically, the Systems have operated in a three dimensional diversification framework (bonds, U.S. stocks and non-U.S. stocks). The Board of Trustees is viewing the addition of several new asset classes as a way to improve returns (relative to bonds), diversify stock risk and contribute greater stability to the overall portfolio. As can be noted on the following pages of the Investment Section, the target allocation has not been fully implemented. However, the Board, staff and consultant are moving prudently toward the target allocation.

In time, the target asset allocation is expected to improve the long-term returns for PSRS and NTRS at the margin while offering considerable diversification. The addition of new asset classes to the portfolio will not provide 'home-run' like returns for the Systems. Instead, the changing asset allocation is expected to enhance the portfolio and increase the probability that PSRS and NTRS can continue to deliver 'singles' through consistent and meaningful investment returns over the long-term for you, the members of the Systems.

Until next year,



Craig A. Husting, CFA
Chief Investment Officer

Investment Highlights

As of June 30, 2004

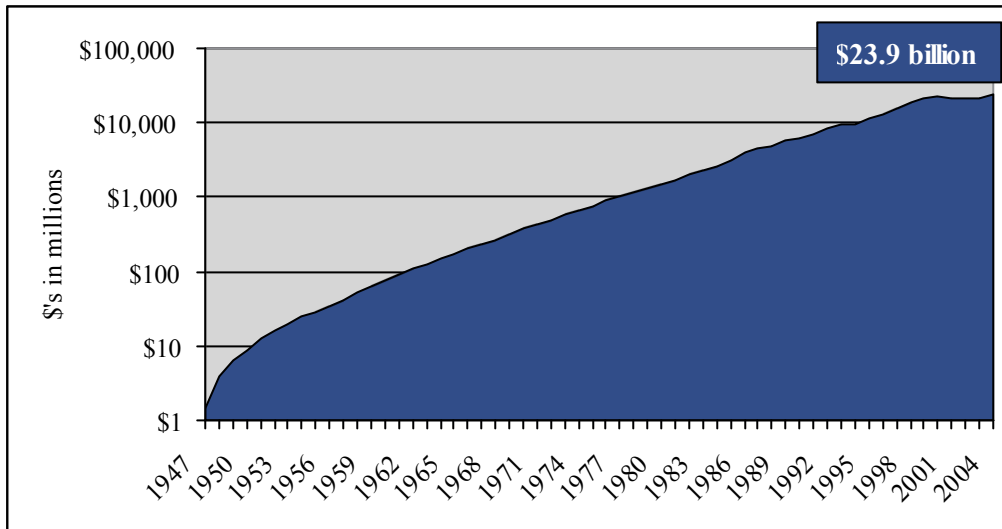
The Board of Trustees of the Public School and the Non-Teacher School Employee Retirement Systems (PSRS/NTRS) is charged with the responsibility for investing the assets of the Systems in a manner consistent with the fiduciary standards set forth in the ‘prudent person’ rule. To that end, the Board has adopted the following principles to guide all investment-related decisions:

- (1) Act in the exclusive interest of the members of the Systems,
- (2) Maximize total return within prudent risk parameters, and
- (3) Preserve the long-term purchasing power of the fund.

The investment portfolios of PSRS/NTRS represent all contributions to the plans, from members and their employers, as well as all net earnings on these assets. These funds are held in support of both current and future liabilities.

Total assets grew to \$23.9 billion as of June 30, 2004 from \$21.6 billion at the beginning of the fiscal year, increasing by approximately \$2.3 billion. This growth resulted primarily from exceptional performance in the equity markets. The long-term growth in assets since the inception of PSRS in 1946 and NTRS in 1965 is shown in the graph below.

57 Years of Growth



PSRS/NTRS Asset Allocation

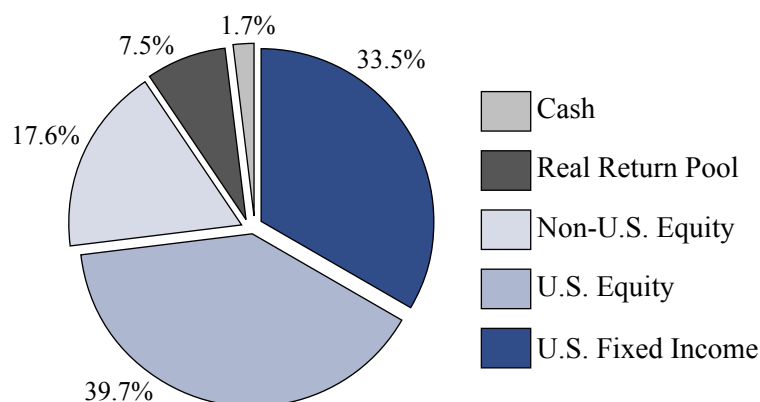
As of June 30, 2004

The time horizon of the Systems' investment portfolio reflects the long-term nature of the PSRS/NTRS pension obligations. Accordingly, diversification among investments displaying unique risk and return characteristics provides the framework for selecting an asset allocation that is expected, in the aggregate, to give the funds the highest long-term return within a prudent risk level.

The Systems' investment portfolio includes strategic, long-term commitments in the following asset

classes: U.S. Fixed Income, U.S. Equities, Non-U.S. Equities, Real Return Assets, Real Estate and Private Equity. The Board approved a 5% allocation to Real Estate in January 2004 with the expectation of being fully invested within a three- to four-year time frame. Interim investment of the Real Estate assets will be held 50% in U.S. Fixed Income and 50% in Real Return Assets. The Systems' asset allocation is reviewed in conjunction with plan liabilities at least every three years.

Asset Allocation 6/30/04



Asset Type	PSRS Market Value	NTRS Market Value	Combined Funds	% of Total	Target Allocation
U.S. Fixed Income	\$ 7,403,889,402	\$ 605,605,189	\$ 8,009,494,591	33.5%	32.0%
U.S. Equity	8,741,191,949	736,563,447	9,477,755,396	39.7	37.0
Non-U.S. Equity	3,872,964,987	328,892,175	4,201,857,162	17.6	18.0
Real Return Pool	1,635,149,318	148,240,106	1,783,389,424	7.5	5.0
Real Estate	0	0	0	0.0	5.0
Private Equity	6,306,006	474,646	6,780,652	0.0	3.0
Cash & Equivalents*	359,393,223	58,332,531	417,725,754	1.7	0.0
Total Investments**	\$ 22,018,894,885	\$ 1,878,108,094	\$ 23,897,002,979	100.0%	100.0%

*All manager-held cash is reflected as cash & equivalents.

** Total investments includes accrued income and excludes securities lending collateral as of June 30, 2004.

Total Fund Review

Periods Ended June 30, 2004

Total Fund Investment Returns*

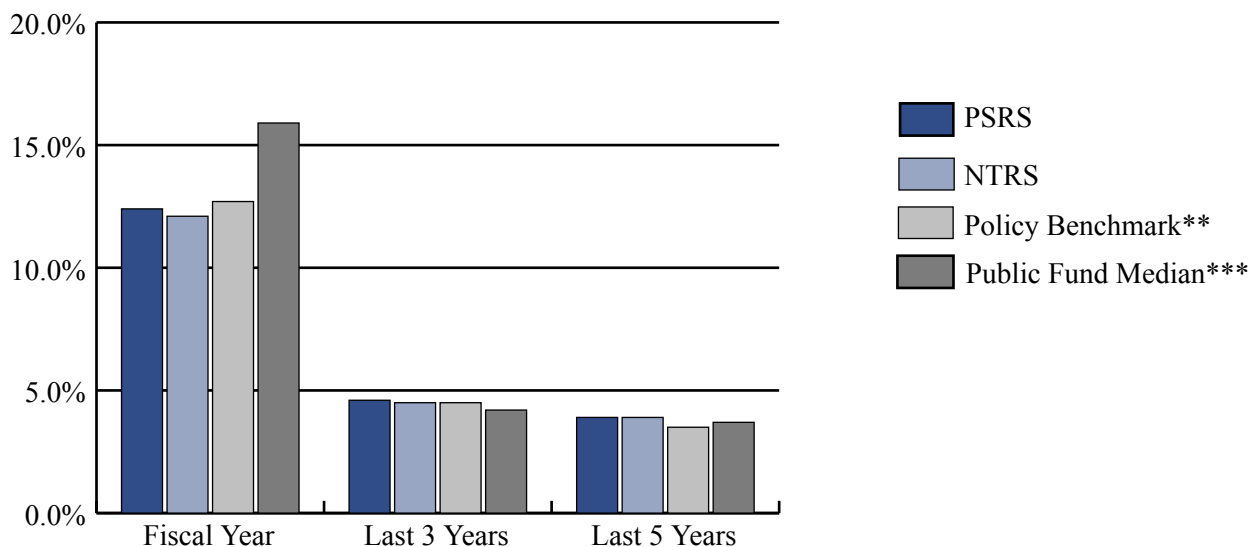
The Board has established a long-term goal to achieve a total investment return of at least 8.0% per year and a real rate of return of at least 4.5% per year. The real rate of return is the rate by which the long-term total return exceeds the inflation rate.

The one-year total returns of 12.4% for PSRS and 12.1% for NTRS were above the long-term investment objective of 8.0% due to a strong equity market environment in fiscal year 2004. The annualized investment returns for the last three- and five-year

periods for both PSRS and NTRS have been less than the 8.0% nominal return objective due to the generally negative trend experienced by equity markets on a global basis since March 2000. As the chart below indicates, the Systems' one-year returns under performed the average public retirement system as a result of the conservative asset allocation employed by the Systems. The three- and five-year returns outperformed, again, due to the conservative asset allocation.

Total Fund Investment Returns 6/30/04

	<u>Fiscal Year</u>	<u>Last 3 Years</u>	<u>Last 5 Years</u>
PSRS	12.4%	4.6%	3.9%
NTRS	12.1	4.5	3.9
Policy Benchmark **	12.7	4.5	3.5
Public Fund Median ***	15.9	4.2	3.7



* Returns were prepared using a time-weighted return in accordance with the CFA Institute's (formerly AIMR) Performance Presentation Standards.

** The policy benchmark is comprised of 34.5% Lehman Aggregate Index, 37% Russell 3000 Index, 18% MSCI All Country World ex-U.S. Free Index, 7.5% Lehman U.S. TIPS Index, 1.5% S&P 500 Index and 1.5% Russell 2000 Index.

*** The public fund median return reflects the performance of a universe of public pension plans with assets in excess of \$1 billion.

Fixed Income Review

As of June 30, 2004

Market Value

As of June 30, 2004, the combined PSRS/NTRS fixed income assets managed by external investment advisors had a market value of approximately \$8.2 billion, representing 34.3% of total assets.

Fixed Income Statistics

The following table displays the statistical characteristics of the PSRS/NTRS bond portfolio as of June 30, 2004 with comparisons shown to the portfolio's policy benchmark (Lehman Aggregate Index). Additionally, the top 10 fixed income holdings as of June 30, 2004 are compared to the top 10 holdings of five years ago.

Characteristics	June 30, 2004 Combined Systems	June 30, 2004 Lehman Aggregate Index
Number of Securities	11,751	6,976
Average Coupon	5.6%	5.5%
Yield to Maturity	4.8%	4.6%
Average Maturity (Years)	6.6	6.7
Duration (Years)	4.5	4.7

Top 10 Largest Holdings* June 30, 2004	Combined Market Value	% of Total Bonds	Top 10 Largest Holdings* June 30, 1999	Combined Market Value	% of Total Bonds
USTN, 2.5%, 5/31/06	\$ 172,777,525	2.2%	USTN, 5.75%, 4/30/03	\$ 128,025,261	1.4%
USTN, 3.125%, 9/15/08	92,803,844	1.2	FHLMC, 6.3%, 6/1/04	98,502,242	1.1
USTB, 6.25%, 8/15/23	83,741,507	1.0	FNMA, 5.75%, 4/15/03	92,501,962	1.0
USTN, 4.0%, 6/15/09	83,517,871	1.0	USTB, 8.875%, 2/15/19	91,497,975	1.0
US TBill, 0.01%, 7/08/04	79,215,057	1.0	FNMA TBA AUG 30, 7.5%, SNGL FAM	85,663,850	0.9
FNMA TBA AUG 15, 5.0%, SNGL FAM	77,575,575	1.0	USTN, 5.75%, 10/31/02	82,255,840	0.9
FNMA TBA JUL 30, 5.5%, SNGL FAM	75,657,871	0.9	USTN, 5.75%, 8/15/03	79,172,193	0.9
FHLMC TBA JUL 15, 5.0%, SNGL FAM	73,311,449	0.9	USTN, 12.75%, 11/15/10	72,434,182	0.8
FNMA TBA AUG 30, 6.0%, SNGL FAM	71,239,911	0.9	USTN, 6.625%, 7/31/01	58,113,005	0.6
USTN, 3.125%, 5/15/07	66,070,525	0.8	USTN, 7.875%, 8/15/01	52,064,406	0.6
Total	\$ 875,911,135	10.9%	Total	\$ 840,230,916	9.2%

Key to Holdings

USTN = U.S. Treasury Note
USTB = U.S. Treasury Bond
US TBill = U.S. Treasury Bill

FNMA = Federal National Mortgage Association
FHLMC = Federal Home Loan Mortgage Corporation

* Includes only actively managed separate accounts.

A complete list of portfolio holdings is available upon request.

INVESTMENT SECTION

Fixed Income Review

As of June 30, 2004

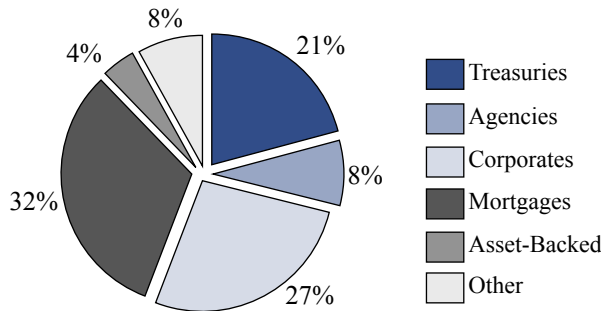
Fixed Income Structure

As of June 30, 2004, approximately 35.0% of the PSRS/NTRS fixed income portfolio was passively managed by State Street Global Advisors while the remaining 65.0% was actively managed by five separate external managers across six mandates. The addition of Seix Investment Advisors during fiscal year 2004 provided the Systems with dedicated exposure to high yield bonds, a segment of the fixed income market that outperformed core bonds over this time period. It

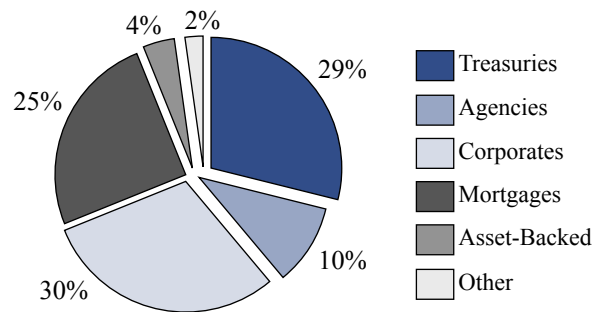
is anticipated that an additional core plus mandate will be included in the Systems' fixed income structure in fiscal year 2005 to provide greater exposure to active management.

The pie charts below depict the fixed income composite by showing the current sector allocation of the portfolio compared with that of five years ago on a market value basis.

Sector Allocation 6/30/04



Sector Allocation 6/30/99



Fixed Income Investment Advisors

The following firms were under contract with PSRS/NTRS as of June 30, 2004 for management of fixed income securities.

<u>Investment Advisor</u>	<u>Investment Style</u>	<u>Combined Portfolio Market Value*</u>	<u>% of Total Market Value</u>
BlackRock Financial Mgmt - Core	Active Core	\$ 641,712,940	2.7%
BlackRock Financial Mgmt - Mortgages	Active Mortgages	719,218,366	3.0
NISA Investment Advisors	Active Core	1,177,848,000	4.9
Payden & Rygel	Active Core Plus	1,242,916,469	5.2
Seix Investment Advisors	High Yield	406,802,499	1.7
State Street Global Advisors	Passive	2,869,980,593	12.0
Wellington Management Company	Active Core	1,131,669,053	4.8
Total		<u>\$ 8,190,147,920</u>	<u>34.3%</u>

*Includes manager cash.

Fixed Income Review

Periods ended June 30, 2004

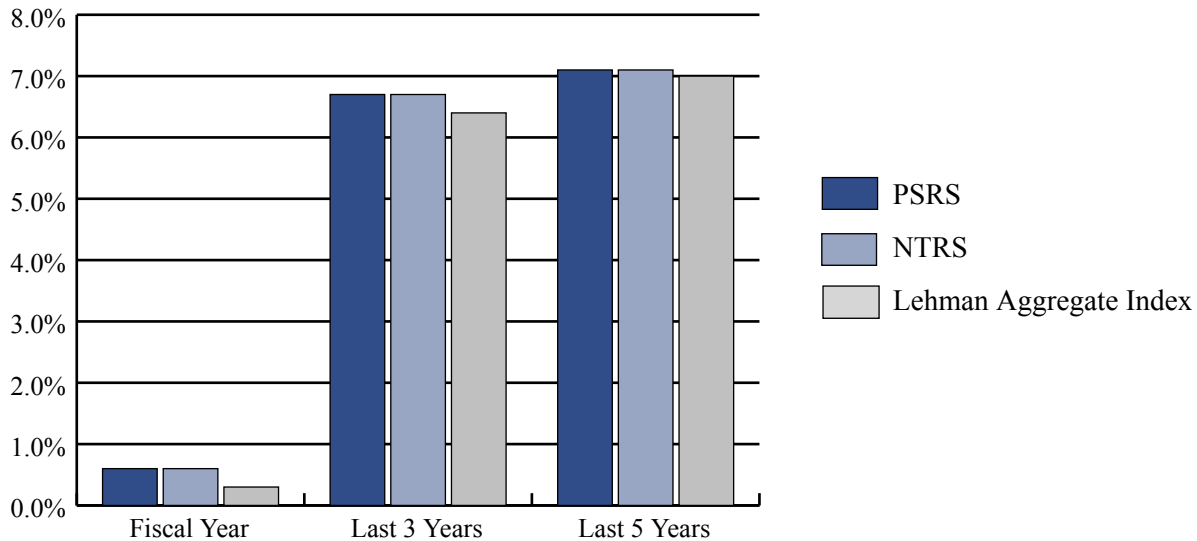
Fixed Income Investment Returns*

The fiscal year ending June 30, 2004 was a difficult year for fixed income assets as the Federal Reserve began increasing the federal funds target rate. The total return on the PSRS and NTRS bond portfolios for the fiscal year was 0.6%, outperforming the Lehman Aggregate Index by 30 basis points. Over

the three-year period ended June 30, 2004, the PSRS and NTRS bond portfolios achieved annual returns of 6.7% and, for the five-year period, returns of 7.1%. These three- and five-year returns exceeded the benchmark's return by 30 basis points and 10 basis points, respectively.

Fixed Income Investment Returns 6/30/04

	<u>Fiscal Year</u>	<u>Last 3 Years</u>	<u>Last 5 Years</u>
PSRS	0.6%	6.7%	7.1%
NTRS	0.6	6.7	7.1
Lehman Aggregate Index	0.3	6.4	7.0



* Returns were prepared using a time-weighted return in accordance with the CFA Institute's (formerly AIMR) Performance Presentation Standards.

Domestic Equity Review

As of June 30, 2004

Market Value

As of June 30, 2004, the combined PSRS/NTRS domestic equity assets managed by external investment advisors had a market value of approximately \$9.5 billion, representing 40.0% of total assets.

Domestic Equity Statistics

The following table displays the statistical characteristics of the PSRS/NTRS domestic equity portfolio as of June 30, 2004 with comparisons shown to the portfolio's policy benchmark (Russell 3000 Index). Additionally, the top 10 U.S. stock holdings as of June 30, 2004 are compared to the top 10 holdings of five years ago.

Characteristics	June 30, 2004 Combined Systems	June 30, 2004 Russell 3000 Index
Number of securities	2,717	2,998
Dividend yield	1.3%	1.6%
Price-to-earnings ratio	22.0	22.5
Avg. market capitalization	\$ 73.8 bil.	\$ 74.6 bil.
Price-to-book ratio	4.2	4.0

Top 10 Largest Holdings* June 30, 2004	Combined Market Value	% of Total U.S. Equities
Citigroup Inc	\$ 168,290,987	1.9%
Microsoft Corp	146,611,846	1.7
General Electric Co	124,895,455	1.4
Yahoo Inc	112,882,832	1.3
Intel Corp	108,114,058	1.2
Exxon Mobil Corp	106,690,495	1.2
eBay Inc	102,155,531	1.2
American Intl Group Inc	97,276,244	1.1
Pfizer Inc	96,972,807	1.1
Progressive Corp	92,047,059	1.0
Total	\$ 1,155,937,314	13.1%

Top 10 Largest Holdings* June 30, 1999	Combined Market Value	% of Total U.S. Equities
Microsoft Corp	\$ 133,820,213	1.7%
Cisco Systems Inc	118,101,050	1.5
Home Depot Inc	102,358,969	1.3
Dell Computer Corp	101,143,200	1.2
Intel Corp	97,002,850	1.2
Xerox Corp	84,494,813	1.0
General Electric Co	73,789,000	0.9
Lucent Technologies Inc	71,902,537	0.9
Wal-Mart Stores Inc	69,605,450	0.9
Citigroup Inc	65,256,688	0.8
Total	\$ 917,474,770	11.4%

*Includes only actively managed separate accounts.
A complete list of portfolio holdings is available upon request.

Domestic Equity Review

As of June 30, 2004

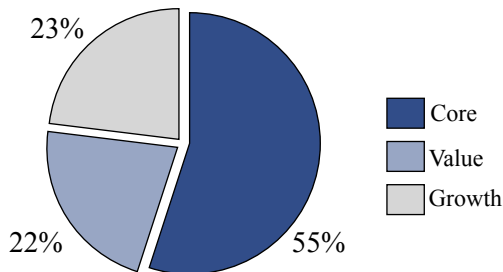
Domestic Equity Structure

As of June 30, 2004, 29.0% of the PSRS/NTRS domestic equity portfolio was passively managed. Another 18.4% was managed in an enhanced index style, in which the managers' guidelines permitted limited flexibility with the expectation of capturing additional return relative to the benchmark. The remainder of the portfolio was actively managed

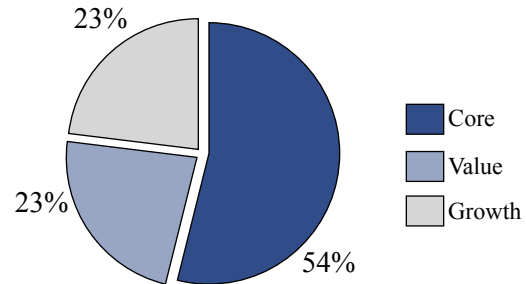
and diversified across a broad array of capitalization ranges and investment styles.

The pie charts below depict the domestic equity portfolio by presenting the current style structure of the portfolio for comparison with that of five years ago on a market value basis.

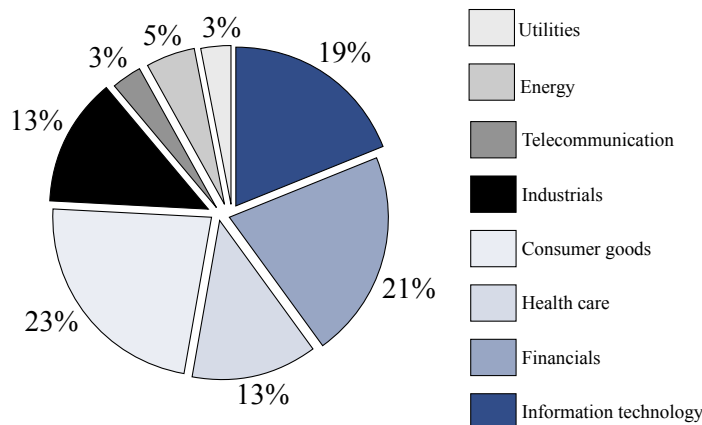
Style Allocation 6/30/04



Style Allocation 6/30/99



The following pie chart shows the allocation to sectors within the domestic equity market for the PSRS/NTRS portfolio as of June 30, 2004.



Domestic Equity Review

As of June 30, 2004

Domestic Equity Investment Advisors

The following firms were under contract with PSRS/NTRS as of June 30, 2004 for management of domestic equity securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2004	% of Total Market Value
Alliance Capital Management	Active Large Cap Growth	\$ 1,049,278,532	4.4%
Aronson Partners	Active Large Cap Value	781,162,586	3.3
Chartwell Investment Partners	Active Small Cap Growth	154,011,351	0.6
DSI International Management	Enhanced Large Cap Core	876,696,749	3.7
<i>E-MAP: Analytic Investors - Core</i>	Structured Large Cap Core	132,340,793	0.6
<i>E-MAP: Analytic Investors - Value</i>	Structured Large Cap Value	79,222,670	0.3
<i>E-MAP: Chartwell Investment Partners</i>	Active Small Cap Value	58,824,717	0.2
<i>E-MAP: Legg Mason Capital Mgmt.</i>	Active Large Cap Core	169,289,346	0.7
<i>E-MAP: New Amsterdam Partners</i>	Active Large Cap Core	116,485,684	0.5
<i>E-MAP: Next Century Growth Investors</i>	Active Small Cap Growth	58,533,296	0.2
<i>E-MAP: Westwood Managemnt</i>	Active Large Cap Value	154,509,727	0.7
<i>E-MAP: Zevenbergen Capital</i>	Active All Cap Growth	128,101,829	0.5
<i>Equity Manager Alpha Pool Subtotal</i>		897,308,062	3.7
SSgA - Enhanced Index	Enhanced Large Cap Core	876,742,285	3.7
SSgA - Russell 2000 Index Fund	Passive Russell 2000 Index	324,754,616	1.4
SSgA - S&P 500 Index Fund	Passive S&P 500 Index	2,442,945,880	10.2
Systematic Financial Management	Active Small Cap Value	89,163,862	0.4
TCW Asset Management Company	Active Large Cap Growth	722,582,468	3.0
Thomson, Horstmann & Bryant, Inc.	Active Small Cap Core	337,336,324	1.4
UBS Brinson	Active Large Cap Value	880,493,444	3.7
Westcap Investors	Active Small Cap Growth	116,934,743	0.5
Total		\$ 9,549,410,902	40.0%

*Includes manager cash.

Domestic Equity Review

Periods ended June 30, 2004

Domestic Equity Investment Returns*

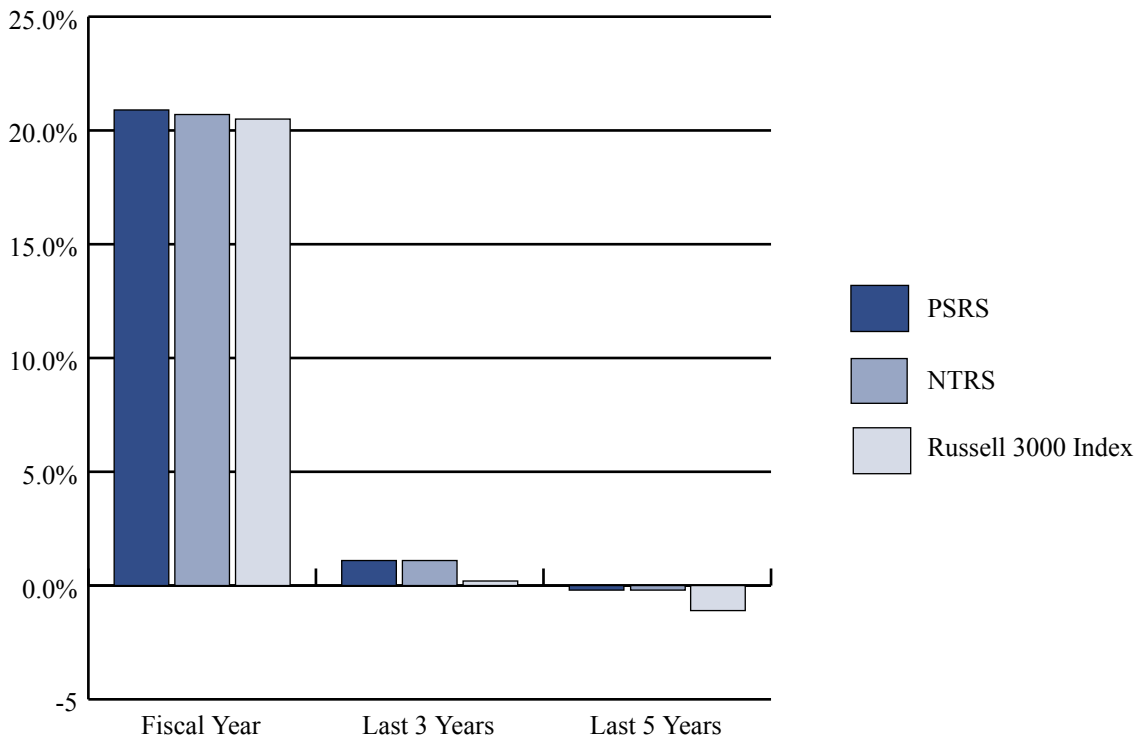
The U.S. equity market provided above average returns during the Systems' fiscal year 2004 following three years of poor returns. The total return on the PSRS and NTRS domestic equity portfolios was 20.9% and 20.7%, respectively, compared to the benchmark return of 20.5% for the fiscal year ended June 30, 2004.

As shown in the table and graph below, the Systems' annualized returns for the past three- and five-year

time periods exceeded the benchmark return by 90 basis points for both periods. This outperformance can primarily be attributed to the value added by the Systems' active management strategies. Portfolios concentrated in small capitalization stocks tended to outperform portfolios holding larger capitalization stocks in fiscal year 2004 while value oriented portfolios outperformed growth style funds during the year.

Domestic Equity Investment Returns 6/30/04

	<u>Fiscal Year</u>	<u>Last 3 Years</u>	<u>Last 5 Years</u>
PSRS	20.9%	1.1%	(0.2)%
NTRS	20.7	1.1	(0.2)
Russell 3000 Index	20.5	0.2	(1.1)



*Returns were prepared using a time-weighted return in accordance with the CFA Institute's (formerly AIMR) Performance Presentation Standards.

Non-U.S. Equity Review

As of June 30, 2004

Market Value

As of June 30, 2004, the combined PSRS/NTRS non-U.S. equity assets managed by external investment advisors had a market value of approximately \$4.3 billion, representing 18.0% of total assets.

Non-U.S. Equity Statistics

The following table displays the top 10 non-U.S. stock holdings as of June 30, 2004 as compared to the top 10 holdings of five years ago.

<u>Top 10 Largest Holdings* June 30, 2004</u>	<u>Combined Market Value</u>	<u>% of Total Non-U.S. Equities</u>
BP PLC	\$ 83,563,237	2.0%
GlaxoSmithKline	62,604,499	1.5
Mitsubishi Tokyo Fin	55,074,921	1.3
ENI	50,444,275	1.2
Nestle SA	48,910,838	1.2
Vodafone Group	48,257,855	1.1
Royal Bk Scot Group	43,882,071	1.0
Toyota Motor Corp	42,982,743	1.0
Nomura AM	41,909,735	1.0
Credit Suisse Group	40,970,984	1.0
Total	<u>\$ 518,601,158</u>	<u>12.3%</u>

<u>Top 10 Largest Holdings* June 30, 1999</u>	<u>Combined Market Value</u>	<u>% of Total Non-U.S. Equities</u>
Mannesmann AG	\$ 61,038,140	1.9%
Telecom Italia SPA	59,061,436	1.9
Vodafone Airtouch	58,111,108	1.8
Glaxo Wellcome	45,734,559	1.5
Novartis AG	41,177,417	1.3
Kon KPN N.V.	39,146,594	1.2
ING Groep NV	37,282,907	1.2
Vivendi	36,447,065	1.2
Canon Inc	36,284,693	1.2
Takeda Chem Ind	35,921,083	1.1
Total	<u>\$ 450,205,002</u>	<u>14.3%</u>

* Includes only actively managed separate accounts.

A complete list of portfolio holdings is available upon request.

Non-U.S. Equity Review

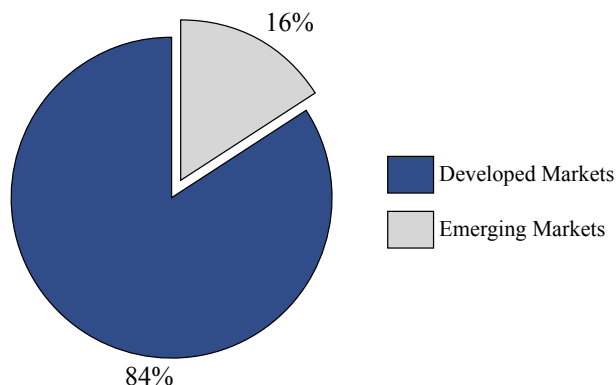
As of June 30, 2004

Non-U.S. Equity Structure

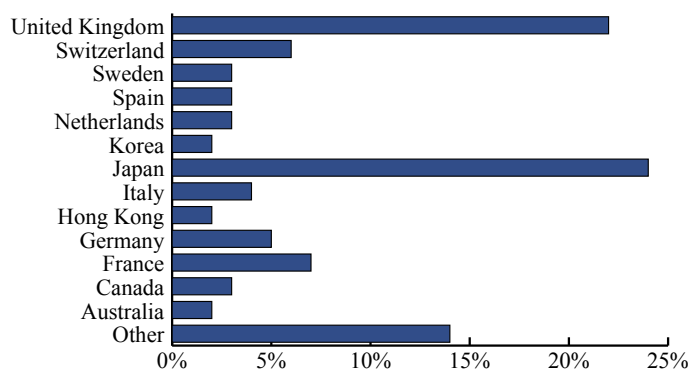
As of June 30, 2004, the PSRS/NTRS non-U.S. equity portfolios were 100% actively managed and diversified across capitalization ranges, styles and a number of developed and emerging market countries. Significant changes were made to the manager structure of the Systems' non-U.S. equity composite in fiscal year 2004 to increase diversification and to

create a more efficient configuration. In addition, dedicated exposure to emerging markets equities was implemented. The pie chart below presents a breakdown of investments in developed and emerging markets in the non-U.S. equity composite and the bar graph depicts the specific country exposure.

Market Allocation 6/30/04



Country Allocation 6/30/04



Non-U.S. Equity Investment Advisors

The following firms were under contract with PSRS/NTRS as of June 30, 2004 for management of non-U.S. equity securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2004	% of Total Market Value
AllianceBernstein Institutional Mgmt.	Active Value	\$ 616,661,165	2.6%
AQR Capital Management	Active Core	870,358,065	3.6
Bank of Ireland Asset Management	Active Core	5,563,392	0.0
BPI Global Asset Management	Active Core	729,345,979	3.0
Citigroup Asset Management	Active Emerging Markets	137,806,613	0.6
INVESCO Global Asset Management	Active Value	699,939,747	2.9
Julius Baer Investment Management	Active Core	613,132,434	2.6
Oechsle International Advisors	Active Growth	636,452,767	2.7
Total		\$ 4,309,260,162	18.0%

*Includes manager cash.

Non-U.S. Equity Review

Periods ended June 30, 2004

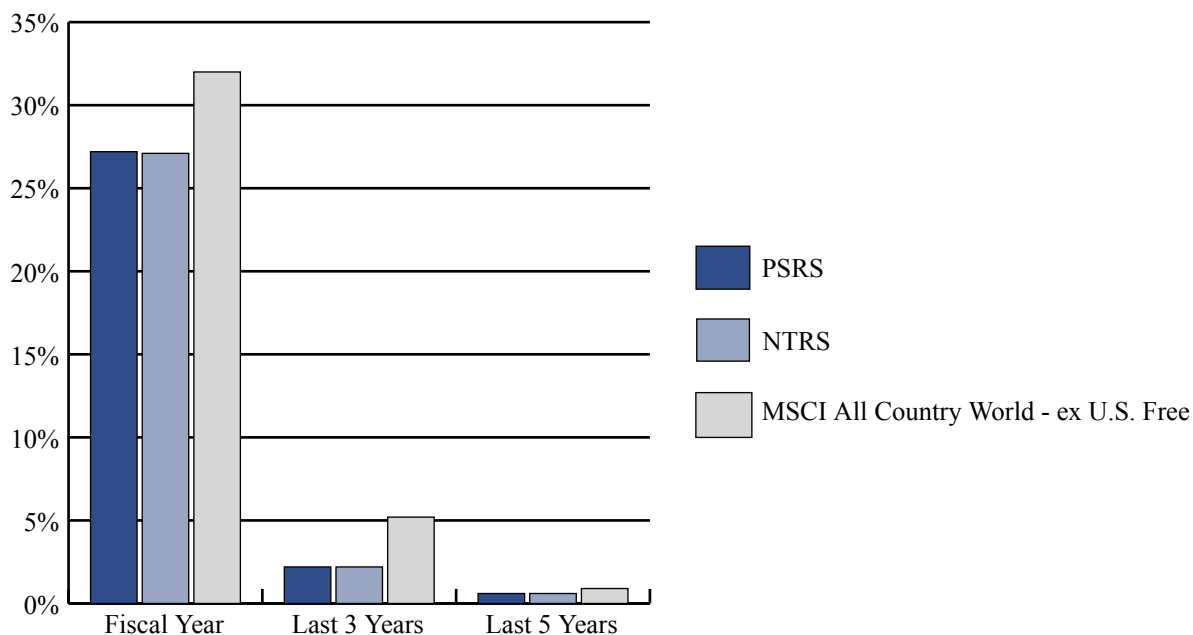
Non-U.S. Equity Investment Returns*

The PSRS and NTRS benchmark, the MSCI All Country World ex-U.S. Free Index, posted a strong return for fiscal year 2004. This positive market performance follows three consecutive years of negative returns that produced the worst downturn in both magnitude and duration in the international markets over the last 60 years. The

total returns on the PSRS and NTRS non-U.S. equity portfolios for the fiscal year ended June 30, 2004 were 27.2% and 27.1% respectively compared to the benchmark return of 32.0%. Both Systems have underperformed the benchmark for the fiscal, three-year and five-year time periods.

Non-U.S. Equity Investment Returns 6/30/04

	<u>Fiscal Year</u>	<u>Last 3 Years</u>	<u>Last 5 Years</u>
PSRS	27.2%	2.2%	0.6%
NTRS	27.1	2.2	0.6
MSCI All Country World ex-U.S. Free	32.0	5.2	0.9



*Returns were prepared using a time-weighted return in accordance with the CFA Institute's (formerly AIMR) Performance Presentation Standards.

Real Return Pool Review

As of June 30, 2004

Market Value

As of June 30, 2004, the combined PSRS/NTRS real return pool assets managed by two external investment advisors had a market value of approximately \$1.8 billion, representing 7.5% of total assets.

Real Return Pool Structure

The focus of the real return pool is to earn stable, but meaningful, real returns across future economic

and market cycles. This pool's initial target allocation of 5.0% was increased to 7.5% in fiscal year 2004 with the addition of real estate interim assets (to be drawn down over the next three to four years). Approved sub-asset classes for inclusion in the real return pool are U.S. Treasury and Global Inflation-Indexed Securities, Real Estate Investment Trusts and sectors of the Lehman Aggregate Bond Index.

Portfolio Holdings* June 30, 2004	Combined Market Value	% of Total Real Return Pool
USTN, INFLATION INDEXED, 3.625%, 1/15/08	\$ 256,407,441	14.3%
USTN, INFLATION INDEXED, 4.25%, 1/15/10	205,203,080	11.5
USTN, INFLATION INDEXED, 3.5%, 1/15/11	179,492,605	10.1
USTN, INFLATION INDEXED, 3.875%, 1/15/09	158,408,911	8.9
USTN, INFLATION INDEXED, 3.375%, 1/15/07	99,213,453	5.6
USTN, INFLATION INDEXED, 3.375%, 1/15/12	99,007,281	5.6
USTN, INFLATION INDEXED, 2.0%, 1/15/14	95,265,114	5.3
TENNESSEE VALLEY AUTHORITY, CPI INDEXED, 3.375%, 1/15/07	87,230,276	4.9
Total	<u>\$ 1,180,228,161</u>	<u>66.2%</u>

Key to Holdings

USTN = U.S. Treasury Note

Real Return Pool Investment Advisor

The following firms were under contract with PSRS/NTRS as of June 30, 2004 for management of real return pool securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value** As of June 30, 2004	% of Total Market Value
NISA Investment Advisors	Active TIPS	\$ 1,198,347,730	5.0%
State Street Global Advisors	Passive TIPS	585,771,094	2.5%
Total		<u>\$ 1,784,118,824</u>	<u>7.5%</u>

* Includes only actively managed separate accounts.

** Includes manager cash.

Real Return Pool Review

As of June 30, 2004

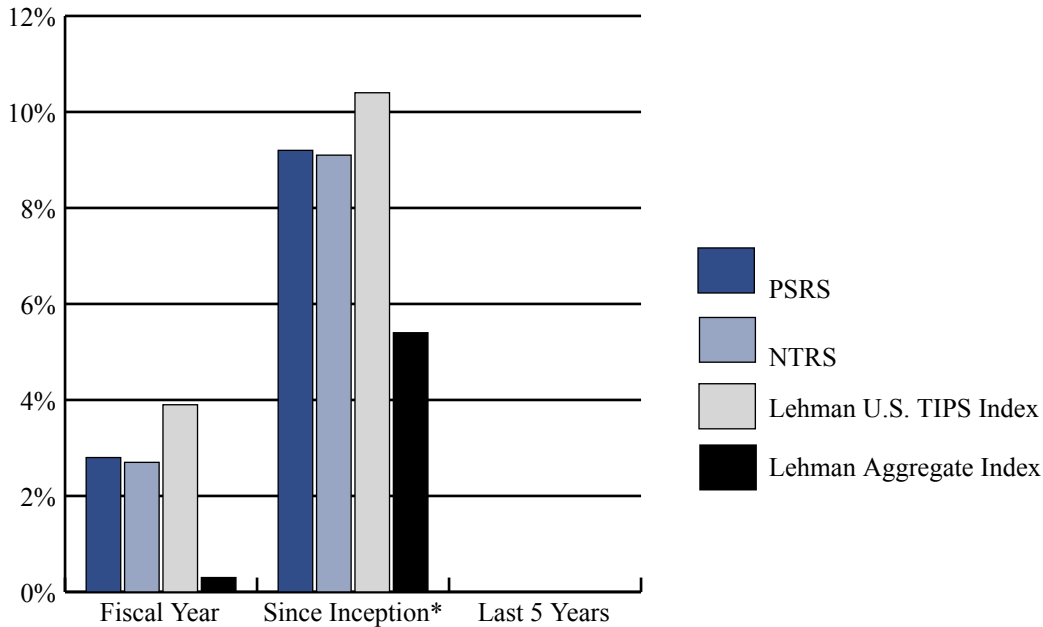
Real Return Pool Investment Returns*

Treasury Inflation Protected Securities (TIPS) continued to meaningfully outperform the broad fixed income market (as measured by the Lehman Aggregate Index) in fiscal year 2004. Total returns on the PSRS and NTRS real return portfolios for the fiscal year ended June 30, 2004 were 2.8% and 2.7%, respectively. The Systems' real return pool assets underperformed the benchmark (Lehman U.S. TIPS Index) for the fiscal year and since inception time

periods due to a shorter duration position. The real return pool was originally funded with assets from the fixed income composite. Since inception, the real return pool has substantially outperformed the Lehman Aggregate Index with a return of 9.2% for PSRS and 9.1% for NTRS relative to a 5.4% return for the broad fixed income market.

Real Return Pool Investment Returns 6/30/04

	<u>Fiscal Year</u>	<u>Since Inception**</u>	<u>Last 5 Years</u>
PSRS	2.8%	9.2%	NA
NTRS	2.7	9.1	NA
Lehman U.S. TIPS Index	3.9	10.4	NA
Lehman Aggregate Index	0.3	5.4	NA



*Returns were prepared using a time-weighted return in accordance with the CFA Institute's (formerly AIMR) Performance Presentation Standards.
 **Performance inception date for the Real Return Pool was March 1, 2002.

Private Equity Review

As of June 30, 2004

Market Value

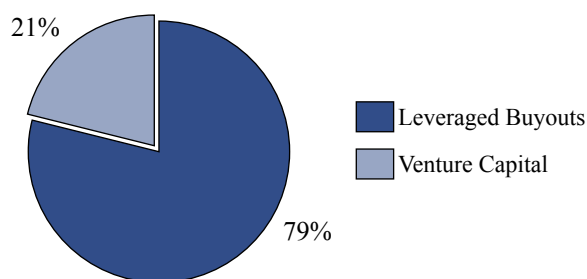
As of June 30, 2004, the combined PSRS/NTRS private equity assets committed to partnerships that will be invested over a three- to five-year time period was \$84.8 million. The market value of funds that have been drawn down and actually invested as of June 30, 2004 was approximately \$6.8 million. The partnerships were selected and managed by the Systems' private equity advisor, Pathway Capital Management.

Private Equity Structure

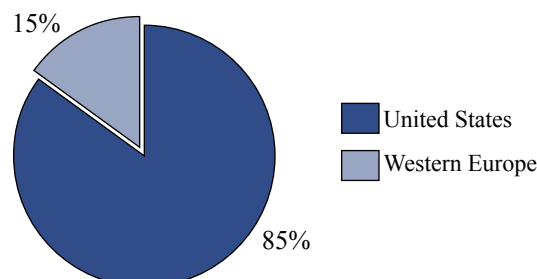
The Systems' 3% allocation to private equity was approved by the Board in January 2002. The objective of the private equity allocation is to achieve returns that are higher than those attainable in the public equity markets. In October 2003, the Board approved the creation of a separate private equity composite with interim assets to be held in passive S&P 500 and Russell 2000 Index funds. This interim funding in public equities will be drawn down as assets are invested in private equity holdings.

The pie charts below show the diversification of the Systems' private equity holdings as of June 30, 2004 from both strategy and regional perspectives.

Strategy Allocation 6/30/04



Regional Allocation 6/30/04



Private Equity Investment Advisor

The following firm was under contract with PSRS/NTRS as of June 30, 2004 for management of private equity composite assets.

Investment Advisor	Investment Style	Combined Committed Capital As of June 30, 2004	Combined Market Value* As of June 30, 2004	% of Total Market Value
Pathway Capital Management	Discretionary Manager	\$ 84,791,339	\$ 6,780,652	0.0%
Total		\$ 84,791,339	\$ 6,780,652	0.0%

*Excludes interim assets.

INVESTMENT SECTION

Broker Commissions Report (U.S. Equity)

For The Fiscal Year Ended June 30, 2004

PSRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost Per Share
CITIGROUP GLOBAL MARKETS INC	13,711,286	\$ 426,245,936.12	\$ 487,815.80	\$ 0.04
MORGAN STANLEY CO INC	15,765,013	507,580,259.46	467,702.37	0.03
LEHMAN BROTHERS INC	14,243,902	454,247,467.40	459,191.94	0.03
DEUTSCHE BANK SECURITIES INC	17,176,858	561,092,914.66	400,902.77	0.02
MERRILL LYNCH PIERCE FENNER SMITH	9,229,582	295,709,391.99	343,733.02	0.04
GOLDMAN SACHS + CO	11,004,582	331,307,415.60	335,479.74	0.03
INVESTMENT TECHNOLOGY GROUP INC	14,376,820	385,886,409.81	295,106.49	0.02
J P MORGAN SECURITIES INC	7,195,961	229,607,028.26	277,075.55	0.04
CREDIT SUISSE FIRST BOSTON CORP	5,685,409	171,699,196.60	273,060.65	0.05
JEFFERIES COMPANY INC	4,695,152	143,831,281.67	228,402.16	0.05
INSTINET	8,468,854	252,803,811.58	204,253.16	0.02
UBS SECURITIES LLC	4,301,115	109,355,293.28	199,683.76	0.05
CANTOR FITZGERALD + CO	5,577,766	159,630,647.33	162,795.86	0.03
BEAR STEARNS + CO INC	2,933,200	71,222,515.09	136,996.17	0.05
LIQUIDNET INC	3,638,833	85,829,567.97	118,610.50	0.03
Other (<\$118,000)	78,226,000	2,031,436,027.32	3,377,728.84	0.04
Total	216,230,333	\$ 6,217,485,164.14	\$ 7,768,538.78	\$ 0.036

NTRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost Per Share
MORGAN STANLEY CO INC	1,332,875	\$ 43,096,987.51	\$ 40,096.28	\$ 0.03
LEHMAN BROTHERS INC	1,173,053	37,571,143.96	37,897.99	0.03
CITIGROUP GLOBAL MARKETS INC	1,044,634	32,360,639.83	37,850.22	0.04
DEUTSCHE BANK SECURITIES INC	1,396,527	45,087,726.09	32,762.53	0.02
INVESTMENT TECHNOLOGY GROUP INC	1,501,216	41,484,564.95	30,424.77	0.02
GOLDMAN SACHS + CO	982,908	29,939,123.72	29,514.77	0.03
MERRILL LYNCH PIERCE FENNER SMITH	741,660	23,891,884.51	28,212.23	0.04
J P MORGAN SECURITIES INC	639,041	20,650,348.92	23,589.19	0.04
CREDIT SUISSE FIRST BOSTON CORP	436,606	13,161,860.13	20,888.38	0.05
JEFFERIES COMPANY INC	379,496	11,504,815.63	18,491.59	0.05
UBS SECURITIES LLC	373,476	9,345,845.09	17,353.20	0.05
BEAR STEARNS + CO INC	356,171	11,103,261.95	16,815.26	0.05
CANTOR FITZGERALD + CO	426,956	11,811,869.49	12,978.03	0.03
INSTINET	499,784	15,718,066.88	12,005.82	0.02
KNIGHT SECURITIES	275,109	4,563,395.92	11,704.74	0.04
Other (<\$10,000)	6,092,659	155,257,087.80	260,502.26	0.04
Total	17,652,171	\$ 506,548,622.38	\$ 631,087.26	\$ 0.036

INVESTMENT SECTION

Broker Commissions Report (Non-U.S. Equity)

For The Fiscal Year Ended June 30, 2004

PSRS

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Dollars Traded</u>	<u>Commissions Paid</u>	<u>Cost (basis points)</u>
CREDIT SUISSE FIRST BOSTON	97,814,375	\$ 501,853,817.76	\$ 1,009,399.03	20.1
GOLDMAN SACHS + CO	79,434,791	378,181,516.79	717,965.33	19.0
CREDIT LYONNAIS SECURITIES	90,905,537	717,152,373.11	669,288.01	9.3
MORGAN STANLEY CO INC	28,189,203	334,516,945.19	545,640.72	16.3
ABN AMRO SECURITIES LLC	6,606,045,367	508,805,348.62	519,978.89	10.2
LEHMAN BROTHERS INC	53,045,542	452,555,377.02	490,045.81	10.8
SBC WARBURG SECURITIES	54,948,830	446,292,030.44	458,250.70	10.3
UBS SECURITIES LLC	911,271,982	267,802,201.45	434,308.47	16.2
MERRILL LYNCH PIERCE FENNER SMITH	115,464,334	255,049,060.62	420,577.68	16.5
DRESDNER BANK - KLEINWORT BENSON	23,399,983	186,319,256.65	319,995.31	17.2
DEUTSCHE BANK SECURITIES INC	330,761,093	283,264,372.31	298,748.79	10.5
CITIGROUP GLOBAL MARKETS INC	21,985,359	143,555,804.94	268,011.62	18.7
PERSHING SECURITIES LIMITED	38,747,651	345,019,793.83	217,542.29	6.3
J P MORGAN SECURITIES INC	9,103,982	106,954,545.81	198,285.48	18.5
SALOMON SMITH BARNEY	13,683,163	90,656,490.47	172,666.10	19.0
Other (<\$165,000)	1,545,541,717	1,201,735,656.46	1,657,537.32	13.8
Total	10,020,342,909	\$ 6,219,714,591.47	\$ 8,398,241.55	13.5

NTRS

<u>Brokerage Firm</u>	<u>Shares Traded</u>	<u>Dollars Traded</u>	<u>Commissions Paid</u>	<u>Cost (basis points)</u>
CREDIT SUISSE FIRST BOSTON	8,350,264	\$ 40,871,346.98	\$ 82,143.97	20.1
GOLDMAN SACHS + CO	6,546,481	31,302,826.38	58,792.87	18.1
MORGAN STANLEY CO INC	2,416,710	28,056,865.85	45,893.10	16.4
CREDIT LYONNAIS SECURITIES	6,812,574	43,380,924.06	45,820.90	10.6
ABN AMRO SECURITIES LLC	546,296,347	37,958,921.00	41,509.53	10.9
SBC WARBURG SECURITIES	4,734,114	38,058,550.58	39,813.18	10.5
MERRILL LYNCH PIERCE FENNER SMITH	11,647,262	22,128,842.11	37,938.24	17.1
UBS SECURITIES LLC	84,445,937	21,740,422.51	35,456.50	16.3
LEHMAN BROTHERS INC	4,088,732	34,726,755.14	34,246.77	9.9
PERSHING SECURITIES LIMITED	4,019,939	52,239,935.06	32,233.37	6.2
DEUTSCHE BANK SECURITIES INC	31,813,572	29,325,950.19	26,825.22	9.1
DRESDNER BANK - KLEINWORT BENSON	1,928,743	15,369,453.28	26,374.51	17.2
CITIGROUP GLOBAL MARKETS INC	1,925,015	11,970,616.39	22,472.03	18.8
J P MORGAN SECURITIES INC	744,133	8,659,767.83	16,193.70	18.7
SALOMON SMITH BARNEY	1,123,654	7,794,265.47	14,505.01	18.6
Other (<\$14,000)	141,400,185	95,420,572.23	136,093.61	14.3
Total	858,293,662	\$ 519,006,015.06	\$ 696,312.51	13.4

INVESTMENT SECTION

Investment Summary

As of June 30, 2004

Total Market Value	PSRS/NTRS	Percent of Total Market Value		
	Combined Funds - FY2004	FY2004	FY2003	FY2002
U.S. fixed income	\$ 8,009,494,591	33.5%	40.0%	43.5%
U.S. equity	9,477,755,396	39.7	38.0	34.6
Non-U.S. equity	4,201,857,162	17.6	13.3	14.0
Real return pool	1,783,389,424	7.5	5.2	5.3
Real estate	0	0.0	0.0	0.0
Private equity	6,780,652	0.0	0.0	0.0
Cash and short-term investments	417,725,754	1.7	3.5	2.6
Total	\$ 23,897,002,979	100.0%	100.0%	100.0%

Reconciliation with Statement of Plan Net Assets

<i>Accrued payable for investments purchased</i>	\$ 1,794,360,252
<i>Accrued income payable</i>	2,161,178
<i>Accrued receivable for investments sold</i>	(1,366,625,653)
<i>Accrued income receivable</i>	(87,756,417)
<i>Short-term investments designated for benefits</i>	(52,068,150)
<i>Statement of Plan Net Assets</i>	<u>\$ 24,187,074,189</u>

Investment Expenses

For the Year Ended June 30, 2004

	PSRS	NTRS	Total
Investment Managers			
Alliance Bernstein	\$ 319,707	\$ 27,288	\$ 346,995
Alliance Capital Management	1,784,800	155,200	1,940,000
AQR	449,955	39,126	489,081
Aronson & Partners	1,512,833	126,567	1,639,400
Bank of Ireland Asset Management	1,638,587	142,486	1,781,073
BlackRock Financial Management	1,124,232	94,448	1,218,680
BPI Global Asset Management LLC	1,841,067	160,093	2,001,160
Brinson Partners	1,348,935	113,325	1,462,260
Chartwell Investment Partners	610,512	53,088	663,600
Citigroup	129,544	11,265	140,809
DSI International Management	628,397	54,643	683,040
EMAP	3,191,015	262,087	3,453,102
INVESCO Global Asset Management	2,070,510	175,690	2,246,200
Julius Baer	276,121	24,011	300,132
NISA Investment Advisors	1,602,137	132,253	1,734,390
Oechsle International Advisors	1,823,637	137,263	1,960,900
Pathway	792,958	61,948	854,906
Payden & Rygel	798,468	69,432	867,900
Seix	1,027,868	88,653	1,116,521
State Street Global Advisors	1,152,036	98,597	1,250,633
Systematic	341,227	24,627	365,854
TCW Asset Management Company	2,329,172	192,668	2,521,840
Thomson, Horstmann, & Bryant, Inc.	844,328	72,672	917,000
Wellington Management Company	828,000	72,000	900,000
Westcap	507,253	42,227	549,480
Investment Management Expense	<u>28,973,299</u>	<u>2,431,657</u>	<u>31,404,956</u>
Investment Consultants			
Strategic Investment Solutions	54,250	4,083	58,333
Frank Russell	245,388	21,333	266,721
Russell - Mellon	50,125	8,875	59,000
Townsend Group	28,483	2,477	30,960
Chatham Partners	230,000	20,000	250,000
Custodial Services			
State Street Bank & Trust	1,859,436	157,312	2,016,748
Staff Investment Expenses	<u>391,948</u>	<u>261,301</u>	<u>653,249</u>
Total Investment Expenses	<u>\$ 31,832,929</u>	<u>\$ 2,907,038</u>	<u>\$ 34,739,967</u>

ACTUARIAL SECTION

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GABRIEL, ROEDER, SMITH & COMPANY
CONSULTANTS & ACTUARIES

3017 Douglas Boulevard • Suite 300 • Roseville, CA 95661 • Phone (916)987-7600 • Fax (916)987-7607

October 25, 2004

Board of Trustees
Public School Retirement System of Missouri
Non-Teacher School Employee Retirement System of Missouri
3210 West Truman Boulevard
Jefferson City, MO 65109

Re: Certification of Actuarial Results

Dear Members of the Board:

At your request, we have performed actuarial valuations of the Public School Retirement System and the Non-Teacher School Employee Retirement System of Missouri as of June 30, 2004. An actuarial valuation of each system is performed annually.

The actuarial valuation is based upon:

- a. *Data relative to the Members of the Systems* – Data for all members of each system was provided by the staff. Such data is tested for reasonableness by the actuary but is used unaudited.
- b. *Assets of the Fund* – The values of the trust fund assets for each system are provided by the staff. A market related value of assets, with gains and losses recognized ratably over five years, is used to develop actuarial results.
- c. *Actuarial Method* – The actuarial method utilized for each system is the Entry Age Normal Cost Method. The objective of this method is to finance the benefits of the systems as a level percentage of pay over the entire career of each member. Any Unfunded Actuarial Accrued Liability (UAAL) under this method is separately financed. All actuarial gains and losses under this method are reflected in the UAAL.
- d. *Actuarial Assumptions* – The actuarial assumptions used in the valuation of each system are summarized in the next few pages. The Board has adopted this set of assumptions effective for the actuarial valuations as of June 30, 2001 and later.

The actuarial assumptions and methods used are in accordance with paragraph 36 of GASB Statement Number 25.

The trend data in the Financial Section and the schedules and other data in this Section are prepared by the staff with our guidance.

The Board's statement of funding policy provides that:

1. The Board of Trustees shall adopt actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience under the system, derived from experience studies conducted every fifth year.
2. The actuarial funding method used shall be the Entry Age Normal Method with normal costs calculated as a percentage of payroll.
3. It shall be the general objective to maintain an amortization period of 30 years or less in the funding of the Unfunded Actuarial Accrued Liability. Whenever a change is made in a system's benefit and contribution rate structures, the amortization period for the system after this change should not exceed 30 years initially.
4. If an escalation in future payroll is assumed in determining the amortization payments toward the Unfunded Actuarial Accrued Liability, then the annual rate of such escalation shall not exceed the expected rate of expansion in total system payroll based upon the actuarial assumptions.
5. Assets used in the actuarial valuation shall be valued using adjusted market values averaged over a period of five years.
6. Annual actuarial valuations shall be made of the system's assets and liabilities. The contribution rate shall be established based on the results of these valuations.

The results of the valuations are based on the data and actuarial techniques described above and on the provisions of each system at the valuation date. Based on these items, we certify these results to be true and correct.

Sincerely,



Norman S. Losk, F.S.A
Senior Consultant



Alex Rivera, A.S.A
Senior Consultant

PSRS Calculation of Unfunded Actuarial Accrued Liability

As of June 30, 2004

(1) Present value of future benefits for:	
Active members	\$ 19,779,111,174
Service retirees	12,016,765,392
Disability retirees	117,785,483
Tax-sheltered annuitants	1,193,950
Survivors	439,866,255
Death benefits	50,314,058
Inactive members	388,409,759
Total	<u>32,793,446,071</u>
(2) Present value of future normal costs	<u>6,568,186,811</u>
(3) Actuarial accrued liability ((1)-(2))	26,225,259,260
(4) Actuarial value of assets	<u>21,501,571,620</u>
(5) Unfunded actuarial accrued liability ((3)-(4))	<u>\$ 4,723,687,640</u>

PSRS Required Contribution Rate and Amortization of Unfunded Liability

As of June 30, 2004

	Percentage of Payroll
(1) Total contribution rate, member and employer	22.00%
(2) Normal cost rate	20.93
(3) Approximate rate available for unfunded actuarial accrued liability ((1) - (2))	1.07
(4) Number of years required to amortize unfunded actuarial accrued liability	Never*
(5) Benchmark contribution rate - normal cost plus a rate to fund the UAAL over 30 years	27.76%

*While the current contribution rate will not fund the UAAL in 30 years, the funding process is designed to fund that item over time.

PSRS Analysis of Actuarial Gains and Losses

As of June 30, 2004

(Dollar Amounts in Thousands)

(1) Unfunded actuarial liability as of July 1, 2003		\$ 4,671,468
(2) Normal cost for 2004 plan year		693,678
(3) Contribution received during year		(765,377)
(4) Interest to year end at 8.00% on (1) (2) and (3)		<u>370,905</u>
(5) Expected unfunded actuarial liability as of June 30, 2004		4,970,674
(6) Actuarial (gain)/loss during the year		
a. From investments	(\$ 162,201)	
b. From actuarial liabilities	<u>(84,785)</u>	
Total		<u>(246,986)</u>
(7) Actual unfunded actuarial liability as of June 30, 2004		<u><u>\$ 4,723,688</u></u>

NTRS Calculation of Unfunded Actuarial Accrued Liability

As of June 30, 2004

(1) Present value of future benefits for:	
Active members	\$ 2,164,555,694
Service retirees	759,263,116
Disability retirees	15,457,131
Survivors	30,143,735
Inactive members	<u>87,363,223</u>
Total	3,056,782,899
(2) Present value of future normal costs	<u>835,573,217</u>
(3) Actuarial accrued liability ((1)-(2))	2,221,209,682
(4) Actuarial value of assets	<u>1,837,307,758</u>
(5) Unfunded actuarial accrued liability ((3)-(4))	<u>\$ 383,901,924</u>

NTRS Required Contribution Rate and Amortization of Unfunded Liability

As of June 30, 2004

	Percentage of Payroll
(1) Total contribution rate, member and employer	10.50%
(2) Normal cost rate	10.64%
(3) Approximate rate available for unfunded actuarial accrued liability ((1) - (2))	-0.14%
(4) Number of years required to amortize unfunded actuarial accrued liability	Never*
(5) Benchmark contribution rate - normal cost plus a rate to fund the UAAL over 30 years	12.56%

*While the current contribution rate will not fund the UAAL, the funding process is designed to fund that item over time.

NTRS Analysis of Actuarial Gains and Losses

As of June 30, 2004

(1) Unfunded actuarial liability as of July 1, 2003		\$ 371,946,071
(2) Normal cost for 2004 plan year		97,248,948
(3) Contribution received during year		(100,602,051)
(4) Interest to year end at 8.00% on (1) (2) and (3)		29,624,142
(5) Expected unfunded actuarial liability as of June 30, 2004		398,217,110
(6) Actuarial (gain)/loss during the year		
a. From investments	(\$ 12,740,540)	
b. From liabilities	(1,574,646)	
Total		<u>(14,315,186)</u>
(7) Actual unfunded actuarial liability as of June 30, 2004		<u>\$ 383,901,924</u>

ACTUARIAL SECTION

PSRS Summary of Actuarial Assumptions and Methods

Mortality - Sample rates per 1,000 members by ages: (effective 6/30/01)

Active and service retired members, beneficiaries and survivors

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.430	0.280
40	0.891	0.652
60	5.581	3.863
80	45.171	35.362
100	268.815	256.712

Interest - 8% per annum compound, net of expenses (1980)

Termination - Illustrate per 1,000 members (male and female): (1994)

<u>Age</u>	<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>	<u>After Three Years</u>
20	140	110	100	35
30	120	100	80	31
40	100	90	60	21
50	90	70	40	8

Salary increases - Sample annual rates varying by service: (effective 6/30/01)

<u>Service</u>	<u>Increase</u>	<u>Service</u>	<u>Increase</u>
0	0.0%	9	6.0%
3	7.5	10 & over	5.0
6	7.0		

Retirement rates - Sample rates per 1,000 eligible members: (effective 6/30/01)

<u>Age</u>	(1) <u>Age 60</u>	(2) <u>Below 60 or meet rule of 80</u>		(3) <u>Below 60, less than 30 years</u>	
	<u>5 Years</u>	<u>Service</u>	<u>With 30 Years</u>	<u>Before (1) or (2), After 55/25</u>	
60	250	30	500	First Year Eligible	400
62	250	31 & over	250	Thereafter	200
65	400				
67	300				
70+	1000				

ACTUARIAL SECTION

Asset valuation -	Based on five year average of adjusted market value returns (1994).
Payroll increase -	Total covered payroll is assumed to increase 5.0% per year. Additional adjustments are made for those with less than five years of service (effective 6/30/01). Membership is not assumed to increase.
Inflation -	3.5% per annum compound (effective 6/30/97).
Actuarial method -	Entry Age Normal Funding Method is used. Gains and losses are reflected immediately in the unfunded actuarial accrued liability of the System, and amortized in the future as a level percentage of payroll (1947).
Other -	In addition to the above, other assumptions are made with respect to the incidence of disability, the rates of retirement under a special temporary program, mortality of disabled lives, the probability that a member has a spouse, minor children and the ages of the children (effective 6/30/97).
COLA -	3.5% per year (effective 6/30/97).

Note: Dates reflect the effective date as adopted by the Board of Trustees.

ACTUARIAL SECTION

NTRS Summary of Actuarial Assumptions and Methods

Mortality - Sample rates per 1,000 members by age: (effective 6/30/01)

Active and service retired members, beneficiaries and survivors

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.530	0.284
40	1.156	0.709
60	8.986	4.439
80	68.615	39.396
100	333.461	276.427

Interest - 8% per annum compound, net of expenses (1980)

Termination - Illustrate per 1,000 members (male and female): (1994)

<u>Age</u>	<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>	<u>After Three Years</u>	
				<u>Males</u>	<u>Females</u>
20	350	170	100	66	50
30	225	170	100	66	50
40	130	125	90	61	45
50	90	85	55	39	29

Salary Increases - Sample annual rates varying by years of service: (effective 6/30/01)

<u>Service</u>	<u>Increase</u>	<u>Service</u>	<u>Increase</u>
0	10.00%	3	6.00%
1	7.50	4	5.75
2	6.75	5 & over	5.00

Retirement Rates - Sample rates per 1,000 members: (effective 6/30/01)

	(1)	(2)	(3)
	Age 60	Below 60	Below 55, with at least 25 years
	5 Years	Service 30 & over	With 30 Years
<u>Age</u>	<u>5 Years</u>	<u>Service</u>	<u>Service</u>
60	100	100	25
62	300		27
65	350		29
66-74	250		105
75+	1000		

ACTUARIAL SECTION

- Asset Valuation -** Based on five year average of adjusted market values (1994).
- Payroll Increase -** Total covered payroll is assumed to increase 5.0% per year. Additional adjustments are made for those with less than five years of service (effective 6/30/01).
- Inflation -** 3.5% per annum compound (effective 6/30/97).
- Actuarial Method -** Entry Age Normal Funding Method is used. Gains and losses are reflected immediately in the unfunded actuarial accrued liability of the System, and amortized in the future as a level percentage of payroll (1966).
- Other -** In addition to the above, other assumptions are made with respect to the incidence of disability, the rates of retirement under a special temporary program, mortality of disabled lives, the probability that a member has a spouse and average work year (effective 6/30/97).

Note: Dates reflect the effective date as adopted by the Board of Trustees.

ACTUARIAL SECTION

PSRS Schedule of Active Member Valuation Data

Actuarial Valuation Date	Number of Members	Covered Annual Payroll (000)	Average Annual Salary	% Increase in Average Salary	Average Attained Age	Average Years of Service
6/30/1995	62,854	\$ 2,137,134	\$ 34,002	3.2%	42.5	12.3
6/30/1996	64,624	2,283,994	35,343	3.9	42.6	12.3
6/30/1997	66,456	2,427,429	36,527	3.3	42.5	12.1
6/30/1998	68,709	2,577,594	37,514	2.7	42.5	11.9
6/30/1999	70,092	2,690,353	38,383	2.3	42.5	11.7
6/30/2000	71,706	2,836,062	39,581	3.1	42.5	11.6
6/30/2001	72,688	2,982,051	41,025	3.7	42.4	11.3
6/30/2002	73,673	3,213,461	43,618	6.3	42.4	11.2
6/30/2003	74,347	3,373,058	45,369	4.0	42.4	11.3
6/30/2004	73,797	3,408,230	46,184	1.8	42.5	11.4

NTRS Schedule of Active Member Valuation Data

Actuarial Valuation Date	Number of Members	Covered Annual Payroll (000)	Average Annual Salary	% Increase in Average Salary	Average Attained Age	Average Years of Service
6/30/1995	32,598	\$ 495,449	\$ 15,199	3.0%	45.3	7.3
6/30/1996	34,153	538,022	15,753	3.6	45.2	7.2
6/30/1997	35,982	556,534	15,467	-1.8	45.1	7.1
6/30/1998	38,672	616,303	15,937	3.0	44.8	6.7
6/30/1999	41,599	685,272	16,473	3.4	44.6	6.5
6/30/2000	43,533	735,400	16,893	2.5	44.5	6.4
6/30/2001	45,517	814,158	17,887	5.9	44.6	6.3
6/30/2002	46,728	895,420	19,162	7.1	44.8	6.4
6/30/2003	46,863	971,177	20,724	8.2	45.3	6.6
6/30/2004	45,880	984,866	21,466	3.6	46.2	7.0

ACTUARIAL SECTION

PSRS Solvency Test

*(Dollar amounts in thousands)*Actuarial Accrued Liability for:

Actuarial Valuation Date	Member Contributions	Current Retirees & Beneficiaries	Active & Inactive Members Employer Financed Portion	Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Assets for:		
					(1)	(2)	(3)
6/30/1995	\$ 2,856,389	\$ 3,705,807	\$ 4,419,626	\$ 10,193,084	100.0%	100.0%	82.2%
6/30/1996	3,098,448	4,265,851	4,867,447	11,510,625	100.0	100.0	85.2
6/30/1997	3,312,090	4,553,628	4,583,460	13,099,219	100.0	100.0	100.0
6/30/1998	3,541,459	5,523,768	5,405,822	14,979,358	100.0	100.0	109.4
6/30/1999	3,765,854	6,602,915	6,004,376	17,209,870	100.0	100.0	113.9
6/30/2000	3,976,059	7,801,845	6,501,209	19,437,223	100.0	100.0	117.8
6/30/2001	4,129,191	9,504,921	7,648,091	21,149,294	100.0	100.0	98.3
6/30/2002	4,354,507	10,589,546	8,389,885	22,236,105	100.0	100.0	86.9
6/30/2003	4,687,227	11,387,543	8,644,680	20,047,982	100.0	100.0	46.0
6/30/2004	4,954,080	12,625,925	8,645,254	21,501,572	100.0	100.0	45.4

NTRS Solvency Test

*(Dollar amounts in thousands)*Actuarial Accrued Liability for:

Actuarial Valuation Date	Member Contributions	Current Retirees & Beneficiaries	Active & Inactive Members Employer Financed Portion	Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Assets for:		
					(1)	(2)	(3)
6/30/1995	\$ 169,846	\$ 252,034	\$ 364,519	\$ 778,325	100.0%	100.0%	97.8%
6/30/1996	185,763	293,937	399,861	876,886	100.0	100.0	99.3
6/30/1997	204,757	312,390	447,065	1,001,035	100.0	100.0	100.0
6/30/1998	226,454	350,860	460,033	1,150,311	100.0	100.0	124.6
6/30/1999	231,252	396,846	540,413	1,335,308	100.0	100.0	130.9
6/30/2000	274,167	467,653	653,480	1,522,660	100.0	100.0	119.5
6/30/2001	301,936	565,126	769,014	1,686,242	100.0	100.0	106.5
6/30/2002	354,296	651,295	850,391	1,810,619	100.0	100.0	94.7
6/30/2003	394,925	731,059	923,732	1,677,770	100.0	100.0	59.7
6/30/2004	444,318	804,864	972,028	1,837,308	100.0	100.0	60.5

ACTUARIAL SECTION

PSRS Schedule of Retirees and Beneficiaries Added to and Removed from Retirement Rolls

	Added to Rolls		Removed from Rolls		Rolls End of Year		Average Annual Allowances	% Increase	
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		in Annual Allowance	in Average Annual Allowance
2003-2004									
Service retirees	2,451	\$87,108,528	822	\$17,964,480	31,052	\$963,188,448	\$31,019	9.93%	4.16%
Disability retirees	54	1,155,516	28	442,812	630	12,806,208	20,327	8.04	3.58
Beneficiaries	473	6,153,792	147	1,560,084	2,548	46,586,652	18,284	10.60	-3.55
2002-2003									
Service retirees	2,057	69,930,204	762	16,923,921	29,423	876,214,561	29,780	7.55	2.82
Disability retirees	37	724,718	30	543,617	604	11,852,724	19,624	2.27	1.09
Beneficiaries	194	4,069,979	112	1,564,606	2,222	42,122,623	18,957	6.64	2.70
2001-2002									
Service retirees	2,252	76,277,040	763	16,160,604	28,128	814,713,192	28,964	14.53	8.47
Disability retirees	41	890,640	40	688,908	597	11,589,792	19,413	7.27	7.09
Beneficiaries	246	4,309,632	105	1,452,696	2,140	39,500,232	18,458	15.70	8.08
2000-2001									
Service retirees	2,629	84,732,912	749	14,326,116	26,639	711,328,968	26,703	18.15	9.81
Disability retirees	44	896,940	28	432,888	596	10,803,876	18,127	11.23	8.24
Beneficiaries	184	3,478,620	84	978,240	1,999	34,139,676	17,078	19.26	13.29
1999-2000									
Service retirees	2,152		779		24,759	602,073,480	24,317	19.56	12.93
Disability retirees	45		34		580	9,712,992	16,747	11.18	9.07
Beneficiaries	196		90		1,899	28,625,688	15,074	26.30	19.25
1998-1999									
Service retirees	1,947		730		23,386	503,554,404	21,532	20.43	14.16
Disability retirees	41		33		569	8,736,408	15,354	13.75	12.15
Beneficiaries	176		74		1,793	22,665,480	12,641	21.66	14.74

Note: Detailed data on retirees added to and removed from the rolls is not available for years prior to 2000.

ACTUARIAL SECTION

NTRS Schedule of Retirees and Beneficiaries Added to and Removed from Retirement Rolls

	Added to Rolls		Removed from Rolls		Rolls End of Year		Average Annual Allowances	% Increase	
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		in Annual Allowance	in Average Annual Allowance
2003-2004									
Service retirees	1,075	\$ 8,476,308	535	\$ 1,597,860	14,159	\$ 70,902,420	\$ 5,008	11.03%	6.80%
Disability retirees	43	174,660	17	91,188	431	1,560,408	3,620	7.72	1.20
Beneficiaries	86	417,644	44	107,736	855	3,075,528	3,597	11.63	6.14
2002-2003									
Service retirees	966	7,800,240	488	1,584,787	13,619	63,860,114	4,689	10.59	6.71
Disability retirees	31	135,547	13	39,611	405	1,448,560	3,577	7.60	2.82
Beneficiaries	96	417,644	25	85,565	813	2,755,081	3,389	14.19	4.21
2001-2002									
Service retirees	970	7,570,872	461	1,280,604	13,141	57,743,412	4,394	22.43	17.68
Disability retirees	30	146,556	21	58,956	387	1,346,280	3,479	17.02	14.29
Beneficiaries	97	352,764	18	33,996	742	2,412,648	3,252	26.76	13.27
2000-2001									
Service retirees	978	6,089,376	459	1,165,548	12,632	47,164,044	3,734	18.68	13.81
Disability retirees	53	200,208	22	75,372	378	1,150,476	3,044	18.75	9.03
Beneficiaries	76	201,732	14	19,536	663	1,903,260	2,871	19.02	7.89
1999-2000									
Service retirees	960		447		12,113	39,740,484	3,281	20.58	15.49
Disability retirees	45		14		347	968,844	2,792	26.00	14.76
Beneficiaries	77		21		601	1,599,060	2,661	24.11	12.56
1998-1999									
Service retirees	796		414		11,600	32,956,644	2,841	9.17	5.57
Disability retirees	35		7		316	768,900	2,433	14.42	4.29
Beneficiaries	67		19		545	1,288,428	2,364	14.42	4.32
1997-1998									
Service retirees	841		434		11,218	30,189,600	2,691	10.79	6.74
Disability retirees	29		17		288	672,024	2,333	9.04	4.48
Beneficiaries	59		22		497	1,126,008	2,266	11.89	3.56

Note: Detailed data on retirees added to and removed from the rolls is not available for years prior to 2000.

PSRS Summary Plan Description

The Public School Retirement System of Missouri (PSRS) became operative July 1, 1946. It was established by an Act of the Missouri Legislature and is governed by Chapter 169 of the *Revised Statutes of Missouri*. Its purpose is to provide benefits to members and their dependents at retirement or in the event of death or disability prior to retirement.

PSRS is a defined benefit plan funded on an actuarial reserve basis, which guarantees availability of funds to pay benefits as prescribed by law. The System is established as an independent trust fund and is not subject to direction by any state agency. Administrative expenses are paid entirely out of investment earnings.

Administration

The administration of PSRS is vested in a seven-member Board of Trustees, composed of three elected PSRS members, one elected Non-Teacher School Employee Retirement System (NTRS) member, and three appointed trustees. The four elected trustees are selected by vote of the members and retirees of both Systems. Two are elected each even-numbered calendar year to serve four-year terms. The three appointed trustees, one of whom must be a PSRS or an NTRS retiree, are named by the governor to serve four-year terms. The appointed trustees must be residents of school districts included in the Retirement System but not employees of such districts nor state employees nor a state elected official. The Board appoints an executive director who is responsible for employment of the retirement office staff, routine operation of the System, and advisement of the Board on all matters pertaining to the System.

Member Participation

PSRS membership is automatic, regardless of position, for certificated, full-time employees of public school districts in Missouri (except the St. Louis city and the Kansas City school districts), public junior college districts in Missouri, and of PSRS. Certificated, part-time employees whose services would qualify them for membership in the Non-Teacher School Employee Retirement System are contributing members of PSRS unless NTRS membership is elected.

Members working in covered employment are considered *active* members. Such members contribute 10.5% (11.0% effective 7/1/2004) of total compensation to PSRS. The contributions are deducted and remitted by the employer and are credited by PSRS to individual member accounts. Since July 1, 1989, member contributions have been tax-deferred for federal and state income tax purposes under IRS 414(h)(2). Contributions are not considered income

for such purposes until they are paid as a lump-sum refund or monthly benefits.

Members not working in covered employment are considered *inactive* members.

Interest at a rate set each year by the Board of Trustees is credited to individual member accounts each June 30 on the previous June 30 balance. The rate credited on June 30, 2004 was 6%. Since PSRS is a defined benefit plan, benefits are based upon the member's final average salary and years of creditable service. The amount of interest credited to a member's account has no bearing on the monthly benefit amount payable at retirement.

In addition to credit earned for covered service, members may purchase credit in various categories including several types of leave, out-of-state school service, other public and private employment, active U.S. military duty, and service under the federal Uniformed Services Employment and Re-employment Rights Act of 1994 (USERRA).

Employer Participation

The employers served by PSRS withhold members' contributions from salary payments and match those contributions at a current rate of 10.5% (11.0% effective July 1, 2004) of payroll. Employer contributions and investment earnings on those funds are placed by PSRS in a general reserve account to pay monthly benefits to retirees and to beneficiaries of deceased members. Employers are responsible for remitting contributions promptly and for furnishing contribution information and new membership records to PSRS. Employers also provide record data when members apply for benefits or for refunds upon termination of employment.

Survivor Benefits

The designated beneficiary of a member who dies before retirement is eligible for a lump-sum refund of the member's contributions and interest. If the beneficiary is an eligible dependent and the member dies while in covered employment with at least two years of credit for such service, or while eligible for disability retirement benefits, monthly survivor benefits based on a percentage of the member's salary for the last full year of covered service can be elected instead of the contribution refund.

In lieu of a lump-sum refund or monthly survivor benefits, survivors with an insurable interest and beneficiaries of disability retirees may elect to receive monthly benefits under the Option 2 retirement plan. Such benefits are payable when the member would have been eligible for early or normal service retirement.

Refund of Contributions

Member contributions and interest are fully refundable upon termination of service or death. All credit and benefit rights are forfeited upon voluntary withdrawal or automatic termination of membership.

A member may, upon returning to covered employment, reinstate the credit forfeited through termination of a previous membership by repaying the money refunded plus interest.

Membership Termination

Membership is terminated by death, retirement, withdrawal of contributions, or absence from covered employment by a non-vested member for five consecutive school years.

Disability Retirement Benefits

Disability retirement benefits are payable to eligible members who, because of permanent disability, are unable to earn a livelihood in any occupation. In most instances, the disability retirement benefit is calculated at 50% of the member's salary for the last full year of creditable service.

Service Retirement Benefits

Service retirement benefits are payable to members who have terminated covered employment and have met certain eligibility requirements.

Benefit Formula—All service retirement benefits are based on a formula which multiplies final average salary by the applicable formula factor, by the years of credit and, in the case of early retirement, by an age-reduction factor. Final average salary is obtained by dividing the total salaries for the three highest consecutive years of service by 36; the applicable factor is determined by the type of retirement eligibility; total credit is the amount accumulated at retirement for covered service and purchased credit; and the age factor, where applicable, is determined by the age at retirement.

Normal Retirement—A member may retire with benefits calculated under the standard (2.5%) formula factor at age 60 with five years of credit, at any age with 30 years of credit, or when a combination of age and service credit equals 80. Between 7/1/2001-6/30/2008, a member may retire with a 2.55% formula factor with 31 or more years of service.

Early Retirement—A member may retire with benefits calculated under the standard (2.5%) formula with an age-reduction factor applied, at age 55 with five years of credit or at any age with 25 years of credit, as long as they do not qualify for Rule of 80.

A special provision in effect until July 1, 2008 allows members under age 55 with 25.0 to 29.9 years of credit to retire with benefits calculated under a modified formula factor ranging from 2.2% to 2.4% but with no age-reduction factor applied.

Payment Options—A retiring member may elect to receive the maximum benefits payable under the Single Life option, or may elect to receive a reduced benefit under one of three Joint-and-Survivor options or under one of two Term-Certain options, to provide survivor benefit coverage in varying degrees after the retiree's death.

Certain benefit minimums apply to normal or early retirement with 15 or more years of credit. The minimums for 15 but fewer than 25 years of credit are reduced if a Joint-and-Survivor or a Term-Certain option is elected and/or if an age factor is applicable because of early retirement. The minimums for 25 or more years of credit are reduced only if a Joint-and-Survivor or a Term-Certain option is elected.

Post-Retirement Increases

Cost-of-living adjustments (COLAs) are provided beginning the second January after retirement to service and disability retirees, and to Joint-and-Survivor beneficiaries of deceased retirees. The annual COLA, not to exceed 5%, is based on the increase in the cost of living as measured by the Department of Labor Consumer Price Index for the previous fiscal year and is applied to the current benefit of each eligible recipient. Lifetime COLAs are limited to 80% of the original retirement benefit.

Member Handbook

A Member Handbook containing detailed information concerning the retirement program can be obtained from the retirement office upon request.

NTRS Summary Plan Description

The Non-Teacher School Employee Retirement System of Missouri (NTRS) was established by an Act of the Missouri Legislature effective November 1, 1965, and is governed by Chapter 169 of the Revised Statutes of Missouri. Its purpose is to provide benefits to members and their dependents at retirement or in the event of death or disability prior to retirement.

NTRS is a defined benefit plan funded on an actuarial reserve basis, which guarantees availability of funds to pay benefits as prescribed by law. The System is established as an independent trust fund and is not subject to direction by any state agency. Administrative expenses are paid entirely out of investment earnings.

Administration

The statutes provide that the responsibility for the operation and administration of the retirement system is vested in The Public School Retirement System (PSRS) Board of Trustees sitting as the Board of Trustees for NTRS. The Board is comprised of three elected PSRS members, one elected Non-Teacher School Employee Retirement System (NTRS) member and three appointed trustees. The four elected trustees are selected by vote of the members and retirees of both Systems. Two are elected each even-numbered calendar year to serve four-year terms. The three appointed trustees, one of whom must be a PSRS or an NTRS retiree, are named by the governor to serve four-year terms. The appointed trustees must be residents of school districts included in the Retirement System but not employees of such districts nor state employees nor a state elected official.

The Board appoints an executive director who is responsible for employment of the retirement office staff and routine operation of the system, and who acts as advisor to the Board on all matters pertaining to the System.

Member Participation

Active Members—are currently working in covered employment. Employees contribute 5.0% (5.25% effective July 1, 2004) of their total compensation to NTRS. These amounts are deducted by the employing district and then forwarded to NTRS by the payroll officer and applied to the member's account in the NTRS. NTRS membership is automatic, regardless of position, for all persons not covered by The Public School Retirement System who are regularly employed for 20 or more hours a week on a regular basis in a position that normally requires at least 600 hours during the school term by the public school districts in Missouri (except the St. Louis city and the Kansas City school districts), public junior college districts in Missouri, and by the Retirement System.

NTRS membership can be elected by employees with Missouri teaching certificates who work in any position for 20 or more hours weekly but less than full time; however, PSRS membership is automatic if an NTRS election is not made. The election to join NTRS must be filed with the Board of Trustees within 90 days after entering first time, part-time employment.

Since July 1, 1989, member contributions have been tax-deferred for federal and state income tax purposes under IRC 414(h)(2). Contributions are not considered as income for federal or state income tax purposes until they are paid in a lump-sum refund or in monthly benefits.

Individual accounts are maintained for all NTRS members. Interest is credited each June 30 on the previous June 30 balance. The interest rate set annually by the Board of Trustees was 6% on June 30, 2004. Since NTRS is a defined benefit plan, benefits are based upon the member's final average salary and years of creditable service. The amount of interest credited to a member's account has no bearing on the monthly benefit amount payable at retirement.

In addition to credit earned for covered service, members may purchase credit in various categories including several types of leave, out-of-state school service, other public and private employment, active U.S. military duty, and service under the federal Uniformed Services Employment and Re-employment Rights Act of 1994 (USERRA).

Inactive Members—have contributions on deposit with NTRS but are not currently working in covered employment.

Member's Survivors—When a member dies before retirement, the designated beneficiary becomes eligible for a lump-sum refund of the employee's contributions and interest. In lieu of the lump-sum refund, beneficiaries with an insurable interest and beneficiaries of disability retirees may elect to receive monthly benefits under the Option 2 retirement plan. Benefits are payable to the beneficiary under the Option 2 plan when the member would have been eligible for early or normal retirement.

Membership Termination

Membership in the System is terminated by death, retirement, withdrawal of contributions, or absence from covered employment by a non-vested member for five consecutive school years.

Employer Participation

The employers served by NTRS withhold members' contributions from salary payments and match employee contributions at a current rate of 5.0% (5.25% effective July 1, 2004) of payroll. Employer contributions and investment earnings on those funds are placed in a general reserve account to pay monthly benefits to retirees and to beneficiaries of deceased members. It is the responsibility of the employers to remit contributions to the Retirement System promptly and to supply NTRS with new membership records and members' contribution information. Employers also provide needed data when members apply for benefits or refund of contributions upon termination of employment.

Refund of Contributions

Member contributions plus interest are fully refundable upon termination of service or death. All credit and benefit rights are forfeited upon voluntary withdrawal or automatic membership termination. Voluntary withdrawal is available to members who cease covered employment. Automatic termination occurs when a non-vested member is absent from covered employment for five consecutive years. Only the money the member has contributed and accrued interest are refundable.

A member may, upon returning to covered employment, reinstate the credit forfeited through termination of a previous membership by repaying the money withdrawn plus interest.

Service Retirement Benefits

Service retirement benefits are payable to persons who have terminated employment and who have met age and service requirements.

Benefit Formula—All service retirement benefits are based on a formula which multiplies final average salary by the applicable formula factor, by the years of credit and, in the case of early retirement, by an age-reduction factor. Final average salary is obtained by dividing the total salaries for the three highest consecutive years of service by 36; the applicable factor is determined by the type of retirement eligibility; total credit is the amount accumulated at retirement for covered service and purchased credit; and the age factor, where applicable, is determined by the age at retirement.

Because of the conversion of the System from a formula integrated with Social Security to the present basis, a special "frozen benefit" is in effect for certain members for service prior to July 1, 1973.

Normal Retirement—A member may retire with benefits calculated under the standard (1.61%) formula at age 60 with five years of credit, at any age with at least

30 years of service, and at the point where the member's age plus creditable service equals or exceeds 80 (Rule of 80). A member may retire under the standard (1.61%) formula when the member qualifies for Rule of 80 or 30 and out and will receive an additional .8% multiplier until he/she reaches minimum eligibility age for Social Security benefits (currently age 62).

Early Retirement—A member may retire with benefits calculated under the standard (1.61%) formula with an age-reduction factor applied, at age 55 with five but fewer than 25 years of credit.

A special provision in effect until July 1, 2008 allows members under age 55 with 25.0 to 29.9 years of credit to retire with benefits calculated under a modified formula factor ranging from 1.51% to 1.59% but with no age-reduction factor applied.

Options—A retiring member may elect to receive the maximum benefits payable under the Single Life option, or may elect to receive a reduced benefit under one of three Joint-and-Survivor options or under one of two Term-Certain options, to provide survivor benefit coverage in varying degrees after the retiree's death. Another option, the Accelerated Payment Plan (APP), allows members to receive a higher NTRS benefit prior to minimum Social Security eligibility age (currently age 62). When the minimum Social Security eligibility age is attained, the member's NTRS benefit is reduced and remains at a reduced level for the remainder of their retirement.

Disability Retirement Benefits

Disability retirement benefits are payable to persons who have met service and eligibility requirements and who, because of permanent disability, are unable to earn a livelihood in any occupation. The disability retirement benefit is calculated at 90% of the normal service retirement benefit.

Cost-of-Living Adjustments

Cost-of-living adjustments (COLAs) are provided starting the fourth January after retirement to service and disability retirees, and to Joint-and-Survivor beneficiaries of deceased retirees. The annual COLA, not to exceed 5%, is based on the increase in the cost of living as measured by the Department of Labor Consumer Price Index for the previous fiscal year and is applied to the current benefit of each eligible recipient. Lifetime COLAs are limited to 80% of the original retirement benefit.

Member Handbook

A Member Handbook which furnishes more complete information concerning provisions of the NTRS law and regulations can be obtained from the retirement office.

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PSRS Additions by Source

(Dollar amounts in thousands)

Year	Employee Contributions	Employer Contributions	Investment Income	Other Income	Total
1995	\$ 222,124	\$ 211,866	\$ 1,468,062	\$ 541	\$ 1,902,593
1996	249,854	238,631	1,370,448	25,681	1,884,614
1997	264,736	251,958	2,396,120	494	2,913,308
1998	289,224	273,126	2,609,911	246	3,172,507
1999	302,183	287,699	1,795,732	273	2,385,887
2000	319,579	304,944	1,455,003	274	2,079,800
2001	335,275	324,526	(407,172)	810	253,439
2002	356,685	340,000	(582,958)	2,761	116,488
2003	378,434	355,979	873,340	351	1,608,104
2004	405,614	359,763	2,402,566	488	3,168,431

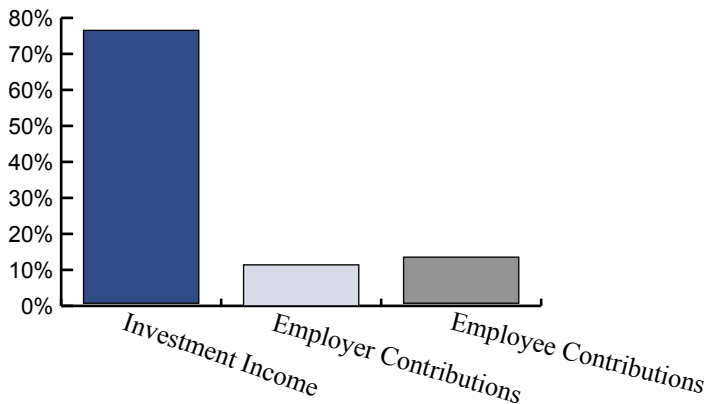
PSRS Deductions by Type

(Dollar amounts in thousands)

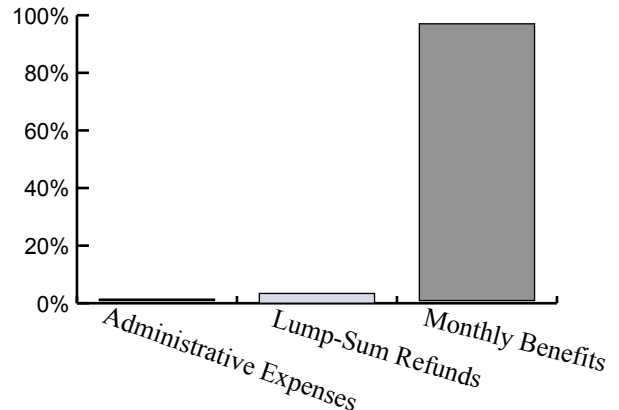
Year	Monthly Benefits	Lump-Sum Refunds	Administrative Expenses	Other	Total
1995	\$ 300,612	\$ 19,731	\$ 2,801	\$ 1	\$ 323,145
1996	349,698	23,756	3,763	25,045	402,262
1997	399,875	25,973	3,867	181	429,896
1998	442,850	28,409	2,827*	6	474,092
1999	534,619	31,044	3,137	3	568,803
2000	638,981	36,098	3,710	2	678,791
2001	749,891	35,047	3,995	14	788,947
2002	860,435	31,779	4,439	47	896,700
2003	930,450	28,474	4,674	1	963,599
2004	1,024,740	36,018	5,265	9	1,066,032

*Shared expenses were allocated under a new formula beginning in 1998.

Additions



Deductions



STATISTICAL SECTION

NTRS Additions by Source

(Dollar amounts in thousands)

Year	Employee Contributions	Employer Contributions	Investment Income	Other Income	Total
1995	\$ 19,249	\$ 19,457	\$ 112,452	\$ 25	\$ 151,183
1996	21,155	20,967	101,972	6	144,100
1997	24,616	24,394	183,542	11	232,563
1998	27,528	27,316	198,913	11	253,768
1999	30,372	30,013	137,142	17	197,544
2000	34,499	34,186	113,954	14	182,653
2001	37,934	37,500	(29,647)	73	45,860
2002	46,217	45,773	(46,732)	26	45,284
2003	48,994	48,933	73,188	16	171,131
2004	50,625	49,977	198,389	10	299,001

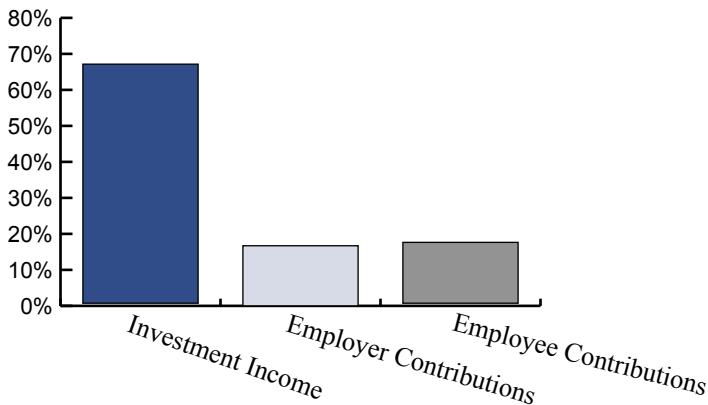
NTRS Deductions by Type

(Dollar amounts in thousands)

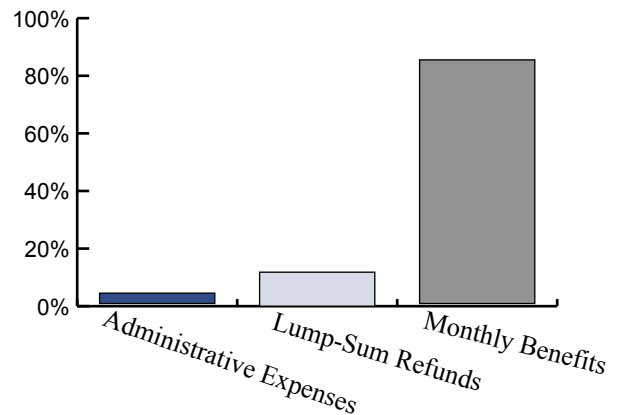
Year	Monthly Benefits	Lump-Sum Refunds	Administrative Expenses	Other	Total
1995	\$ 22,067	\$ 5,000	\$ 690		\$ 27,757
1996	25,155	5,182	769		31,106
1997	28,265	6,160	884		35,309
1998	31,338	7,121	1,470*	\$ 1	39,930
1999	34,518	7,295	1,604	1	43,418
2000	41,530	9,902	1,919	1	53,352
2001	49,038	9,201	2,242	4	60,485
2002	59,871	7,866	2,574	1	70,312
2003	67,399	8,034	2,946	-	78,379
2004	74,871	10,420	3,210	-	88,501

*Shared expenses were allocated under a new formula beginning in 1998.

Additions



Deductions

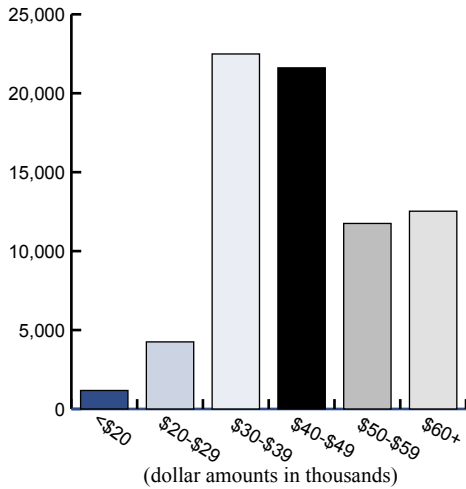


PSRS Summary of Changes in Membership During 2003-2004

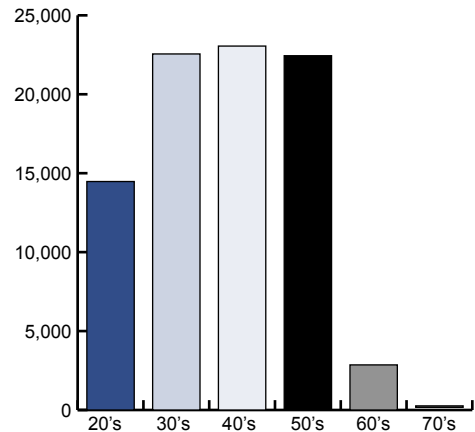
	<u>Male</u>	<u>Female</u>	<u>Total</u>
Membership, July 1, 2003	19,248	65,430	84,678
New members added	1,326	4,306	5,632
Less:			
Service retirements	711	1,719	2,430
Disability retirements	9	45	54
Withdrawals	517	1,552	2,069
Deaths	26	53	79
Memberships terminated	27	150	177
Other	11	19	30
	<u>1,301</u>	<u>3,538</u>	<u>4,839</u>
Net change in membership 2003-2004	<u>25</u>	<u>768</u>	<u>793</u>
Membership June 30, 2004	<u>19,273</u>	<u>66,198</u>	<u>85,471</u>

Note: Twenty-one members eligible for retirement died during the year. These are reflected as deaths on this schedule, but as new retirees on page 92.

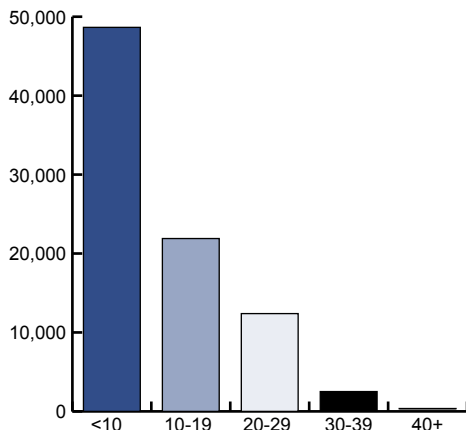
2003-04 PSRS Members by Annual Salary



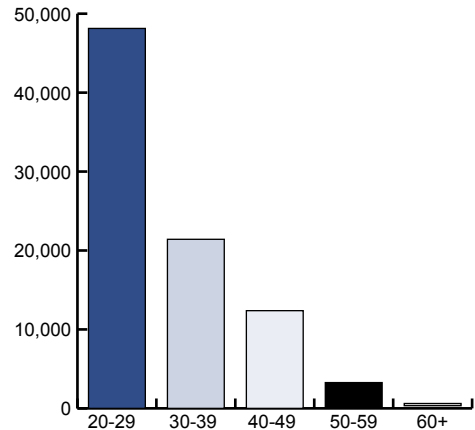
2003-04 PSRS Members by Current Age



2003-04 PSRS Members by Total Service Credit



2003-04 PSRS Age at Entry into System



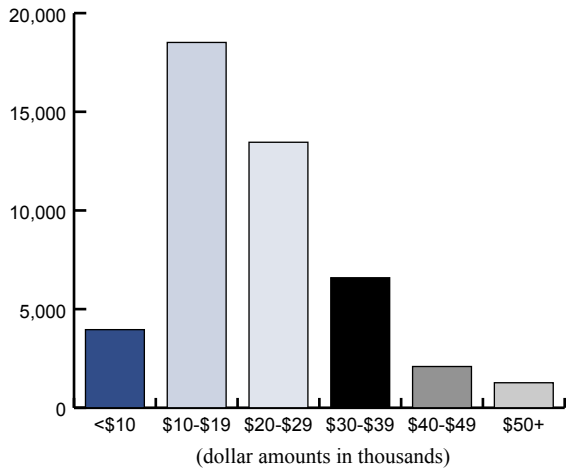
STATISTICAL SECTION

NTRS Summary of Changes in Membership During 2003-2004

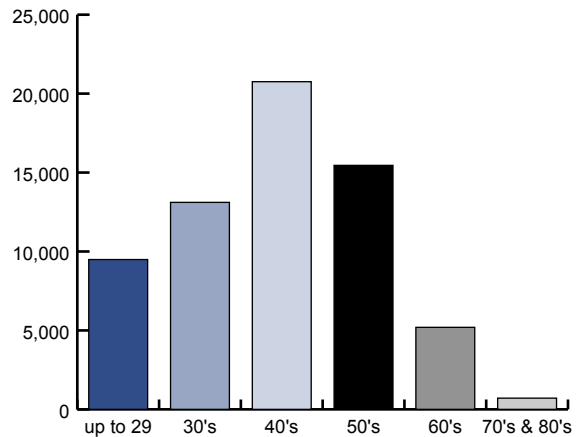
	<u>Male</u>	<u>Female</u>	<u>Total</u>
Membership, July 1, 2003	15,913	48,601	64,514
New members added	2,124	5,020	7,144
Less:			
Service retirements	289	781	1,070
Disability retirements	19	24	43
Withdrawals	1,429	3,394	4,823
Deaths	34	41	75
Memberships terminated	247	576	823
Other	35	72	107
	<u>2,053</u>	<u>4,888</u>	<u>6,941</u>
Net change in membership 2003-2004	<u>71</u>	<u>132</u>	<u>203</u>
Membership June 30, 2004	<u>15,984</u>	<u>48,733</u>	<u>64,717</u>

Note: Five members eligible for retirement died during the year. These are reflected as deaths on this schedule, but as new retirees on page 93.

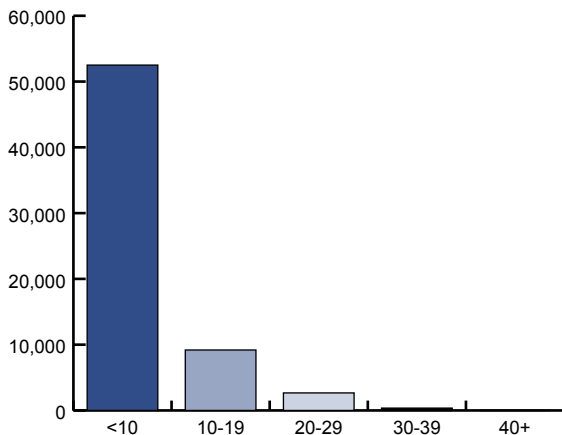
2003-04 NTRS Members by Annual Salary



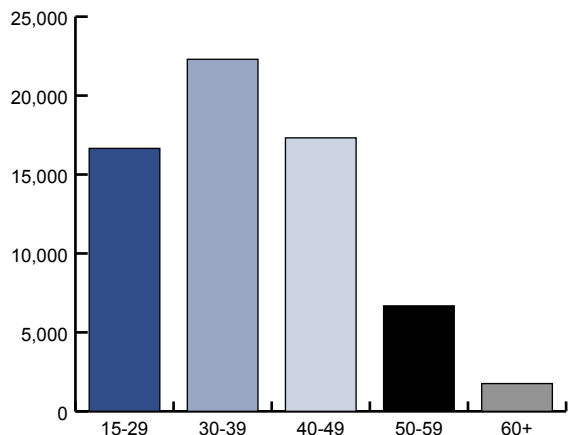
2003-04 NTRS Members by Current Age



2003-04 NTRS Members by Total Service Credit

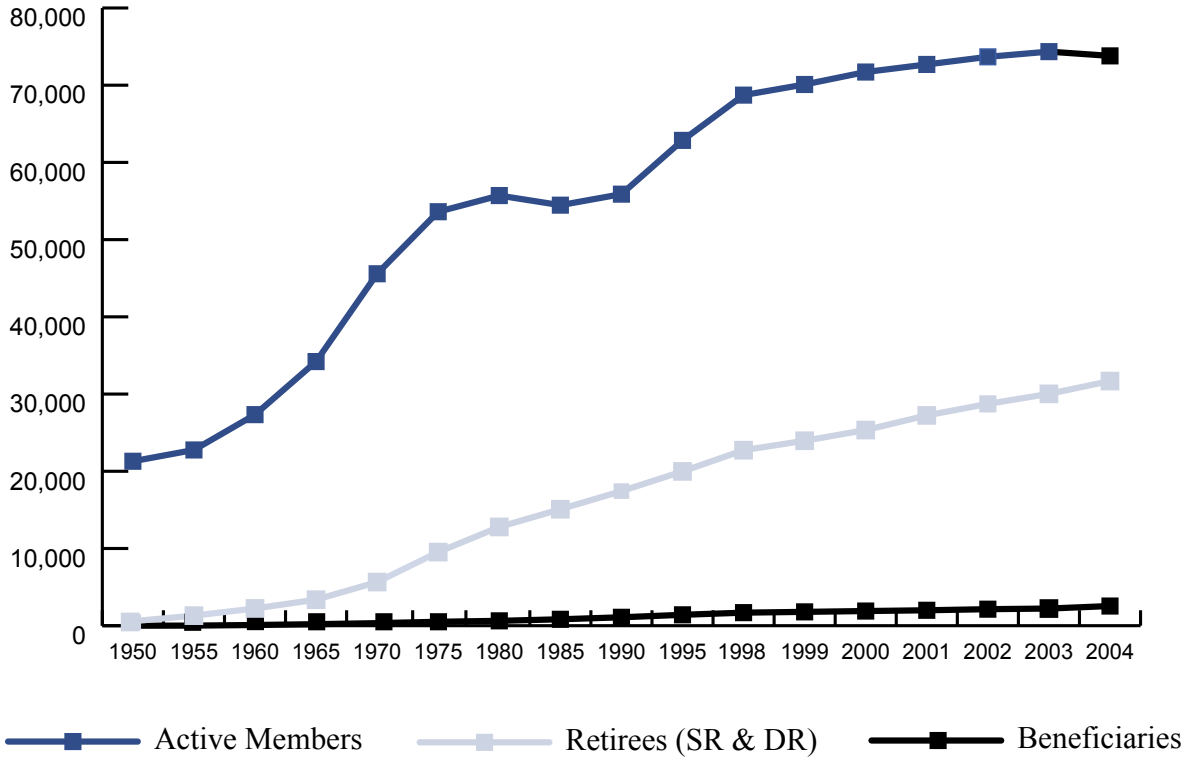


2003-04 NTRS Age at Entry into System

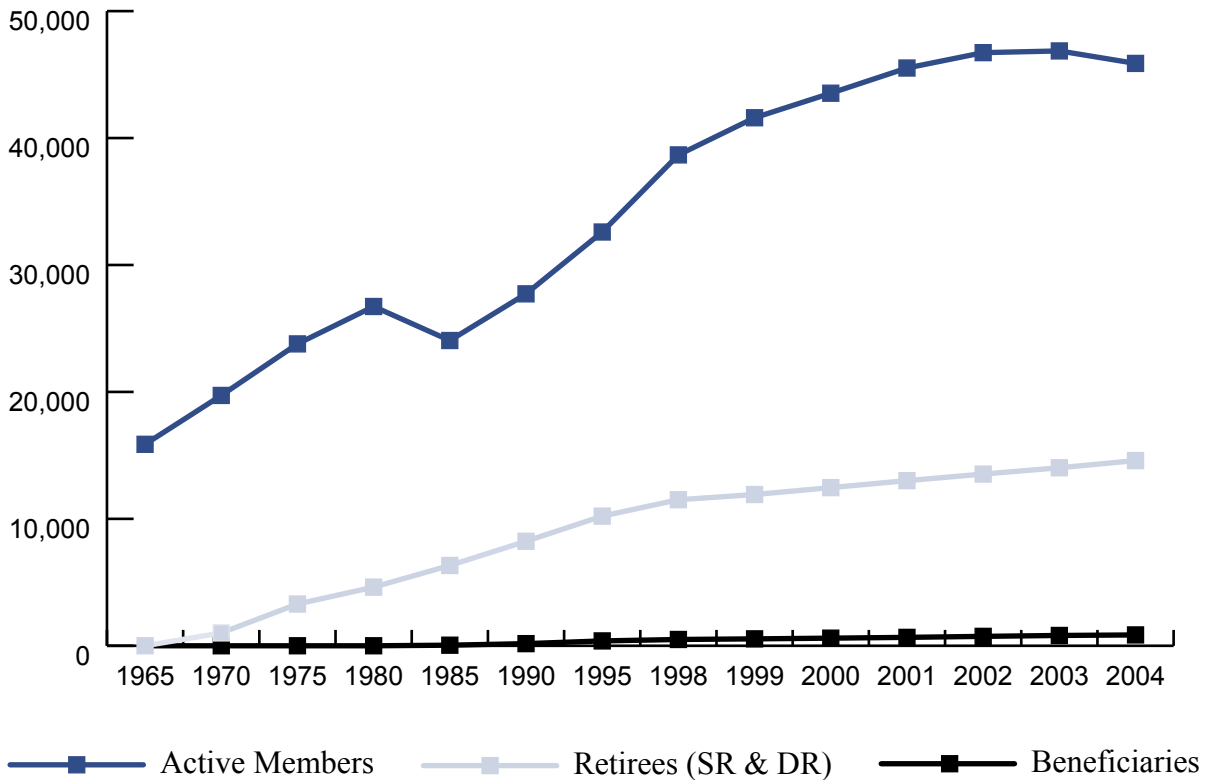


STATISTICAL SECTION

PSRS Growth Through the Years



NTRS Growth Through the Years

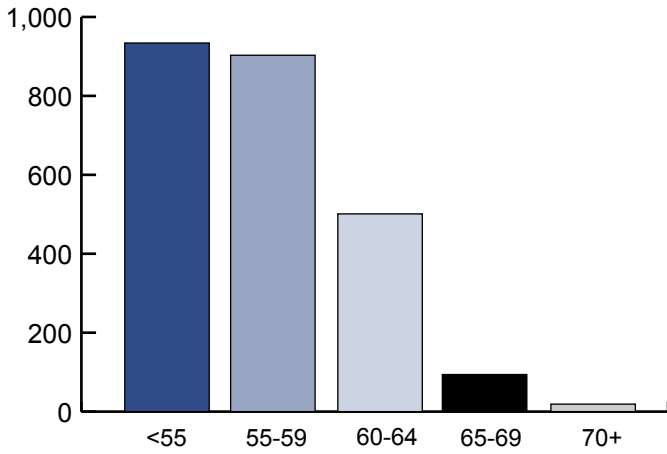


STATISTICAL SECTION

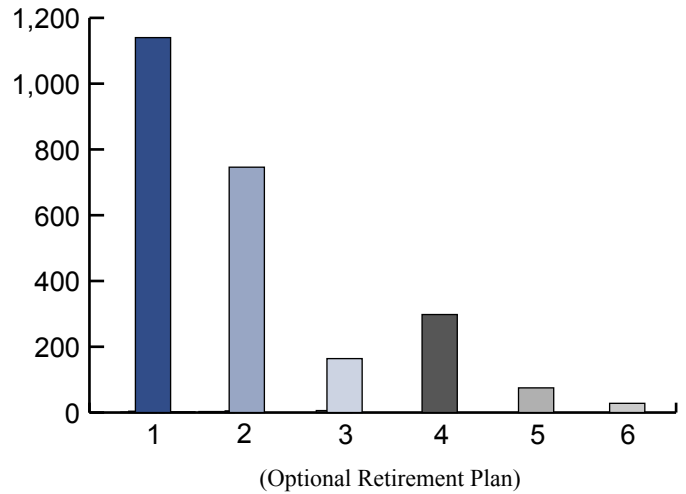
PSRS 2003-2004 New Service Retirees

	<u>Service Retirees</u>	<u>Disability Retirees</u>	<u>Beneficiaries</u>
Retirees July 1, 2003	29,423	604	2,222
Added during the year	2,451	54	473
Died during the year	(820)	(26)	(105)
Other	(2)	(2)	(42)
Retirees June 30, 2004	<u>31,052</u>	<u>630</u>	<u>2,548</u>

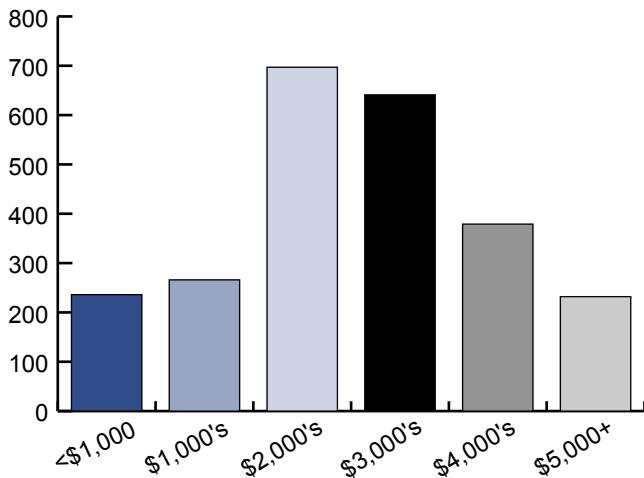
2003-04 New Service Retirees by Age at Retirement



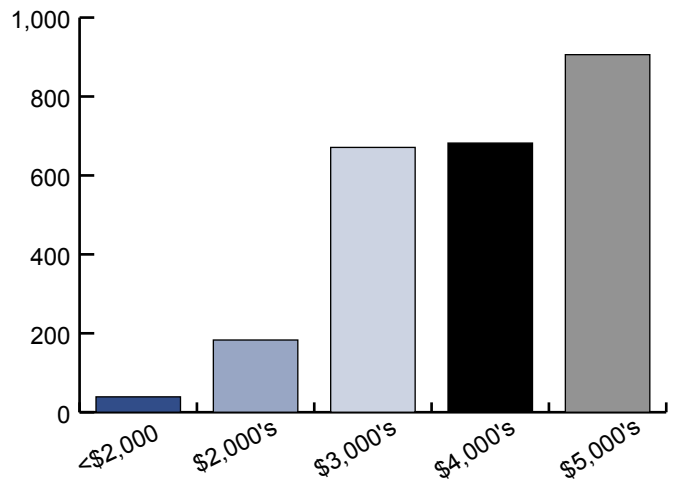
2003-04 New Service Retirees by Retirement Plan Option



2003-04 New Service Retirees by Single Life Benefit Amount



2003-04 New Service Retirees by Final Average Monthly Salary

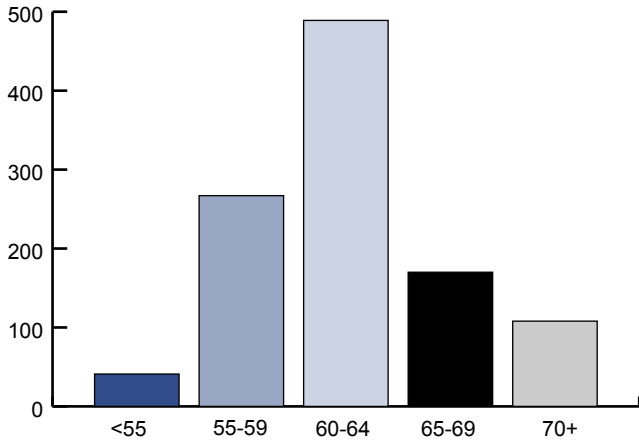


STATISTICAL SECTION

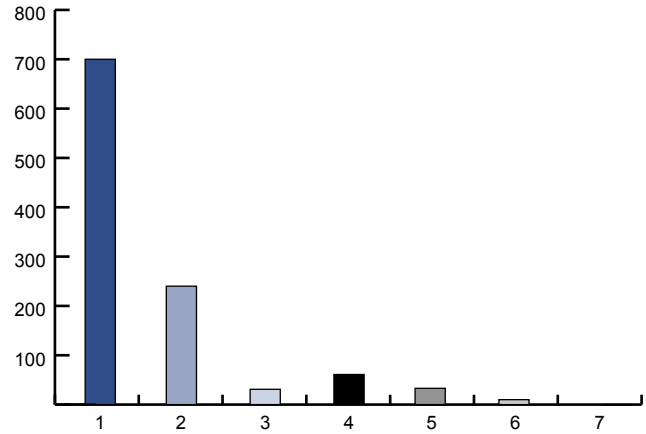
NTRS 2003-2004 New Service Retirees

	<u>Service Retirees</u>	<u>Disability Retirees</u>	<u>Beneficiaries</u>
Retirees July 1, 2003	13,619	405	813
Added during the year	1,075	43	86
Died during the year	(524)	(17)	(44)
Other	(11)	0	0
Retirees June 30, 2004	<u>14,159</u>	<u>431</u>	<u>855</u>

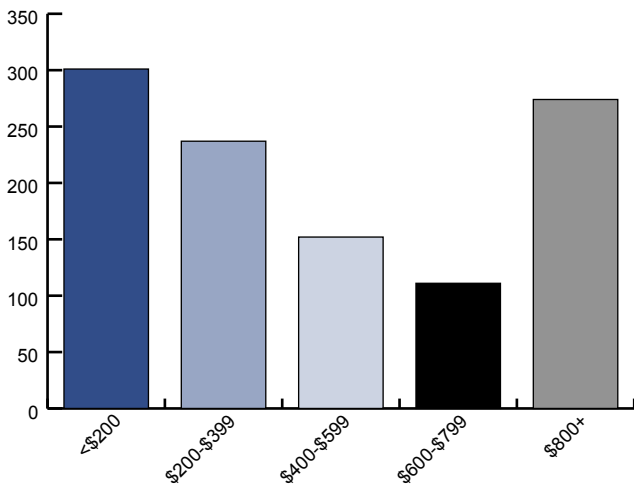
2003-04 New Service Retirees by Age at Retirement



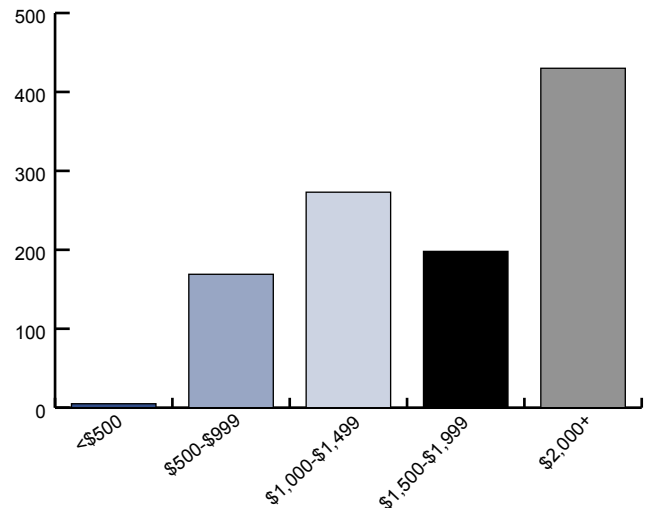
2003-04 New Service Retirees by Retirement Plan Option



2003-04 New Service Retirees by Single Life Benefit Amount



2003-04 New Service Retirees by Final Average Monthly Salary



STATISTICAL SECTION

PSRS Schedule of Retirees by Type (As of June 30) and Benefits by Type (For the year ended June 30)

(Dollar amounts in thousands)

Year	Service Retirees		Disability Retirees		Beneficiaries	
	Number	Benefits	Number	Benefits	Number	Benefits
1994	18,963	\$ 254,957	556	\$ 6,102	1,372	\$ 10,373
1995	19,424	281,897	558	6,427	1,412	11,821
1996	20,075	329,115	567	7,180	1,490	13,403
1997	21,140	375,518	566	7,541	1,586	15,856
1998	22,169	417,421	561	7,716	1,691	17,623
1999	23,386	504,517	569	8,717	1,793	21,385
2000	24,759	601,718	580	9,762	1,899	27,501
2001	26,639	706,647	596	10,719	1,999	32,525
2002	28,128	810,898	597	11,621	2,140	37,916
2003	29,423	877,538	604	11,901	2,222	41,011
2004	31,052	958,155	630	12,720	2,548	44,688

PSRS Average New Retiree Statistics

Year Ending June 30	Regular Retirement Benefit	Increase From Previous Year	Age	Creditable Service
1994	\$ 2,096	12%	58.8	27.8%
1995	2,013	(3)	58.7	26.8
1996	2,183	8	56.3	27.8
1997	2,310	6	56.9	27.8
1998	2,205	(5)	57.1	26.8
1999	2,447	10	57.0	26.7
2000	2,708	11	57.0	26.4
2001	2,806	4	56.7	26.6
2002	2,964	6	56.6	26.6
2003	2,962	0	56.8	26.0
2004	3,108	(5)	56.8	26.0

STATISTICAL SECTION

**NTRS Schedule of Retirees by Type (As of June 30)
and Benefits by Type (For the year ended June 30)**

(Dollar amounts in thousands)

Year	Service Retirees		Disability Retirees		Beneficiaries	
	Number	Benefits	Number	Benefits	Number	Benefits
1995	9,967	\$ 20,842	249	\$ 481	383	\$ 699
1996	10,376	23,785	267	550	415	820
1997	10,811	26,555	276	598	460	967
1998	11,218	29,599	288	665	497	1,074
1999	11,600	32,548	316	745	545	1,225
2000	12,113	39,072	347	945	601	1,513
2001	12,632	46,093	378	1,122	663	1,823
2002	13,141	56,305	387	1,304	742	2,262
2003	13,619	63,333	405	2,618	813	1,448
2004	14,159	69,899	431	1,503	855	2,949

NTRS Average New Retiree Statistics

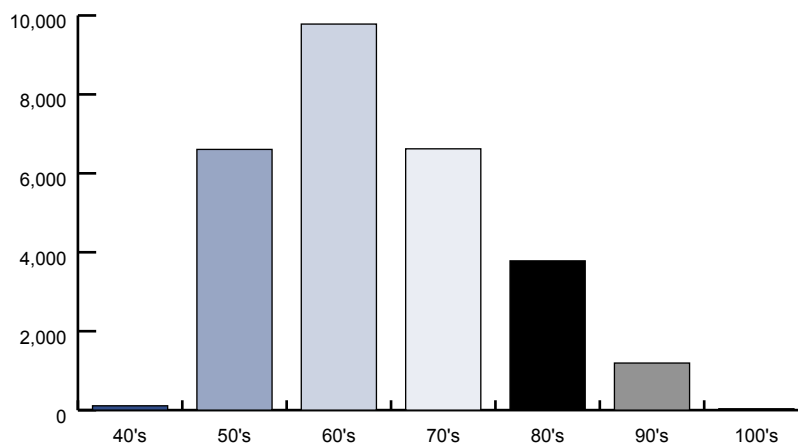
Year Ending June 30	New Service Retirees	Average New Monthly Benefit	% Increase/Decrease From Previous Year
1995	679	\$ 299	(3)%
1996	797	330	11
1997	809	337	2
1998	834	338	0
1999	796	344	2
2000	962	398	16
2001	978	475	19
2002	966	548	15
2003	978	561	2
2004	1,075	572	2

PSRS Schedule of Average Benefit Payments to New Retirees

Retirement Effective Dates	Years of Credit				
	5-9	10-19	20-29	30-39	40 +
2003-04					
Average monthly benefit	\$ 510	\$ 1,363	\$ 2,944	\$ 4,205	\$ 4,042
Average final average salary	\$ 3,243	\$ 3,849	\$ 4,582	\$ 5,155	\$ 4,042
Number of retirees	146	269	1097	927	12
2002-03					
Average monthly benefit	\$ 493	\$ 1,295	\$ 2,832	\$ 4,005	\$ 4,241
Average final average salary	\$ 3,210	\$ 3,591	\$ 4,418	\$ 4,936	\$ 4,241
Number of retirees	111	247	930	752	17
2001-02					
Average monthly benefit	\$ 486	\$ 1,253	\$ 2,738	\$ 3,872	\$ 4,823
Average final average salary	\$ 3,276	\$ 3,637	\$ 4,248	\$ 4,824	\$ 4,823
Number of retirees	93	232	1,034	875	18
2000-01					
Average monthly benefit	\$ 478	\$ 1,165	\$ 2,621	\$ 3,593	\$ 5,431
Average final average salary	\$ 3,020	\$ 3,245	\$ 4,072	\$ 4,552	\$ 5,431
Number of retirees	75	276	1,232	1,027	18
1999-00					
Average monthly benefit	\$ 506	\$ 1,128	\$ 2,472	\$ 3,514	\$ 5,208
Average final average salary	\$ 2,949	\$ 3,310	\$ 3,900	\$ 4,447	\$ 5,209
Number of retirees	95	218	913	912	14
1998-99					
Average monthly benefit	\$ 429	\$ 994	\$ 2,211	\$ 3,159	\$ 4,456
Average final average salary	\$ 2,922	\$ 2,827	\$ 3,576	\$ 3,987	\$ 4,532
Number of retirees	82	206	1,120	526	12

Ages of Retirees Receiving Benefits

As of 6/30/2004

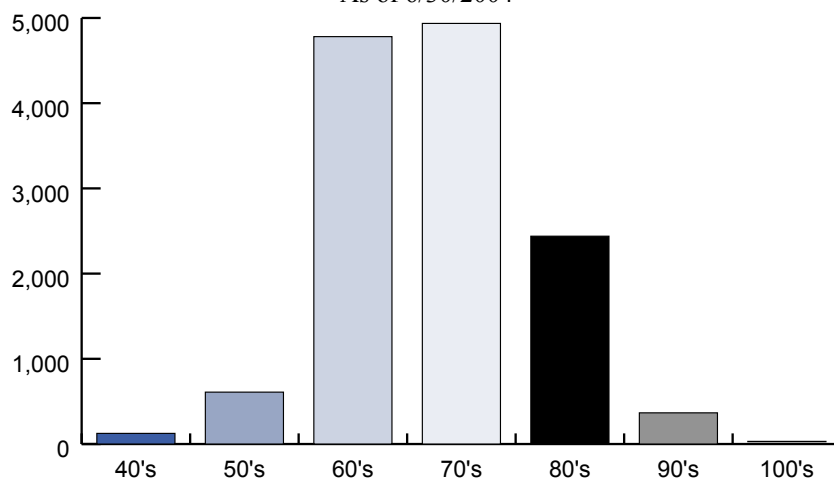


NTRS Schedule of Average Benefit Payments to New Retirees

Retirement Effective Dates	Years of Credit			
	5-9	10-19	20-29	30 +
2003-04				
Average monthly benefit	\$ 159	\$ 401	\$ 906	\$ 1,468
Average final average salary	\$ 1,454	\$ 1,788	\$ 2,305	\$ 2,771
Number of retirees	306	366	306	97
2002-03				
Average monthly benefit	\$ 167	\$ 402	\$ 836	\$ 1,250
Average final average salary	\$ 1,519	\$ 1,737	\$ 2,115	\$ 2,397
Number of retirees	222	338	335	71
2001-02				
Average monthly benefit	\$ 147	\$ 373	\$ 827	\$ 1,355
Average final average salary	\$ 1,382	\$ 1,644	\$ 2,102	\$ 2,530
Number of retirees	230	324	354	58
2000-01				
Average monthly benefit	\$ 141	\$ 345	\$ 685	\$ 1,150
Average final average salary	\$ 1,363	\$ 1,645	\$ 1,894	\$ 2,300
Number of retirees	217	371	306	84
1999-00				
Average monthly benefit	\$ 120	\$ 310	\$ 594	\$ 876
Average final average salary	\$ 1,188	\$ 1,524	\$ 1,735	\$ 1,853
Number of retirees	213	374	307	67
1998-99				
Average monthly benefit	\$ 111	\$ 270	\$ 507	\$ 824
Average final average salary	\$ 1,190	\$ 1,405	\$ 1,580	\$ 1,916
Number of retirees	187	300	259	50

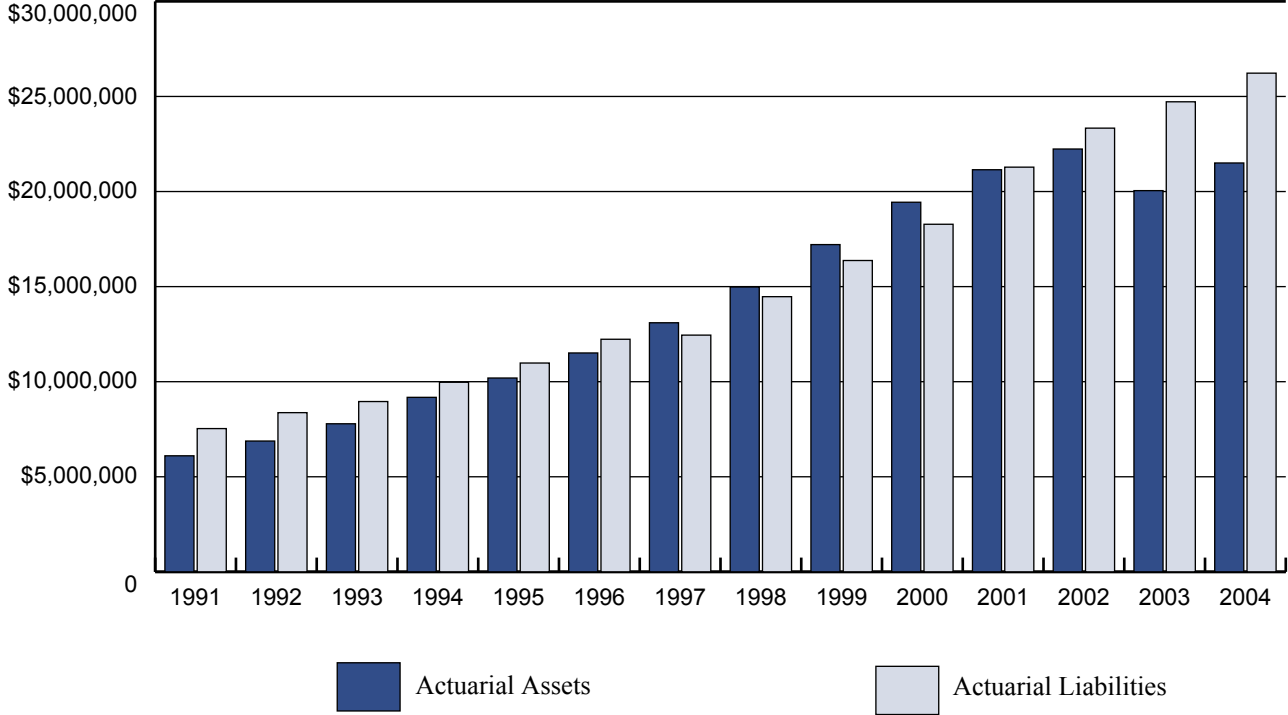
Ages of Retirees Receiving Benefits

As of 6/30/2004



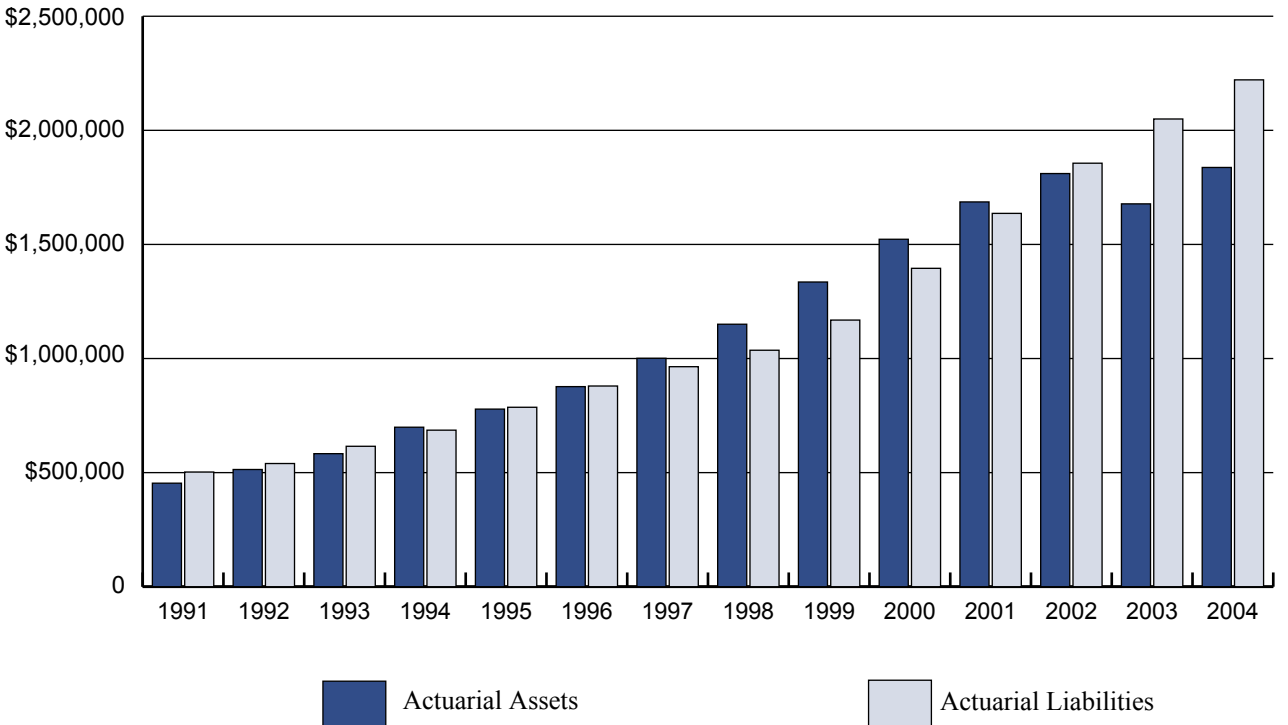
PSRS Comparison of Actuarial Assets and Total Actuarial Liabilities

(Dollar amounts in thousands)



NTRS Comparison of Actuarial Assets and Total Actuarial Liabilities

(Dollar amounts in thousands)



STATISTICAL SECTION

Employees Reported During 2003-2004

DISTRICT	PSRS	NTRS	TOTAL	DISTRICT	PSRS	NTRS	TOTAL
Special School Dist-St. Louis	2,799	2,129	4,928	Kirksville R-3 School District	240	169	409
Springfield R-XII Schools	1,902	1,333	3,235	Center Public Schools	249	156	405
Rockwood R-VI Schools	1,768	1,230	2,998	Jennings Public Schools	260	131	391
Parkway C-2 Schools	1,700	1,145	2,845	Excelsior Springs 40 Schools	255	131	386
North Kansas City Schools	1,494	1,132	2,626	West Plains R-VII Schools	219	166	385
Columbia Public Schools	1,500	942	2,442	Mexico Public Schools	219	162	381
Hazelwood R-I Schools	1,451	907	2,358	Union R-XI Schools	229	134	363
Francis Howell R-III Schools	1,464	775	2,239	Perry County 32 Schools	213	139	352
Ft. Zumwalt R-II Schools	1,259	952	2,211	Moberly Public Schools	214	138	352
Lee's Summit R-VII Schools	1,178	984	2,162	Bolivar R-I Schools	219	127	346
Ferguson-Florissant R-2 School	1,102	872	1,974	Nevada R-V Schools	221	123	344
Blue Springs R-IV Schools	1,005	841	1,846	Warren Co. R-III Schools	203	140	343
Independence Public Schools	881	939	1,820	Carl Junction R-I Schools	224	116	340
St. Joseph Public Schools	956	631	1,587	DeSoto Public Schools	209	131	340
Fox C-6 Schools	834	513	1,347	Kearney R-1 Schools	243	95	338
Park Hill Schools	778	564	1,342	Marshfield R-I Schools	226	106	332
Raytown C-2 Schools	694	544	1,238	Platte County R-III Schools	214	116	330
Mehlville R-IX Schools	816	418	1,234	Marshall Public Schools	221	106	327
Metropolitan Community College	506	699	1,205	Republic R-III Schools	218	106	324
Liberty Public Schools	615	555	1,170	Jefferson College	178	146	324
Jefferson City Public Schools	728	418	1,146	Reeds Spring R-IV Schools	198	123	321
St. Louis Community College	1,128	0	1,128	Festus R-VI Schools	181	136	317
Wentzville R-IV Schools	588	472	1,060	Harrisonville R-IX Schools	198	117	315
Hickman Mills C-1 Schools	656	371	1,027	Dallas County R-I Schools	175	131	306
Riverview Gardens Schools	602	403	1,005	Kennett 39 Public Schools	188	118	306
Pattonville R-III Schools	604	389	993	St. Clair R-XIII Schools	185	119	304
Joplin R-VIII Schools	598	394	992	Crowder College	209	95	304
Northwest R-I Schools	566	332	898	Chillicothe R-II Schools	182	115	297
Kirkwood R-VII Schools	461	330	791	Eldon R-I Schools	175	120	295
St. Charles Co. R-VI Schools	540	231	771	Clinton School District	187	103	290
Fort Osage R-I Schools	402	364	766	State Fair Community College	203	84	287
Normandy Public Schools	424	324	748	Monett R-I Schools	182	102	284
Waynesville R-VI Schools	465	248	713	Savannah R-III Schools	187	95	282
Grandview C-4 Schools	395	278	673	Grain Valley R-V Schools	165	117	282
Ritenour Public Schools	470	189	659	Aurora R-VIII Schools	173	107	280
Poplar Bluff R-I Schools	403	252	655	Moberly Area Community College	194	84	278
Sikeston R-VI Schools	342	289	631	New Madrid Co. R-I Schools	182	95	277
Cape Girardeau Public Schools	406	221	627	Dexter R-XI Schools	168	106	274
Raymore-Peculiar R-II Schools	376	246	622	Cassville R-IV Schools	142	131	273
Lindbergh R-VIII Schools	421	198	619	Odessa R-VII Schools	194	74	268
St. Charles Comm. College	336	270	606	Mineral Area Community College	182	86	268
University City Public Schools	368	233	601	Potosi R-III Schools	174	93	267
Jackson R-II Schools	333	263	596	Sullivan C-2 Schools	167	90	257
Belton 124 Public Schools	365	229	594	Gasconade Co. R-II Schools	149	102	251
Webster Groves Public Schools	360	224	584	St. James R-I Schools	137	113	250
Rolla 31 Public Schools	344	226	570	Central R-III Schools	153	97	250
Camdenton R-III Schools	333	230	563	Knob Noster R-VIII Schools	159	88	247
Hannibal 60 Public Schools	345	204	549	Ste. Genevieve R-II Schools	155	90	245
Sedalia 200 Public Schools	337	210	547	Mountain Grove R-III Schools	142	98	240
Ladue Public Schools	380	162	542	Fredericktown R-I Schools	138	101	239
Washington Public Schools	335	206	541	Maryville R-II Schools	162	76	238
Lebanon R-III Schools	328	211	539	Greene Co. R-VIII Schools	148	89	237
Clayton Public Schools	318	196	514	East Central College	148	89	237
Neosho R-V Schools	293	217	510	North Central Missouri College	122	114	236
Webb City R-VII Schools	280	209	489	Cameron R-I Schools	147	76	223
Troy R-III Schools	307	180	487	School of the Osage R-II Sch.	143	80	223
Meramec Valley R-III Schools	261	221	482	Morgan Co. R-II Schools	139	84	223
Farmington R-VII Schools	315	165	480	Pleasant Hill R-III Schools	157	64	221
Windsor C-1 Schools	270	199	469	Three Rivers Community College	162	57	219
Ozarks Technical Comm. College	307	161	468	Oak Grove R-VI Schools	143	74	217
Carthage R-IX Schools	293	170	463	Seneca R-VII Schools	130	85	215
Nixa R-II Schools	336	120	456	Caruthersville 18 Schools	141	70	211
Branson R-IV Schools	258	196	454	Richmond R-XVI Schools	139	71	210
N. St. Francois R-I Schools	262	180	442	Boonville R-I Schools	139	70	209
Ozark R-VI Schools	303	136	439	Doniphan R-I Schools	135	73	208
Willard R-II Schools	277	162	439	Winfield R-IV Schools	126	80	206
Warrensburg R-VI Schools	276	155	431	Hancock Place Public Schools	158	48	206
Fulton Public Schools	230	199	429	Salem R-80 Schools	118	87	205
Aftton 101 Schools	224	201	425	Smithville R-II Schools	148	54	202
McDonald Co. C-1 Schools	274	150	424	Macon Co. R-1 Schools	129	71	200
Hillsboro R-III Schools	246	176	422	Bowling Green R-I Schools	128	72	200

STATISTICAL SECTION

DISTRICT	PSRS	NTRS	TOTAL
St. Charles Co. R-V Schools	114	83	197
Montgomery Co. R-II Schools	127	68	195
Ava R-I Schools	128	65	193
Charleston R-I Schools	109	82	191
Lamar R-I Schools	124	66	190
Warsaw R-IX Schools	106	84	190
Hollister R-V Schools	104	84	188
Mountain View R-3 Schools	123	64	187
Wright City R-II Schools	125	62	187
Palmyra R-I Schools	111	75	186
Holden R-III Schools	115	70	185
Lexington R-V Schools	131	54	185
Brookfield R-III Schools	123	62	185
North Callaway Co. R-I Schools	122	60	182
Willow Springs R-IV Schools	116	66	182
East Newton Co. R-VI Schools	124	55	179
Maplewood-Richmond Heights Sch	109	70	179
Dunklin R-V Schools	106	71	177
Clearwater R-I Schools	100	77	177
Southern Boone Co. R-I Schools	124	50	174
Boone County R-IV Schools	110	60	170
Moniteau Co. R-I Schools	112	57	169
Strafford R-VI Schools	97	71	168
Mt. Vernon R-V Schools	117	50	167
Valley Park Public Schools	114	52	166
Crawford County R-II Schools	111	53	164
Lafayette Co. C-1 Schools	101	60	161
Centralia R-VI Schools	111	49	160
El Dorado Springs R-II Schools	111	49	160
Malden R-I Schools	115	44	159
Forsyth R-III Schools	93	66	159
Crawford Co. R-I Schools	88	70	158
South Callaway Co. R-II Schools	101	54	155
Brentwood Public Schools	104	51	155
Houston R-I Schools	108	47	155
Arcadia Valley R-II Schools	108	46	154
Carrollton R-VII Schools	97	55	152
Trenton R-IX Schools	97	55	152
Gasconade Co. R-I Schools	99	51	150
Twin Rivers R-X Schools	91	57	148
East Prairie R-II Schools	96	52	148
Dixon R-1 Schools	91	57	148
South Harrison Co. R-2 Schools	93	53	146
Clark Co. R-I Schools	103	42	145
Fair Grove R-X Schools	96	48	144
Lawson R-XIV Schools	104	40	144
Steelville R-III Schools	86	57	143
Lewis County C-1 Schools	95	48	143
Butler R-V Schools	98	43	141
Stockton R-I Schools	88	52	140
Bayless Public Schools	106	32	138
Kingston K-14 Schools	83	53	136
Seymour R-II Schools	80	54	134
Louisiana R-II Schools	78	50	128
Laclede Co. R-I Schools	76	50	126
Hayti R-II Schools	85	41	126
Cole County R-I Schools	78	47	125
Pleasant Hope R-VI Schools	88	37	125
Scott City R-I Schools	84	41	125
Cabool R-IV Schools	79	46	125
Sherwood Cass R-VIII Schools	79	45	124
W. St. Francois R-IV Schools	89	35	124
Lathrop R-II Schools	85	37	122
Shelby Co. R-IV Schools	79	43	122
Maries Co. R-II Schools	74	47	121
Wellston Public Schools	71	50	121
Scott Co. R-IV Schools	85	36	121
Greenville R-II Schools	72	49	121
Ralls Co. R-II Schools	82	38	120
Blue Eye R-V Schools	73	47	120

DISTRICT	PSRS	NTRS	TOTAL
Pemiscot Co. Special Schools	67	52	119
Alton R-IV Schools	72	46	118
Schuyler County R-I Schools	70	48	118
Osage County R-III Schools	76	41	117
Putnam Co. R-I Schools	79	38	117
Jefferson Co. R-VII Schools	62	54	116
North Platte Co. R-1 Schools	78	37	115
Licking R-VIII Schools	72	43	115
Dept. of Elem. & Secondary Ed.	115	0	115
Southwest R-V Schools	73	41	114
Puxico R-VIII Schools	71	43	114
Woodland R-IV Schools	80	33	113
Spokane R-VII Schools	71	42	113
Pike County R-III Schools	66	47	113
Windsor R-I Schools	66	46	112
Sarcoxie R-II Schools	64	48	112
Diamond R-IV Schools	63	49	112
Osage Co. R-II Schools	63	49	112
Milan C-2 Schools	71	41	112
Hickory County R-I Schools	63	48	111
Elsberry R-II Schools	73	38	111
Westran R-I Schools	71	40	111
Fayette R-3 Schools	80	30	110
East Buchanan Co. C-1 Schools	74	35	109
Grandview R-II Schools	70	39	109
Portageville Schools	72	37	109
Callaway County R-III Schools	66	42	108
Iberia R-V Schools	68	40	108
Jasper Co. R-V Schools	66	41	107
Monroe City R-I Schools	68	39	107
Purdy R-II Schools	64	42	106
Bloomfield R-XIV Schools	73	33	106
Van-Far R-I Schools	70	35	105
Knox Co. R-I Schools	66	39	105
Gainesville R-V Schools	66	39	105
Sparta R-III Schools	72	32	104
Senath-Hornersville C-8 School	67	37	104
Ash Grove R-IV Schools	72	32	104
East Carter Co. R-II Schools	68	35	103
Miller R-II Schools	63	40	103
Pierce City R-VI Schools	73	30	103
Cole Camp R-I Schools	63	39	102
Marionville R-IX Schools	67	35	102
West Platte Co. R-II Schools	69	33	102
Public School Retirement System	5	97	102
Clinton Co. R-III Schools	72	29	101
Scotland Co. R-I Schools	63	38	101
Cole Co. R-V Schools	68	32	100
Thayer R-II Schools	64	36	100
South Pemiscot Co. R-V Schools	69	31	100
Laquey R-V Schools	63	36	99
Fordland R-III Schools	61	38	99
Marceline R-V Schools	65	32	97
Crane R-III Schools	70	27	97
Marion C. Early R-5 Schools	63	33	96
Neelyville R-IV Schools	60	35	95
Hamilton R-II Schools	67	28	95
Crystal City Public Schools	71	24	95
Morgan Co. R-I Schools	63	32	95
Pulaski Co. R-IV Schools	60	35	95
Mansfield R-IV Schools	62	33	95
Hartville R-II Schools	65	29	94
Meadow Heights R-II Schools	57	36	93
Canton R-V Schools	59	34	93
Paris R-II Schools	51	42	93
Norwood R-I Schools	53	40	93
Adrian R-III Schools	59	32	91
Salisbury R-IV Schools	53	37	90
Clever R-V Schools	61	29	90
Albany R-III Schools	56	34	90

STATISTICAL SECTION

DISTRICT	PSRS	NTRS	TOTAL	DISTRICT	PSRS	NTRS	TOTAL
Campbell R-II Schools	56	32	88	Naylor R-II Schools	40	23	63
Gallatin R-V Schools	61	26	87	North Pemiscot R-I Schools	39	23	62
Johnson Co. R-VII Schools	59	28	87	Fair Play R-II Schools	43	19	62
Mid-Buchanan Co. R-V Schools	64	22	86	Adair Co. R-1 Schools	37	24	61
Cole Co. R-II Schools	60	26	86	LaPlata R-II Schools	42	19	61
Moniteau Co. R-VI Schools	57	29	86	Sweet Springs R-VII Schools	42	19	61
Smithton R-VI Schools	55	31	86	Advance R-IV Schools	43	18	61
Southern Reynolds R-II Schools	49	36	85	Oak Ridge R-VI Schools	37	23	60
Tarkio R-I Schools	55	29	84	Richards R-V Schools	38	22	60
Liberal R-II Schools	51	33	84	Richland R-I Schools	36	24	60
Van Buren R-I Schools	54	29	83	North Andrew Co. R-VI Schools	40	19	59
Maysville R-I Schools	66	17	83	Gentry County R-II Schools	40	19	59
Sturgeon R-V Schools	48	33	81	LaMonte R-IV Schools	44	15	59
Harrisburg R-VIII Schools	45	36	81	Green Ridge R-VIII Schools	38	21	59
Lincoln R-II Schools	51	29	80	Orrick R-XI Schools	40	19	59
Bismarck R-V Schools	53	27	80	Southland C-9 Schools	36	22	58
Bernie R-XIII Schools	51	29	80	North Nodaway Co. R-VI Schools	36	22	58
Midway R-I Schools	54	25	79	Nodaway-Holt R-VII Schools	37	21	58
Iron Co. C-4 Schools	44	34	78	Green City R-I Schools	36	22	58
Plato R-V Schools	49	29	78	Braymer C-4 Schools	38	18	56
Camden County R-II Schools	49	28	77	Lockwood R-I Schools	38	18	56
Concordia R-II Schools	53	24	77	Clarkton C-4 Schools	37	19	56
Wellsville Middletown R-1 Sch.	46	31	77	Shelby Co. C-1 Schools	40	16	56
Chaffee R-II Schools	47	30	77	Kirbyville R-VI Schools	35	21	56
Galena R-II Schools	49	28	77	Polo R-VII Schools	37	18	55
New Haven Public Schools	47	29	76	Pilot Grove C-4 Schools	36	18	54
Winona R-III Schools	49	27	76	Gideon 37 Public Schools	37	17	54
Slater Public Schools	51	24	75	Dora R-III Schools	31	22	53
Valley R-VI Schools	46	29	75	Macks Creek R-5 Schools	39	13	52
Fairview R-XI Schools	51	23	74	South Holt Co. R-1 Schools	39	13	52
Lone Jack C-6 Schools	47	27	74	Silex R-I Schools	34	18	52
Crocker R-II Schools	43	31	74	NE Nodaway Co. R-V Schools	31	21	52
Appleton City R-II Schools	52	22	74	Halfway R-III Schools	32	20	52
Summersville R-II Schools	52	22	74	Exeter R-VI Schools	32	19	51
Scott County Central Schools	47	26	73	Drexel R-IV Schools	39	12	51
Rich Hill R-IV Schools	48	24	72	Holt Co. R-II Schools	32	19	51
Maries Co. R-I Schools	49	23	72	Howard County R-II Schools	36	15	51
Lesterville R-IV Schools	41	31	72	Bevier C-4 Schools	34	17	51
Lakeland R-III Schools	46	26	72	Oregon-Howell R-III Schools	37	14	51
Greenfield R-IV Schools	43	28	71	Calhoun R-VIII Schools	27	23	50
Holcomb R-III Schools	46	25	71	Oran R-III Schools	37	13	50
Newburg R-II Schools	47	24	71	Shell Knob Public Schools	29	20	49
Santa Fe R-X Schools	47	23	70	Dent-Phelps R-III Schools	29	20	49
Coop. Sch. Dist. of St. Louis	15	55	70	Higbee R-VIII Schools	37	12	49
Pettis Co. R-V Schools	47	22	69	Northeast Vernon Co. R-I	33	16	49
Community R-VI Schools	41	27	68	Zalma R-V Schools	28	20	48
Climax Springs R-IV Schools	30	38	68	Delta R-V Schools	32	16	48
Lonedell R-XIV Schools	40	28	68	Sunrise R-IX Schools	33	15	48
Weaubleau R-III Schools	42	26	68	Couch R-I Schools	32	16	48
Laclede County C-5 Schools	43	25	68	Eminence R-I Schools	29	19	48
Cass Co. R-V Schools	47	20	67	Otterville R-VI Schools	30	17	47
New Franklin R-1 Schools	42	25	67	Walnut Grove R-V Schools	35	12	47
Princeton R-V Schools	48	19	67	Adair County R-II Schools	29	17	46
West Nodaway Co. R-I Schools	44	23	67	Brunswick R-II Schools	32	14	46
NE Randolph R-IV Schools	40	27	67	Nell Holcomb R-IV Schools	30	15	45
Osceola Schools	49	18	67	Chadwick R-I Schools	31	14	45
Rock Port R-II Schools	44	22	66	Grundy Co. R-V Schools	28	17	45
King City R-I Schools	45	21	66	Miller County R-III Schools	28	17	45
South Iron Co. R-I Schools	40	26	66	Bunker R-III Schools	28	17	45
Worth Co. R-III Schools	42	24	66	South Nodaway Co. R-IV Schools	27	17	44
Wheaton R-III Schools	40	25	65	Osage County R-I Schools	32	12	44
Buchanan Co. R-IV Schools	44	21	65	Tri-County R-VII Schools	27	16	43
Hermitage R-IV Schools	33	32	65	Stewartsville C-2 Schools	32	11	43
Bakersfield R-IV Schools	37	28	65	Marion Co. R-II Schools	29	14	43
Billings R-IV Schools	46	18	64	St. Elizabeth R-IV Schools	29	14	43
Leeton R-X Schools	40	24	64	Bell City R-II Schools	33	10	43
Verona R-VII Schools	43	21	64	Hurley R-I Schools	31	12	43
Humansville R-IV Schools	44	20	64	Taneyville R-II Schools	30	13	43
Wheatland R-II Schools	32	31	63	Niangua R-5 Schools	32	11	43
Wellington-Napoleon R-IX Sch.	43	20	63	Miami R-I Schools	28	14	42

STATISTICAL SECTION

DISTRICT	PSRS	NTRS	TOTAL	DISTRICT	PSRS	NTRS	TOTAL
North Harrison Co. R-3 Schools	28	14	42	Raymondville R-VII Schools	16	9	25
Glenwood R-VIII Schools	31	11	42	Blackwater R-II Schools	17	7	24
Kingsville R-I Schools	30	12	42	Pleasant View R-VI Schools	12	12	24
Linn Co. R-I Schools	31	11	42	Bellevue R-III Schools	13	11	24
North Mercer Co. R-III Schools	26	16	42	Oak Hill R-I Schools	14	9	23
Madison C-3 Schools	30	12	42	Skyline R-II Schools	13	10	23
Lutie R-VI Schools	29	13	42	Leesville R-IX Schools	12	10	22
Bronaugh R-VII Schools	27	15	42	Livingston Co. R-III Schools	12	10	22
Norborne R-VIII Schools	30	11	41	Clarksburg C-2 Schools	17	5	22
Junction Hill C-12 Schools	24	17	41	Miami R-1 Schools	14	8	22
Delta C-7 Schools	30	11	41	Plainview R-VIII Schools	13	8	21
Renick R-V Schools	23	18	41	Thornfield R-I Schools	14	7	21
Golden City R-III Schools	27	13	40	Kingston Public Schools	15	5	20
Cooper Co. R-IV Schools	27	13	40	Avenue City R-IX Schools	16	3	19
Gilman City R-IV Schools	24	16	40	Gasconade C-4 Schools	12	7	19
Meadville R-IV Schools	24	16	40	High Point R-III Schools	11	7	18
Risco R-II Schools	25	15	40	Centerville R-I Schools	10	8	18
Bradleyville R-I Schools	28	12	40	Gorin R-III Schools	10	8	18
Keytesville R-III Schools	25	14	39	Laredo R-VII Schools	11	6	17
North Wood R-IV Schools	23	16	39	Middle Grove C-1 Schools	12	5	17
Moniteau Co. C-1 Schools	27	12	39	Wyaconda C-1 Schools	11	5	16
Sheldon R-VIII Schools	26	13	39	Davis R-XII Schools	6	10	16
Fairfax R-III Schools	25	13	38	Callao C-8 Schools	12	4	16
Dadeville R-II Schools	31	7	38	Altenburg 48 Schools	10	6	16
Winston R-VI Schools	27	11	38	Kelso C-7 Schools	13	3	16
Franklin Co. R-II Schools	20	18	38	MO State Teachers Association	16	0	16
Atlanta C-3 Schools	23	15	38	New York R-IV Schools	9	6	15
Jefferson C-123 Schools	28	10	38	Cowgill R-VI Schools	10	5	15
Cooter R-IV Schools	26	12	38	Revere C-3 Schools	10	5	15
Tina-Avalon R-II Schools	24	13	37	Luray 33 Public Schools	9	6	15
Bucklin R-II Schools	22	15	37	Moniteau Co. R-V Schools	10	5	15
SW Livingston Co. R-1 Schools	27	10	37	Hardeman R-X Schools	8	7	15
Marquand Zion R-VI Schools	24	13	37	Holliday C-2 Schools	8	6	14
Breckenridge R-1 Schools	19	17	36	Swedeborg R-III Schools	8	6	14
Prairie Home R-V Schools	24	12	36	Strain-Japan R-XVI Schools	9	4	13
Hardin-Central C-2 Schools	25	11	36	Shawnee R-III Schools	7	6	13
Avilla R-XIII Schools	19	16	35	Boncl R-X Schools	8	5	13
Macon Co. R-IV Schools	26	9	35	Manes R-V Schools	8	5	13
Phelps Co. R-III Schools	17	18	35	Mirabile C-1 Schools	9	3	12
Hale R-I Schools	25	9	34	Spickard R-II Schools	8	4	12
Northwestern R-I Schools	25	9	34	Roscoe C-1 Schools	8	4	12
Everton R-III Schools	24	10	34	Mark Twain R-VIII Schools	8	4	12
Pattonburg R-II Schools	25	9	34	Orearville R-IV Schools	8	3	11
Craig R-III Schools	25	9	34	Missouri City Public Schools	5	5	10
Ballard R-II Schools	22	11	33	Hudson R-IX Schools	5	4	9
Green Forest R-II Schools	17	16	33	Gilliam C-4 Schools	7	2	9
Osborn R-O Schools	26	6	32	MO High School Activity Assoc.	7	0	7
Union Star R-II Schools	24	8	32	Missouri Council of School Admin.	0	5	5
Ridgeway R-V Schools	22	10	32	Southwest MO State University	4	0	4
Ripley Co. R-IV Schools	18	14	32	MO Division of Youth Services	2	0	2
Newtown-Harris R-III Schools	20	12	32	Truman State University	2	0	2
Leopold R-III Schools	21	10	31	MO Southern State College	1	0	1
Spring Bluff R-XV Schools	19	12	31				
Chilhowee R-IV Schools	23	8	31				
Malta Bend R-V Schools	24	7	31				
Richwoods R-VII Schools	19	12	31				
Hume R-VIII Schools	20	10	30				
Bosworth R-V Schools	19	11	30				
North Daviess Co. R-III Schools	20	10	30				
Howell Valley R-I Schools	17	12	29				
Pettis Co. R-XII Schools	18	11	29				
Ripley Co. R-III Schools	18	11	29				
Success R-VI Schools	16	13	29				
Cainsville R-I Schools	17	11	28				
Montrose R-XIV Schools	20	8	28				
Westview C-6 Schools	18	10	28				
East Lynne Public Schools	18	9	27				
Stet R-XV Schools	16	10	26				
Strasburg C-3 Schools	17	8	25				
Pemiscot Co. R-III Schools	15	10	25				

**For more information on
The Public School Retirement System of Missouri and/or
the Non-Teacher School Employee Retirement System of Missouri,
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Comprehensive Annual Financial Report for the Year Ended June 30, 2004

