Public School & Education Employee
PSRS/PEERS
Retirement Systems of Missouri

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2007

We believe in your future.

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2007

We believe in your future.

M. Steve Yoakum
Executive Director

Prepared by:
PSRS/PEERS Staff
3210 W. Truman Boulevard
Jefferson City, MO 65109

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Public School & Education Employee
PSRS / PEERS
Retirement Systems of Missouri

Mission Statement

The Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri (PSRS and PEERS) 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 PEERS 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 U.S. 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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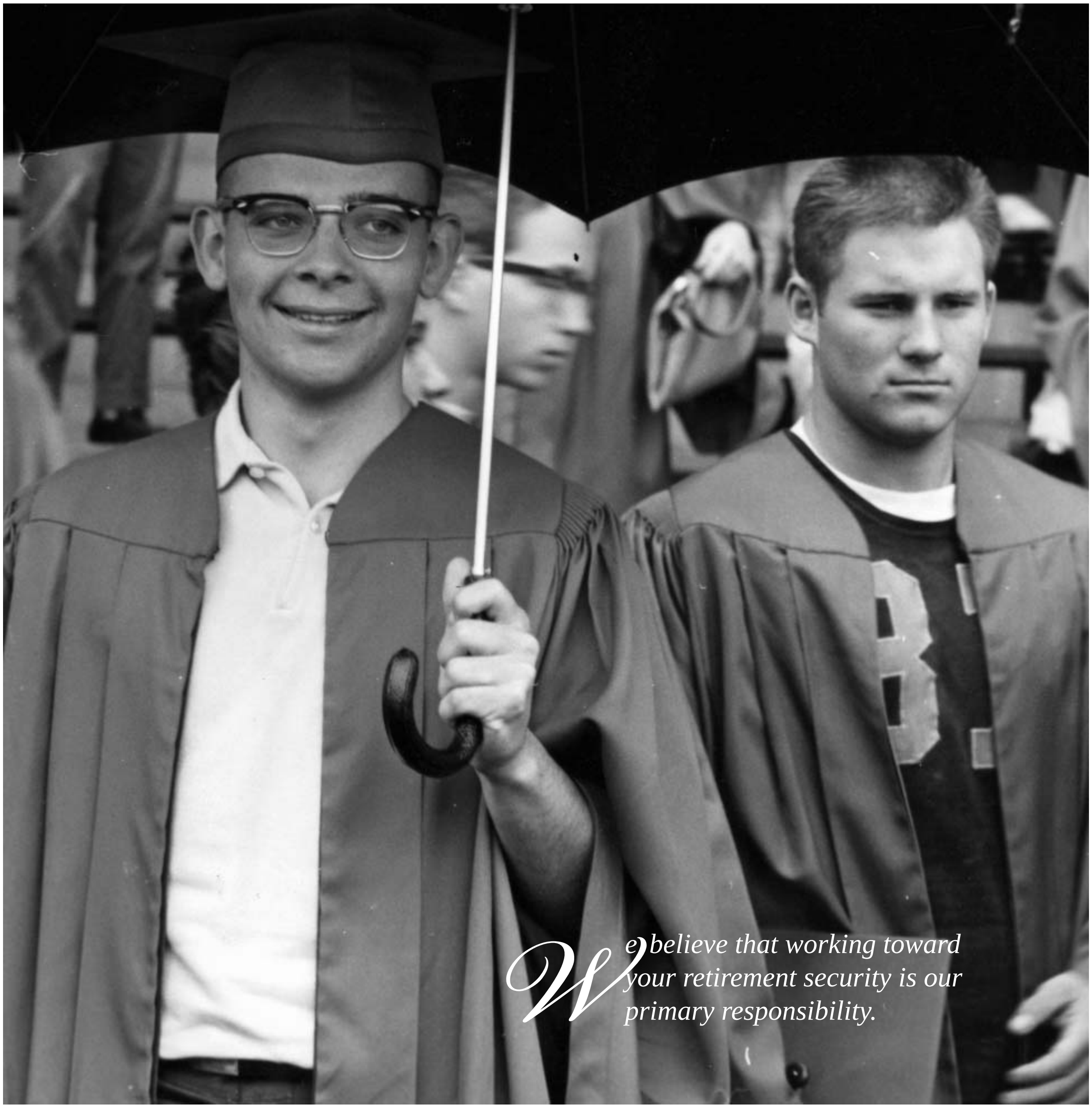
Introductory Section



Introductory Section

Board of Trustees
June 30, 2007

Introductory Section

Public School & Education Employee
PSRS/PEERS
Retirement Systems of Missouri

December 28, 2007

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 Public Education Employee Retirement System of Missouri (PEERS) for the fiscal year ended June 30, 2007. 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 PEERS as of June 30, 2007.

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 Public Education 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 that have elected to join the System.

Financial Information

The Systems' financial statements are prepared in accordance with U.S. 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 20 through 24 for an overview of additions to and deductions from the plans for the fiscal year.

Investment Activities

The overall investment return for the fiscal year was 16.6% for the Public School Retirement System (PSRS) and the Public Education Employee Retirement System (PEERS). The total investment return exceeded the policy benchmark return of 16.1% and resulted in approximately $66 million of additional value to the Systems net of all fees and expenses. 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 employed a more aggressive asset allocation. However, the PSRS/PEERS' investment returns were generated while taking less risk than a large majority of other public pension funds in the nation.

The Board of Trustees governs the investment process by adopting investment policies and objectives, which define the Systems' strategic investment initiatives, and by monitoring performance to measure the results. The PSRS/PEERS

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FAX Numbers: Membership (573) 634-7934; Investments (573) 634-6248; Employer Services (573) 634-7911; Administration (573) 634-5375

www.psrs-peers.org

Investment Policy, adopted by the Board and amended as needed, has specific guidelines for performance expectations, eligible holdings and portfolio characteristics. The key to determining investment strategy is asset allocation, a crucial decision made by the Board after consideration of expected returns for asset classes within the context of risk tolerance for the Systems. Internal staff, with the advice of outside consultants, is responsible for implementing and monitoring this strategy. To increase expected returns, the Systems made changes to the asset allocation strategy in October 2006 to focus on assets with higher expected returns and more active management. The staff worked towards implementation of the long-term asset allocation during fiscal year 2007.

Additional detailed information regarding the PSRS and PEERS investments can be found in the Investment Section of this report.

Funding Status

PSRS and PEERS 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 PEERS) 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, 2007, PSRS was 83.5% funded, while PEERS was 83.2% funded. This is a slight increase from the June 30, 2006 funded ratios of 82.6% for PSRS and 80.5% for PEERS.

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 2007 gains in excess of 8% have been recognized as of June 30, 2007.

During the 2007 fiscal year, the contribution rates collected by the systems were insufficient to fund the normal costs of the Systems plus amortize the unfunded actuarial accrued liability within a 30-year period. The annual required contribution rates for 2007 were 28.39% for PSRS and 13.22% for PEERS. The contribution rates collected were 24.0% for PSRS and 11.5% for PEERS.

Based upon the June 30, 2007 actuarial valuations, the annual required contribution rates for fiscal year 2008 were determined to be 28.24% for PSRS and 12.98% for PEERS. The Board of Trustees set the fiscal year 2008 contribution rates at 25% for PSRS and 12% for PEERS and the 2009 rates at 26% for PSRS and 12.5% for PEERS. The approved rates were set in accordance with the annual contribution rate increase limits set forth in state statute which require the PSRS rate to increase 1% per year and the PEERS rate to increase 0.5% per year until the rates collected are equal to the annual required contribution rates as determined by the actuary. We hope that favorable market conditions will enable the rates to stabilize in the near future.

Legislative Changes During 2006-2007

Senate Bill 406, enacted during the 2007 legislative session, included the following changes related to the Systems:

25-and-Out Provision Extended
The 25-and-Out provision was designed to provide members with the opportunity to retire before the age of 55 and receive a reduced benefit if he/she has accrued between 25 and 30 years of service and does not qualify for the Rule of 80. This statutory provision was set to expire on July 1, 2008, permanently removing this retirement option. The Legislature approved an extension of the 25-and-Out language until July 1, 2013. This extension applies to both PSRS and PEERS members.

2.55% Factor Extended

PSRS members with 31 or more years of creditable service receive an increased factor of 2.55% to determine their monthly benefit. The additional benefit is intended as a way to retain members with valuable experience and reward them for their commitment to education. The 2.55% factor was set to expire as of July 1, 2008, but was extended for an additional five years until July 1, 2013.

Limits on Final Average Salary Increases
A member's retirement benefit is determined as a percentage of the member's final average salary. Currently, a member's total compensation cannot increase from year to year by more than 20%, with specific exceptions, in any year used to determine the final average salary. A new statutory provision reduces the maximum percentage of increase during the final average salary period to 10%.

The 10% limit does not apply to "increases due to bona fide changes in position or employer, increases required by state statute or district-wide salary schedule adjustments for previously unrecognized education related services." This provision only applies to PSRS members.

This provision is effective August 28, 2007 and does not impact July or August 2007 retirees.

Awards

Certificate of Achievement for Excellence in Financial Reporting
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 PEERS for the *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2006. 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 CAFR whose contents meet or exceed program standards. This report must satisfy both U.S. 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.

Public Pension Coordinating Council (PPCC), Public Pension Standards Award
The Systems also received the PPCC, Public Pension Standards Award in 2007 in recognition of meeting the professional standards for plan design and administration as set forth in the Public Pension Standards. This award is presented by the PPCC, a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR).

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 and 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

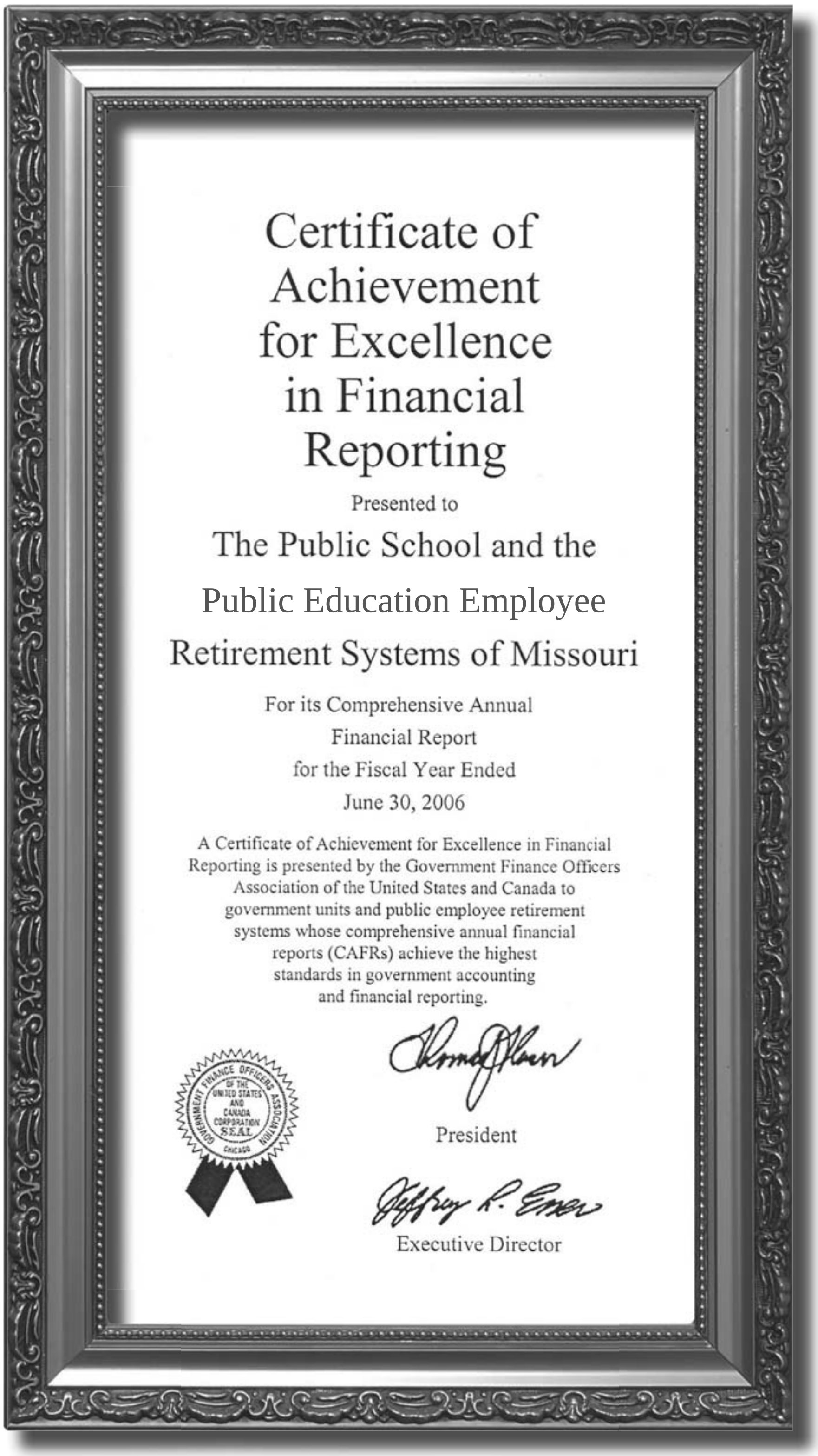
We would like to express our thanks and gratitude to the Board of Trustees, staff, and consultants who have worked diligently to produce this report and to ensure the successful operation of the Systems.

Respectfully submitted,

M. Steve Yoakum
Executive Director

Lori Woratzeck, CPA
Chief Financial Officer

Introductory Section


Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Public School and the Public Education Employee Retirement Systems of Missouri

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2006

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

President

Executive Director

Public Pension Coordinating Council

Public Pension Standards

2007 Award

Presented to

Public School Retirement System of Missouri

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

Introductory Section

PPCC

Public Pension Coordinating Council

Public Pension Standards

2007 Award

Presented to

Public Education Employee
Retirement System of Missouri

In recognition of meeting professional standards for
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Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle

Alan H. Winkle
Program Administrator

Introductory Section

Administrative Organization

June 30, 2007

M. Steve Yoakum
Executive Director

Janet Harris, CPA
Internal Auditor

Mary Hiatte
Executive Assistant

Craig Husting, CFA
Assistant Executive Director, Investments

Jeff Russler
Director, Employer Services

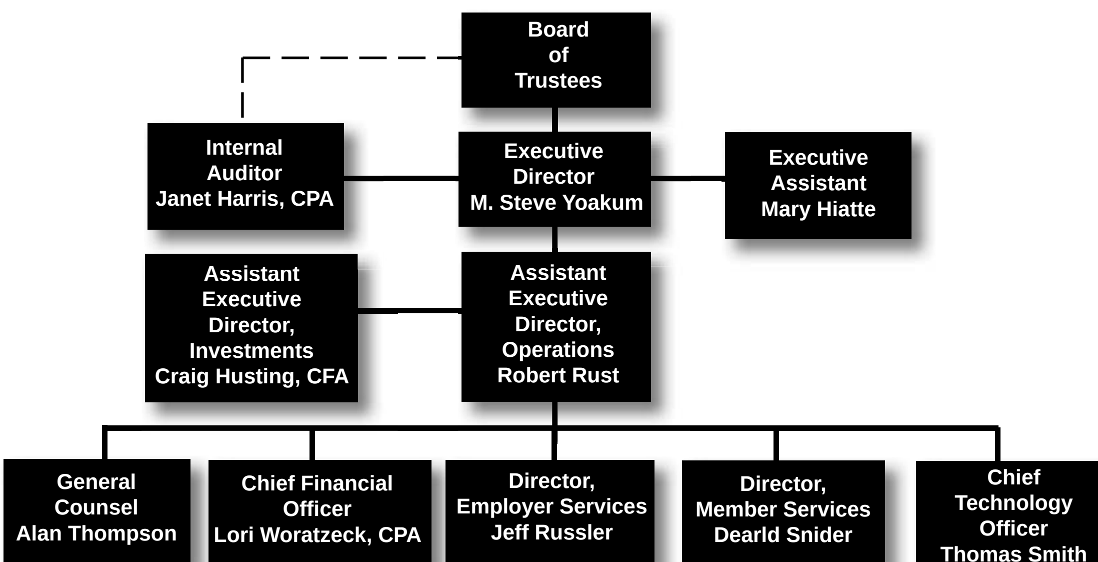
Rob Rust
Assistant Executive Director, Operations

Tom Smith
Chief Technology Officer

Dearld Snider
Director, Member Services

Alan Thompson
General Counsel

Lori Woratzeck, CPA
Chief Financial Officer



Introductory Section

Professional Services

June 30, 2007

Actuary

Gabriel, Roeder, Smith & Co.
Actuaries and Consultants
Norman S. Losk, F.S.A.
Larry Langer A.S.A.
Alex Rivera, F.S.A.
Chicago, Illinois

Auditor

Williams Keepers, LLC
Michael J. Oldelehr, CPA
Anita Brand, CPA
Jefferson City, Missouri

Computer Consultants

Conqwest, Inc.
Michelle Drolet
Holliston, Massachusetts

Huber & Associates
James Huber
Jefferson City, Missouri

ICON Integration
Michael Thibault
Lenexa, Kansas

Information Technology Group
Patti Brown
Kansas City, Missouri

Integrated Solutions Group
Roger Rudkin
Columbia, Missouri

Levi, Ray and Shoup
Tom Chesser
Springfield, Illinois

Total Network Integration
Kirt Dunwoody
Jefferson City, Missouri

World Wide Technologies
Molly Jones
St. Louis, Missouri

Insurance Consultant

Charlesworth & Associates
Bob Charlesworth
Overland Park, Kansas

Wallstreet Insurance Group
Lee Wilbers
Jefferson City, Missouri

Legal Counsel

Pillsbury, Winthrop, Shaw, Pittman, LLP
Dulcie Brand
Los Angeles, California

Thompson Coburn Attorneys at Law
Allen Allred
St. Louis, Missouri

Legislative Consultant

James R. Moody & Associates
James "Jim" Moody
Jefferson City, Missouri

Medical Advisor

Andrew Matera, M.D.
Columbia, Missouri

Investment Management Consultants*

Albourne Partners
John Claisse
David Harmston
San Francisco, California

Pathway Capital Management
Doug LeBon
Curt Gerlach
Irvine, California

Russell Investment Group
Michael Hall
Shannon Walker
Tacoma, Washington

The Townsend Group
Terry Ahern
Linda Assante
Cleveland, Ohio

Master Trustee/Custodian*

State Street Bank and Trust Company
R. Scott Paton
Steve Davies
Boston, Massachusetts

Investment Advisors*

Algert Coldiron Investors, LLC
Kevin Coldiron
Peter Algert
San Francisco, California

AllianceBernstein Institutional Investment Management
Scott Wallace
Giulio Martini
Elizabeth Smith
New York, New York

Analytic Investors, Inc.
Harindra de Silva
Katie W. Koehler
Los Angeles, California

AQR Capital Management
Robert Krail
David Kabiller
Greenwich, Connecticut

Aronson & Johnson & Ortiz, LP
Ted Aronson
Martha Ortiz
Philadelphia, Pennsylvania

Arrowstreet Capital
Bruce Clarke
Peter Rathjens
Cambridge, Massachusetts

BlackRock Financial Management
Andy Phillips
Robert Capaldi
New York, New York

Bridgewater Associates
Raymond Dalio
Tom Bachner
Westport, Connecticut

CBRE Global Real Estate Securities, LLC
Steve Carroll
Jeremy Anagnos
Baltimore, Maryland

Chartwell Investment Partners
Edward Antoian
David Dalrymple
Timothy Riddle
Berwyn, Pennsylvania

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Duncan-Hurst Capital Management
Robert Marren
Beau Duncan
San Diego, California

Goldman Sachs Asset Management, L.P.
Robert Jones
Dennis Byrne
New York, New York

INVESCO Global Asset Management
Erik Granade
Lori Lefkowitz
Atlanta, Georgia

Jacobs Levy Equity Management
Bruce Jacobs
Jeffrey Braemer
Florham Park, New Jersey

JP Morgan Investment Management, Inc.
Ann Pfeiffer
Michael O'Brien
New York, New York

Julius Baer Investment Management
Riad Younes
Rebecca Kubick
New York, New York

Legg Mason Capital Management
Bill Miller
Tim McGurkin
Baltimore, Maryland

Legg Mason International Equities
Aquico Wen
Jim Kandunias
London, England

Lexington Partners Inc.
Brent R. Nicklas
Duncan A. Chapman
New York, New York

Martingale Asset Management
William Jacques
Samuel Nathans
Boston, Massachusetts

McKinley Capital Management
Robert Gilliam
Sheila Borer
Anchorage, Alaska

MFS Investment Management
David Mannheim
Steve Ng
Boston, Massachusetts

Morgan Stanley Real Estate Advisor, Inc.
Scott Brown
Joyce Frater
Atlanta, Georgia

New Amsterdam Partners
Michelle Clayman
David Lubell
New York, New York

Next Century Growth Investors
Tom Press
Kelly McNulty
Minneapolis, Minnesota

NISA Investment Advisors
Jess Yawitz
Robert Krebs
St. Louis, Missouri

Pacific Investment Management Company (PIMCO)
William Gross
George Wood
Newport Beach, California

Pantheon Ventures Inc.
David Braman
Jay Pierrepont
San Francisco, California

Paul Capital Partners
Bryon T. Sheets
Brian W. Sullivan
New York, New York

Prudential Real Estate Investors
J. Allen Smith
Les Lockwood
Parsippany, New Jersey

Renaissance Technologies, LLC
James Simons
Jack Coan
New York, New York

RREEF America LLC
Kevin Howley
Laura Gaylord
Chicago, Illinois

Seix Investment Advisors
Christina Seix
Michael McEachern
Woodcliff Lake, New Jersey

Stark Investments
Brian Stark
Tim Gullickson
Milwaukee, Wisconsin

State Street Global Advisors
John Tucker
John Kirby
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

UBS Global Asset Management
John Leonard
Steven E. Wilde
Chicago, Illinois

Urdang Securities Management
Todd Briddell
Dean Frankel
Plymouth Meeting, Pennsylvania

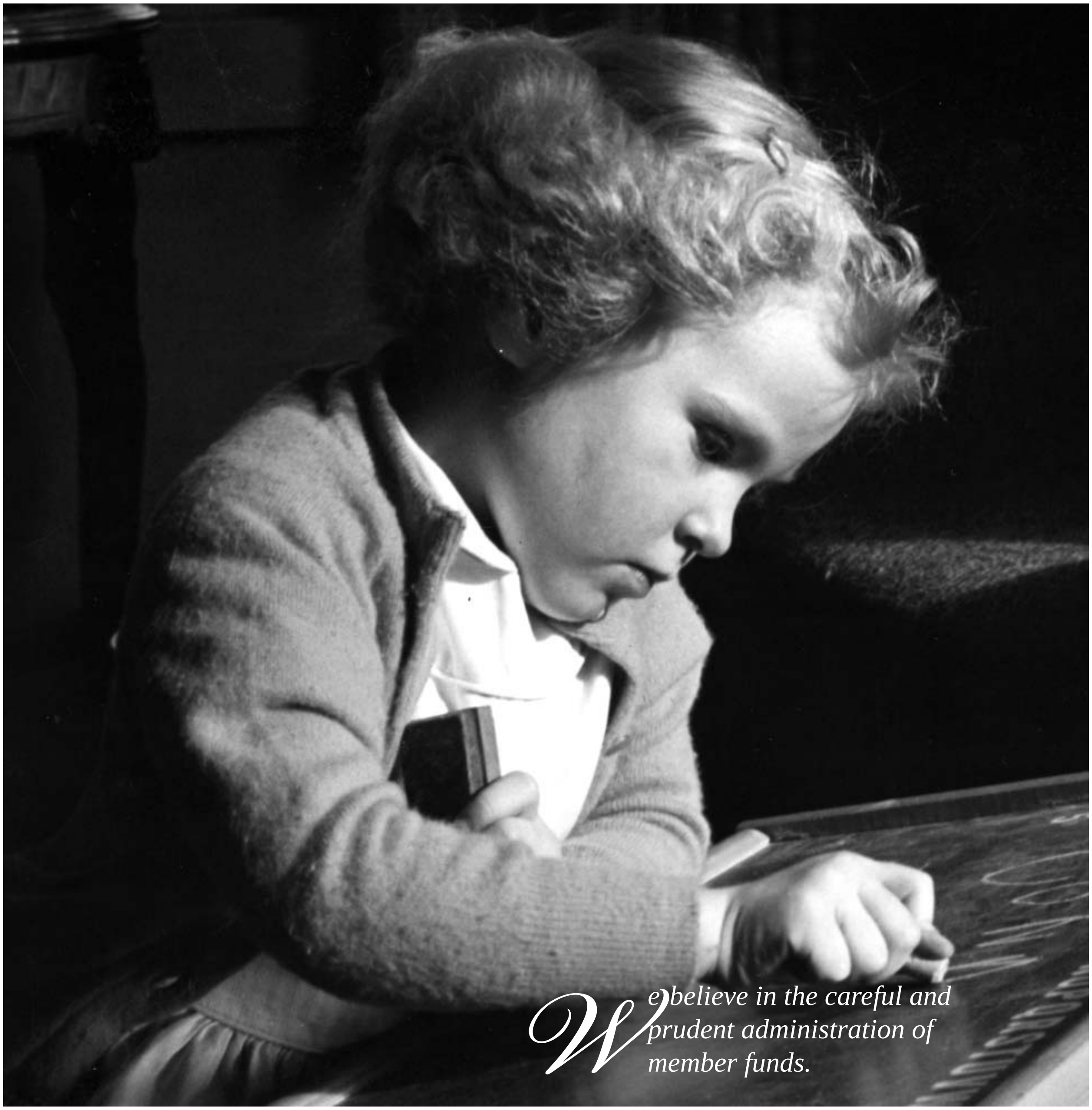
Wellington Management Company
Joe Marvan
Alexander Grant
Boston, Massachusetts

Westwood Management Corporation
Susan Byrne
Patricia Fraze
Dallas, Texas

Zevenbergen Capital, Inc.
Nancy Zevenbergen
Lisa Foley
Seattle, Washington

**Information on investment management and consulting fees can be found in the Schedule of Investment Expenses on pages 77 and 78.*

Financial Section



Financial Section

WILLIAMS KEEPERS LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2005 West Broadway, Suite 100, Columbia, MO 65203
OFFICE (573) 442-6171 FAX (573) 777-7800

3220 West Edgewood, Suite E,Jefferson City, MO 65109
OFFICE (573) 635-6196 FAX (573) 644-7240

www.williamskeepers.com

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of the
Public School and Public Education Employee
Retirement Systems of Missouri

We have audited the accompanying statements of plan net assets of the Public School and Public Education Employee Retirement Systems of Missouri (the Systems) as of June 30, 2007 and the related statements of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Systems' 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. Those 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 and Public Education Employee Retirement Systems of Missouri at June 30,2007 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 20 through 24 and the schedules of funding progress and employer contributions on pages 41 and 42 are not a required part of the basic financial statements of the Systems, but are supplementary information required by the Governmental Accounting Standards Board (GASB). The required supplementary information is the responsibility of management of the Systems. 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 information included on pages 43 through 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Systems. Such information 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.

The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Williams-Keepers LLC

October 29, 2007

Financial Section

Management's Discussion and Analysis
June 30, 2007

This discussion and analysis of the financial position of the Public School Retirement System and the Public Education Employee Retirement System (collectively referred to as the Systems) provides an overview of the Systems' financial activities for the fiscal year ended June 30, 2007. 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, 2007 were $32.0 billion. The net assets were up $4.1 billion from June 30, 2006. This increase was primarily due to the increase in the fair value of investments.

The overall investment return was 16.6% for the Public School Retirement System (PSRS) and 16.6% for the Public Education Employee Retirement System (PEERS). Our relatively conservative asset allocation provided returns that significantly exceeded our assumed rate of return of 8%, but trailed our peers of large institutional pension systems that took more risk. For most of the year, PSRS and PEERS maintained fixed income allocations that were higher than the majority of public pension plans.

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, 2007, the funded ratios were 83.5% for PSRS and 83.2% for PEERS. As of June 30, 2006, the funded ratios were 82.6% for PSRS and 80.5% for PEERS. To arrive at the actuarial value of assets as of June 30, 2007, we used an asset smoothing method by which investment returns above or below 8% are recognized over a five-year period.

Revenues for the year were $5.6 billion. This figure is comprised of contribution revenue of $1.1 billion and investment income of $4.5 billion.

Expenses increased 9.9% over the prior year from $1.4 billion to $1.6 billion. Service retirement benefits increased by $111.1 million from $1.24 billion in fiscal year 2006 to $1.35 billion in fiscal year 2007. Another $55.6 million was paid to retirees electing the Partial Lump Sum Option (PLSO). This cost was up $12.9 million from the $42.6 million paid during fiscal year 2006. 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.

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 25) 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 26) 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 basic notes to the basic 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 27 through 40. The report also contains required supplementary information in addition to the basic financial statements themselves. The Schedules of Funding Progress (page 41) 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.

Financial Section

The Schedules of Employer Contributions (page 42) 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 43) presents the overall cost of administering the Systems. The Schedule of Professional/Consultant Fees (page 45) further details this category of administrative expense.

The Schedule of Investment Expenses (page 44) shows the costs associated with investing the assets of the Systems. These expenses are shown as a reduction of revenue on the Statement 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 12.0% of their annual covered salary during 2007. The employer was required to match that amount. Most PSRS members do not contribute to Social Security, except for employees hired after 1986 who contribute to Medicare only.

Assets

Total assets of PSRS as of June 30, 2007 were $38.5 billion and were mostly comprised of cash, investments, and contributions due from employers. Total assets increased by $5.6 billion or 17.0% from the prior year primarily due to investment earnings.

Liabilities

Total liabilities as of June 30, 2007 were $9.2 billion and were mostly comprised of obligations under security lending arrangements and payables from the purchase of investments. Total liabilities increased by $1.9 billion from the prior year. This increase was primarily due to increased payables from the purchase of investments.

Net Assets

System assets exceeded liabilities at June 30, 2007 by $29.3 billion. This was up from 2006 net assets of $25.6 billion by $3.7 billion. This increase was a result of investment earnings that totaled $4.1 billion for the year offset by benefit payments and other expenses which exceeded contribution revenue by $0.4 billion. This trend is a natural progression in a mature defined benefit plan.

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

	2007	2006	Change
Cash & investments	$ 33,531,143	$ 29,803,145	$ 3,727,998
Receivables	4,916,199	3,042,185	1,874,014
Other	12,893	12,008	885
Total assets	38,460,235	32,857,338	5,602,897
Total liabilities	9,176,568	7,253,809	1,922,759
Plan net assets	$ 29,283,667	$ 25,603,529	$ 3,680,138

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

	2007	2006	Change
Additions			
Member contributions	$ 514,163	$ 502,980	$ 11,183
Employer contributions	472,217	429,579	42,638
Investment income	4,125,164	2,235,836	1,889,328
Other	280	264	16
Total additions	5,111,824	3,168,659	1,943,165
Deductions			
Monthly benefits	1,380,563	1,260,839	119,724
Refunds of contributions	44,010	36,394	7,616
Administrative expenses	7,111	6,750	361
Other	2	4	(2)
Total deductions	1,431,686	1,303,987	127,699
Change in plan net assets	$ 3,680,138	$ 1,864,672	$ 1,815,466

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 contribution revenue for the year increased by $53.8 million to $986.4 million. This was a 5.8% increase over the prior year. Retirement contributions were calculated at 12.0% of retirement salary for each member during fiscal year 2007. The employer matched this amount. Contribution rate increases accounted for 4.4% of the increase. In addition to contributions on salary, members may also pay contributions to reinstate previously withdrawn service credit or to purchase various types of elective credit.

The net investment gain was $4.1 billion as compared to a net investment gain of $2.2 billion in 2006. 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 2007 were $1.4 billion, an increase of 9.8% over fiscal year 2006.

Benefit expenses increased by $119.7 million. This was a result of cost-of-living increases applied to the benefits of current retirees, increased PLSO payments and the addition of 2,376 new service and disability retirees. There were no changes to the benefit formula during 2007. Refunds of contributions increased by $7.6 million to $44.0 million.

Administrative expenses increased by $0.36 million to $7.1 million. This was a 5.4% increase. This increase is attributable to providing a 3.55% COLA increase plus a 2% merit pool for staff members and the addition of one attorney position and one systems administrator position in Information Technology. The cost of these items was charged 60% to PSRS and 40% to PEERS. As always, we will continue to look for ways to streamline costs where prudent.

Financial Analysis of the Public Education Employee Retirement System

The Public Education Employee Retirement System (PEERS) is a mandatory cost-sharing multiple employer retirement system for non-certificated employees and certain part-time certificated employees of participating employers. PEERS members were required to contribute 5.75% of their annual covered salary during 2007. The employer was required to match that amount. PEERS members also contribute to Social Security.

Financial Section

Assets
Total assets of PEERS as of June 30, 2007 were $3.5 billion and were mostly comprised of cash, investments, and contributions due from employers. Total assets increased by $0.6 billion or 19.0% from the prior year primarily due to investment earnings.

Liabilities
Total liabilities as of June 30, 2007 were $847.0 million and were mostly comprised of obligations under security lending arrangements and payables from the purchase of investments. Total liabilities increased by $168.7 million. This increase was primarily due to increased payables from the purchase of investments.

Net Assets
PEERS assets exceeded liabilities at the close of fiscal year 2007 by $2.7 billion. This was up from 2006 net assets by $0.4 billion. This increase was primarily the result of investment earnings that totaled $373.2 million for the year. Because PEERS is a much younger plan than PSRS, contribution revenues exceeded benefit payments and other expenses by $21.0 million.

Public Education Employee Retirement System
Plan Net Assets (000's)

	2007	2006	Change
Cash & investments	$ 3,099,494	$ 2,685,708	$ 413,786
Receivables	428,630	279,526	149,104
Total assets	3,528,124	2,965,234	562,890
Total liabilities	846,948	678,254	168,694
Plan net assets	$ 2,681,176	$ 2,286,980	$ 394,196

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

	2007	2006	Change
Additions			
Member contributions	$ 73,071	$ 68,018	$ 5,053
Employer contributions	69,235	61,746	7,489
Investment income	373,198	197,629	175,569
Other	-	3	(3)
Total additions	515,504	327,396	188,108
Deductions			
Monthly benefits	103,182	92,661	10,521
Refunds of contributions	13,699	12,044	1,655
Administrative expenses	4,427	4,358	69
Total deductions	121,308	109,063	12,245
Change in plan net assets	$ 394,196	$ 218,333	$ 175,863

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 contribution revenue for the year increased by $12.5 million to $142.3 million. This was a 9.7% increase over the prior year. Retirement contributions were calculated at 5.75% of retirement salary for each member during fiscal year 2007. The employer matched this amount. Contribution rate increases accounted for 4.5% of the increase. In addition to contributions on salary, members may also pay contributions to reinstate previously withdrawn service credit or to purchase various types of elective credit.

The net investment gain was $373.2 million as compared to a net investment gain of $197.6 million in 2006. 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 PEERS 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 2007 were $121.3 million, an increase of 11.2% over fiscal year 2006.

Benefit expenses increased by $10.5 million. This was a result of cost-of-living increases applied to the benefits of current retirees and the addition of 1,220 new service and disability retirees. There were no changes to the benefit formula during 2007. Refunds of contributions increased by $1.7 million to $13.7 million.

Administrative expenses increased by $0.1 million to $4.4 million. This was a 1.6% increase. This increase is attributable to providing a 3.55% COLA increase plus a 2% merit pool for staff members and the addition of one attorney position and one systems administrator position in Information Technology. The cost of these items was charged 60% to PSRS and 40% to PEERS. As always, we will continue to look for ways to streamline costs where prudent.

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 2007, we still cannot amortize our unfunded actuarial accrued liabilities over the required 30 year amortization period. The current contribution rates recommended for fiscal year 2009, which are limited by state statute, are still below the annual required contribution rates of 28.24% for PSRS and 12.98% for PEERS.

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 it receives. If you have any questions about this report or need additional financial information, contact the Public School and Public Education Employee Retirement Systems, P.O. Box 268, Jefferson City, MO 65102.

Financial Section

Statements of Plan Net Assets

As of June 30, 2007 with comparative totals for June 30, 2006

	PSRS	PEERS	Combined Totals June 30, 2007	Combined Totals June 30, 2006
ASSETS				
Cash	$106,005,463	$11,155,973	$117,161,436	$51,254,178
Receivables				
Contributions	143,661,005	14,737,110	158,398,115	154,140,746
Accrued interest and dividends	282,353,748	24,718,316	307,072,064	95,970,506
Investment sales	4,489,593,527	389,156,882	4,878,750,409	3,070,772,994
Due from PEERS	497,409	-	497,409	691,452
Other	92,872	17,974	110,846	135,172
Total receivables	4,916,198,561	428,630,282	5,344,828,843	3,321,710,870
Investments, at fair value				
Public debt	8,419,521,726	770,515,625	9,190,037,351	9,916,277,107
U.S. equities	11,277,558,435	1,038,806,394	12,316,364,829	10,659,832,087
Global equities	6,785,555,995	624,254,189	7,409,810,184	5,555,472,919
Absolute return pool	387,356,263	33,683,154	421,039,417	-
Short term investments	952,733,255	60,809,612	1,013,542,867	1,031,149,870
Private equity	418,362,330	33,502,360	451,864,690	140,627,033
Real estate	1,134,466,649	100,481,140	1,234,947,789	842,651,544
Total investments	29,375,554,653	2,662,052,474	32,037,607,127	28,146,010,560
Invested securities lending collateral	4,049,583,334	426,285,529	4,475,868,863	4,291,587,830
Prepaid expenses	128,640	-	128,640	157,716
Capital assets, net of accumulated depreciation	12,764,715	-	12,764,715	11,850,530
Total assets	38,460,235,366	3,528,124,258	41,988,359,624	35,822,571,684
LIABILITIES				
Accounts payable	20,814,041	1,920,381	22,734,422	22,241,194
Interest payable	11,874,726	1,166,787	13,041,513	5,943,275
Securities lending collateral	4,049,583,334	426,285,529	4,475,868,863	4,291,587,830
Investment purchases	5,093,730,593	416,705,802	5,510,436,395	3,610,771,794
Due to PSRS	-	497,409	497,409	691,452
Compensated absences	565,851	372,054	937,905	827,650
Total liabilities	9,176,568,545	846,947,962	10,023,516,507	7,932,063,195
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 29,283,666,821	$ 2,681,176,296	$ 31,964,843,117	$ 27,890,508,489

(Schedules of funding progress for the plans are presented on page 41)

See accompanying Notes to the Financial Statements.

Statements of Changes in Plan Net Assets

For the year ended June 30, 2007 with comparative totals for the year ended June 30, 2006

			Combined Totals Year Ended	
	PSRS	PEERS	June 30, 2007	June 30, 2006
ADDITIONS				
Contributions				
Employer	$472,216,630	$69,235,160	$541,451,790	$491,324,416
Member	514,163,373	73,070,572	587,233,945	570,997,722
Total contributions	986,380,003	142,305,732	1,128,685,735	1,062,322,138
Investment income				
From investing activities:				
Net appreciation in fair value of investments	3,474,334,796	315,297,125	3,789,631,921	1,826,553,452
Interest from investments	424,469,445	37,750,770	462,220,215	386,144,904
Interest from bank deposits	614,247	101,327	715,574	439,121
Dividends	279,450,092	25,216,308	304,666,400	261,011,753
Total investment income	4,178,868,580	378,365,530	4,557,234,110	2,474,149,230
Less investment expenses	66,336,071	6,335,482	72,671,553	53,751,624
Net income from investing activities	4,112,532,509	372,030,048	4,484,562,557	2,420,397,606
From security lending activities:				
Security lending gross income	224,273,346	21,490,793	245,764,139	177,499,672
Less security lending activity expenses:				
Agent fees	2,712,720	248,069	2,960,789	3,360,627
Broker rebates	208,929,337	20,075,043	229,004,380	161,071,420
Total security lending expenses	211,642,057	20,323,112	231,965,169	164,432,047
Net income from security lending activity	12,631,289	1,167,681	13,798,970	13,067,625
Total net investment income	4,125,163,798	373,197,729	4,498,361,527	2,433,465,231
Other income				
PEERS capital asset charge	257,243	-	257,243	251,764
Miscellaneous income	23,312	32	23,344	15,539
Total other income	280,555	32	280,587	267,303
Total additions	5,111,824,356	515,503,493	5,627,327,849	3,496,054,672
DEDUCTIONS				
Monthly benefits	1,380,562,964	103,181,588	1,483,744,552	1,353,499,313
Refunds of contributions	44,010,291	13,698,759	57,709,050	48,437,675
Administrative expenses	7,111,060	4,426,688	11,537,748	11,108,648
Other expenses	1,871	-	1,871	4,009
Total deductions	1,431,686,186	121,307,035	1,552,993,221	1,413,049,645
Net increase	3,680,138,170	394,196,458	4,074,334,628	2,083,005,027
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
Beginning of year	25,603,528,651	2,286,979,838	27,890,508,489	25,807,503,462
End of year	$ 29,283,666,821	$ 2,681,176,296	$ 31,964,843,117	$ 27,890,508,489

See accompanying Notes to the Financial Statements.

Notes to the Financial Statements

June 30, 2007 with comparative totals for June 30, 2006

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 Public Education Employee Retirement System (PEERS). The Board of Trustees consists of seven members, three of whom are elected PSRS active members, one an elected active member of PEERS and three persons appointed by the Governor, one of whom must be a retired member of either PSRS or PEERS.

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 Section 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. 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 2.5% formula factor. Beginning July 1, 2001, and ending July 1, 2013, 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 less 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, 2013. Members who 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 12.0% of their annual covered salary during 2006-2007 and 11.5% during 2005-2006. 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.

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

		2007	2007	2006	2006
Retirees and beneficiaries receiving benefits			39,828		38,110
Inactive members entitled to but not yet receiving benefits			6,243		6,197
Active members:	Vested	55,299		54,511	
	Non-vested	21,822		21,028	
Total active members			77,121		75,539
Other inactive members			5,364		5,556
Total			128,556		125,402

Employers – PSRS had 545 contributing employers during both years.

Financial Section

The Public Education Employee Retirement System

The Public Education Employee Retirement System of Missouri (PEERS) 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 PEERS. Employees of PSRS who do not hold Missouri teaching certificates also contribute to PEERS.

PEERS 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 PEERS on the Board of Trustees of the Public School Retirement System.

PEERS 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 an additional 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 less 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, 2013. Members who 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 – PEERS members were required to contribute 5.75% of their annual covered salary during 2006-2007 and 5.50% during 2005-2006. 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 PEERS to the Public School Retirement System and are financed through investment earnings.

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

		2007		2006	
Retirees and beneficiaries receiving benefits			17,539		16,760
Inactive members entitled to but not yet receiving benefits			4,071		3,831
Active members:	Vested	26,054		25,163	
	Non-vested	23,227		23,025	
Total active members			49,281		48,188
Other inactive members			13,343		14,093
Total			84,234		82,872

Employers – PEERS 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. The value of real estate investments are based on estimated current values and independent appraisals. The value of private equity investments, that do not have an established market, are determined based upon the most current net asset values and activities through year end. When not readily available alternative investments are valued based on a good faith determination by the General Partner.

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.

PEERS owns office equipment purchased before 1997 and follows the same guidelines for depreciation. As of June 30, 2007 this equipment was fully depreciated. PEERS reimburses PSRS for the use of capital assets used by the two Systems on a proportional basis. The amount of this reimbursement was $257,243 in 2007 and $251,764 in 2006.

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, 2007. Actual results could differ from those estimates.

Total Columns – The financial statements include total column information for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with both Systems' financial statements for the year ended June 30, 2006, from which the information was derived.

Reclassification – Certain reclassifications have been made to the 2006 totals to conform with the classifications for 2007.

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

	2007	2006
Designated for Members' Contributions (Member Reserves) – Accumulation of active and terminated member contributions plus interest.	$ 5,820,742,526	$ 5,467,066,813
Designated for the Payment of Benefits to Present Retirees – 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.	17,058,596,901	15,370,196,978
Designated for Additional Deposit Annuities – 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.	1,016,588	1,081,659
Designated for Operating Expenses/Benefits to Future Retirees (Operating Reserves) – 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.	6,403,310,806	4,765,183,201
Net Assets Held In Trust For Pension Benefits	$ 29,283,666,821	$ 25,603,528,651

PEERS

	2007	2006
Designated for Members' Contributions (Member Reserves) – Accumulation of active and terminated member contributions plus interest.	$ 586,679,606	$ 527,336,720
Designated for the Payment of Benefits to Present Retirees – 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.	1,093,650,215	1,020,485,817
Designated for Operating Expenses/Benefits to Future Retirees (Operating Reserves) – 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.	1,000,846,475	739,157,301
Net Assets Held In Trust For Pension Benefits	$ 2,681,176,296	$ 2,286,979,838

Note 4 – Deposits, Investments and Securities Lending Program

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Systems will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Systems would not be able to recover the value of investment or collateral securities that are in the possession of an outside party. To mitigate custodial credit risk, the Systems require that all deposits be 100% collateralized with securities held in the Systems' name and held by a third party agent.

Deposits – Cash balances include short-term securities held by the custodial bank in a pooled short-term investment fund and operating balances held by the depository banks.

At June 30, 2007, the PSRS carrying amount of deposits at the depository bank was $12,156,739 and the bank balance was $13,070,643. Of the bank balance, $100,000 was covered by federal depository insurance. The remaining $12,970,643 was collateralized with securities held by a third-party institution in the System's name. An additional $4,363,312 was held in overnight repurchase agreements with a book value of $4,363,312.

At June 30, 2007, the PEERS carrying amount of deposits at the depository bank was ($330,615) 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. The overnight repurchase agreement balance at June 30, 2007 was $2,377,936 with a book value of $2,377,936.

The following Agency securities were pledged as collateral for overnight repurchase agreements as of June 30, 2007:

PSRS

Agency	Maturity Date	Market Value
GLPC	11/25/25	$ 398,794
GLPC	07/25/29	1,044,892
GLPC	08/25/19	2,205,847
GLPC	06/25/25	713,779
Total		$ 4,363,312

PEERS

Agency	Maturity Date	Market Value
FHLB	07/30/08	$ 4,271,792
FHLB	01/28/08	1,412,973
Total		$ 5,684,765

The following Agency securities were pledged as collateral for overnight deposits as of June 30, 2007:

PSRS

Agency	Maturity Date	Market Value
GLPC	06/25/25	$ 1,065,118
FHLV	03/23/09	2,901,486
FNMA	08/22/07	978,334
FHDN	07/11/07	2,103,207
FHDN	07/27/07	4,011,688
FNMA	05/05/08	1,511,404
FHMC	07/16/07	1,957,452
Total		$ 14,528,689

PEERS

Agency	Maturity Date	Market Value
Not applicable		

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 169.040 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 retirement Systems is covered by this "prudent person" rule.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Systems' investment in a single issue. To mitigate this risk, the Systems' investment policy prohibits investing more than 5% of the total investment portfolio into any single financial institution or issuer, excluding U.S. securities. At June 30, 2007, the Systems did not have more than 5% of total investments in a single issue except for U.S. securities.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Systems do not have a single investment policy that restricts duration as a means of managing its exposure to fair value losses arising from increased interest rates; however, each manager must follow guidelines established relative to the duration of its benchmark. The portfolios are continually monitored to ensure compliance with these guidelines. The following table includes collateral pledged for deposits and repurchase agreements but does not include security lending collateral held in a pooled investment fund. The maturities of all debt securities are presented below:

PSRS

Security Type	Market Value at June 30, 2007	<1 year to maturity	1 to 5 years to maturity	6 to 10 years to maturity	over 10 years to maturity
U.S. treasuries	$ 1,437,071,857	$ 10,251,445	$ 519,497,361	$ 700,817,320	$ 206,505,731
Government guaranteed mortgages	101,097,758	77,377,652	21,832	9,627,570	14,070,704
Agencies	1,920,900,796	350,261,790	141,359,122	50,445,462	1,378,834,422
Collateralized mortgage obligations	473,265,677	-	3,353,010	6,513,329	463,399,338
Asset Backed Securities	1,007,491,565	4	833,472,290	68,499,718	105,519,553
Corporate Bonds	1,844,849,084	107,026,024	668,919,436	752,126,501	316,777,123
Sovereign	190,515,549	16,292,038	44,159,000	108,082,470	21,982,041
Municipals	33,001,203	1,306,383	1,200,152	-	30,494,668
Commingled Funds (see note)					
SSGA TIPS	286,371,982	-	-	286,371,982	-
SSGA STIF	875,831,429	875,831,429	-	-	-
SSGA Lehmann Aggregate	1,120,455,827	-	1,120,455,827	-	-
PIMCO High Yield	544,552	544,552	-	-	-
PIMCO Institutional Class	5,614,531	-	-	5,614,531	-
PIMCO Emerging Markets	27,578,238	-	27,578,238	-	-
PIMCO International	20,189,557	20,189,557	-	-	-
Seix High Income Fund	23,493,039	-	23,493,039	-	-
Currency	97,332,173	97,332,173	-	-	-
Total	$ 9,465,604,817	$ 1,556,413,047	$ 3,383,509,307	$ 1,988,098,883	$ 2,537,583,580
Percentage of total fixed income	100%	16%	36%	21%	27%

Note: Commingled Funds are presented at the weighted average maturity. These funds do not have a single maturity date; however, the underlying securities have maturity dates. To more accurately reflect the interest rate risk of the Systems, these weighted averages were displayed. Government backed securities are not required to be disclosed; however, we feel it shows a more accurate picture of our fixed income holdings.

PEERS

Security Type	Market Value at June 30, 2007	<1 year to maturity	1 to 5 years to maturity	6 to 10 years to maturity	over 10 years to maturity
U.S. treasuries	$ 131,728,686	$ 1,344,314	$ 44,978,882	$ 63,796,041	$ 21,609,449
Government guaranteed mortgages	8,462,186	6,959,413	4,572	320,123	1,178,078
Agencies	172,402,256	23,998,652	18,260,514	4,559,973	125,583,117
Collateralized mortgage obligations	40,501,338	-	-	570,435	39,930,903
Asset Backed Securities	86,067,059	-	73,204,390	5,074,400	7,788,269
Corporate Bonds	166,789,744	8,729,839	57,445,114	71,255,792	29,358,999
Sovereign	16,847,002	1,424,943	3,832,917	9,612,865	1,976,277
Municipals	2,796,268	95,101	117,996	-	2,583,171
Commingled Funds (see note)					
SSGA TIPS	31,521,362	-	-	31,521,362	-
SSGA STIF	54,479,204	54,479,204		-	-
SSGA Lehmann Aggregate	118,205,952	-	118,205,952	-	-
PIMCO High Yield	48,609	48,609	-	-	-
PIMCO Institutional Class	501,212	-	-	501,212	-
PIMCO Emerging Markets	2,403,436	-	2,403,436	-	-
PIMCO International	728,235	728,235	-	-	-
Seix High Income Fund	2,014,471	-	2,014,471	-	-
Currency	9,157,354	9,157,354			
Total	$ 844,654,374	$ 106,965,664	$ 320,468,244	$ 187,212,203	$ 230,008,263
Percentage of total fixed income	100%	13%	38%	22%	27%

Note: Commingled Funds are presented at the weighted average maturity. These funds do not have a single maturity date; however, the underlying securities have maturity dates. To more accurately reflect the interest rate risk of the Systems, these weighted averages were displayed. Government backed securities are not required to be disclosed; however, we feel it shows a more accurate picture of our fixed income holdings.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Systems do not have a single investment policy designating the minimum allowable credit rating; however, each manager must follow guidelines established specifically for its managed portfolio. The portfolios are continually monitored to ensure compliance with these guidelines. The following table includes collateral pledged for deposits and repurchase agreements but does not include security lending collateral held in a pooled investment fund. The Systems' debt investments by credit rating category as of June 30, 2007 are presented in the following tables.

PSRS

Security Type	Market Value at June 30, 2007	Percentage	AAA	AA	A	BBB	BB	B	Not Rated
U.S. treasuries	$ 1,437,071,857	15%	$ 1,437,071,857	$ -	$ -	$ -	$ -	$ -	$ -
Government guaranteed mortgages	101,097,758	1%	101,097,758	-	-	-	-	-	-
Agencies	1,920,900,796	20%	1,920,900,796	-	-	-	-	-	-
Collateralized mortgage obligations	473,265,677	5%	471,465,677	-	-	-	1,800,000	-	-
Asset backed securities	1,007,491,565	11%	969,897,379	13,315,284	4,842,429	9,958,254	9,343,834	134,385	-
Corporate bonds	1,844,849,084	19%	139,604,666	345,262,983	309,929,746	540,258,043	212,221,810	285,083,509	12,488,327
Sovereign	190,515,549	2%	2,030,976	71,499,901	31,426,900	21,019,732	24,684,061	10,622,116	29,231,863
Municipals	33,001,203	1%	8,314,013	21,707,206	-	2,979,984	-	-	-
Commingled Funds (see note)									
SSGA TIPS	286,371,982	3%	286,371,982	-	-	-	-	-	-
SSGA STIF	875,831,429	9%	-	-	875,831,429	-	-	-	-
SSGA Lehmann Aggregate	1,120,455,827	12%	-	1,120,455,827	-	-	-	-	-
PIMCO High Yield	544,552	0%	-	-	-	-	544,552	-	-
PIMCO Institutional Class	5,614,531	0%	-	-	-	-	5,614,531	-	-
PIMCO Emerging Markets	27,578,238	1%	-	-	-	27,578,238	-	-	-
PIMCO International	20,189,557	0%	-	20,189,557	-	-	-	-	-
Seix High Income Fund	23,493,039	0%	-	23,493,039	-	-	-	-	-
Currency	97,332,173	1%	-	-	-	-	-	-	97,332,173
Total	$ 9,465,604,817	100%	$ 5,336,755,104	$ 1,615,923,797	$ 1,222,030,504	$ 601,794,251	$ 254,208,788	$ 295,840,010	$ 139,052,363
Percentage of total fixed income	100%		56%	17%	13%	7%	3%	3%	1%

Note: Commingled Funds are presented at the weighted average credit quality. These funds do not carry a rating in and of themselves; however, the underlying securities are all rated. To more accurately reflect the credit risk of the Systems, these weighted averages were displayed. Government backed securities are not required to be disclosed; however, we feel it shows a more accurate picture of our fixed income holdings.

PEERS

Security Type	Market Value at June 30, 2007	Percentage	AAA	AA	A	BBB	BB	B	Not Rated
U.S. treasuries	$ 131,728,686	16%	$ 131,728,686	$ -	$ -	$ -	$ -	$ -	$ -
Government guaranteed mortgages	8,462,186	1%	8,462,186	-	-	-	-	-	-
Agencies	172,402,256	21%	172,402,256	-	-	-	-	-	-
Collateralized mortgage obligations	40,501,338	5%	40,346,338	-	-	-	155,000	-	-
Asset backed securities	86,067,059	10%	84,025,704	-	491,602	889,217	660,536	-	-
Corporate bonds	166,789,744	20%	23,802,734	29,637,054	27,235,486	48,059,432	18,117,200	24,142,687	(4,204,849)
Sovereign	16,847,002	2%	222,912	6,212,290	2,757,001	1,858,453	2,277,643	934,458	2,584,245
Municipals	2,796,268	0%	791,907	1,791,505	-	212,856	-	-	-
Commingled Funds (see note)									
SSGA TIPS	31,521,362	4%	31,521,362	-	-	-	-	-	-
SSGA STIF	54,479,204	6%	-	-	54,479,204	-	-	-	-
SSGA Lehmann Aggregate	118,205,952	14%	-	118,205,952	-	-	-	-	-
PIMCO High Yield	48,609	0%	-	-	-	-	48,609	-	-
PIMCO Institutional Class	501,212	0%	-	-	-	-	501,212	-	-
PIMCO Emerging Markets	2,403,436	0%	-	-	-	2,403,436	-	-	-
PIMCO International	728,235	0%	-	728,235	-	-	-	-	-
Seix High Income Fund	2,014,471	0%	-	2,014,471	-	-	-	-	-
Currency	9,157,354	1%	-	-	-	-	-	-	9,157,354
Total	$ 844,654,374	100%	$ 493,304,085	$ 158,589,507	$ 84,963,293	$ 53,423,394	$ 21,760,200	$ 25,077,145	$ 7,536,750
Percentage of total fixed income	100%		58%	19%	10%	6%	3%	3%	1%

Note: Commingled Funds are presented at the weighted average credit quality. These funds do not carry a rating in and of themselves; however, the underlying securities are all rated. To more accurately reflect the credit risk of the Systems, these weighted averages were displayed. Government backed securities are not required to be disclosed; however, we feel it shows a more accurate picture of our fixed income holdings.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Systems do not have a single investment policy designating the allowable exposure to foreign currency; however, each manager must follow guidelines established specifically for its managed portfolio. The portfolios are continually monitored to ensure compliance with these guidelines. The Systems' exposure to foreign currency risk is presented on the following tables.

PSRS

Currency	Debt	Equity	Currency/ Short Term	Total
Argentine Peso	$ 8,178,248	$ -	$ -	$ 8,178,248
Australian Dollar	423	174,828,642	683,024	175,512,089
Brazilian Real	30,928,177	73,529,227	(829,831)	103,627,573
Canadian Dollar	(76,020,698)	131,055,893	2,173,221	57,208,416
Chilean Peso	-	1,661,545	-	1,661,545
Columbian Peso	7,976,507	-	(8,574,959)	(598,452)
Czech Koruna	-	19,255,394	616,496	19,871,890
Danish Krone	-	27,988,956	516,250	28,505,206
Egyptian Pound	8,113,790	-	-	8,113,790
Euro Currency	(14,282)	2,039,327,115	7,711,943	2,047,024,776
Hong Kong Dollar	-	144,483,899	2,576,811	147,060,710
Hungarian Forint	-	32,207,872	373,033	32,580,905
Indian Rupee	-	19,477,398	629,811	20,107,209
Indonesian Rupiah	-	13,903,327	325,679	14,229,006
Israeli Shekel	-	14,595,751	19,004	14,614,755
Japanese Yen	7,826,715	872,588,534	36,984,951	917,400,200
Malaysian Ringgit	-	3,003,742	2,041	3,005,783
Mexican Peso	9,798,352	16,686,948	451,678	26,936,978
New Bulgaria Lev	-	4,806,564	1,692	4,808,256
New Russian Ruble	-	521,244	(67)	521,177
New Taiwan Dollar	-	62,245,871	6,563,247	68,809,118
New Turkish Lira	-	23,613,395	23,921	23,637,316
New Zealand Dollar	-	4,335,048	5,271	4,340,319
Norwegian Krone	-	35,430,784	41,721	35,472,505
Pakistan Rupee	-	3,828,568	-	3,828,568
Philippine Peso	-	145,824	118,297	264,121
Polish Zloty	-	41,726,558	(14)	41,726,544
Pound Sterling	1,400,480	1,036,934,857	15,254,475	1,053,589,812
Singapore Dollar	-	84,737,463	426,258	85,163,721
South African Rand	22,997,119	31,395,773	93,161	54,486,053
South Korean Won	-	142,718,243	100,924	142,819,167
Swedish Krona	-	150,741,870	3,307,824	154,049,694
Swiss Franc	-	361,631,400	552,938	362,184,338
Thailand Baht	-	24,507,009	314,984	24,821,993
Yuan Renminbi	-	-	(106,082)	(106,082)
	$ 21,184,831	$ 5,593,914,714	$ 70,357,702	$ 5,685,457,247

PEERS

Currency	Debt	Equity	Currency/ Short Term	Total
Argentine Peso	$ 715,083	$ -	$ -	$ 715,083
Australian Dollar	44	16,041,544	302,417	16,344,005
Brazilian Real	2,721,259	6,134,242	(65,340)	8,790,161
Canadian Dollar	(6,262,315)	12,236,628	172,965	6,147,278
Chilean Peso	-	154,072	7,703	161,775
Columbian Peso	873,340	-	(1,281,394)	(408,054)
Czech Koruna	-	1,744,003	55,913	1,799,916
Danish Krone	-	2,751,388	57,935	2,809,323
Egyptian Pound	709,860	-	-	709,860
Euro Currency	16,984	186,122,297	1,259,727	187,399,008
Hong Kong Dollar	-	14,028,667	149,196	14,177,863
Hungarian Forint	-	2,929,558	45,481	2,975,039
Indian Rupee	-	1,772,420	52,477	1,824,897
Indonesian Rupiah	-	1,258,757	29,186	1,287,943
Israeli Shekel	-	1,290,149	1,681	1,291,830
Japanese Yen	704,371	81,009,529	2,746,189	84,460,089
Malaysian Ringgit	-	232,983	229	233,212
Mexican Peso	860,743	1,753,727	40,040	2,654,510
New Bulgaria Lev	-	436,177	262	436,439
New Russian Ruble	-	47,236	(348)	46,888
New Taiwan Dollar	-	5,436,716	422,813	5,859,529
New Turkish Lira	-	2,217,915	4,497	2,222,412
New Zealand Dollar	-	346,599	2,911	349,510
Norwegian Krone	-	3,227,668	13,210	3,240,878
Pakistan Rupee	-	193,877	2,732	196,609
Philippine Peso	-	13,198	19,846	33,044
Polish Zloty	-	3,646,666	-	3,646,666
Pound Sterling	32,554	96,132,203	1,873,193	98,037,950
Singapore Dollar	-	7,653,766	63,064	7,716,830
South African Rand	2,005,198	2,900,453	49,806	4,955,457
South Korean Won	-	13,349,787	9,121	13,358,908
Swedish Krona	-	13,949,200	237,634	14,186,834
Swiss Franc	-	34,272,021	69,221	34,341,242
Thailand Baht	-	2,107,224	31,975	2,139,199
Yuan Renminbi	-	-	(2)	(2)
	$ 2,377,121	$ 515,390,670	$ 6,374,340	$ 524,142,131

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 Statement of Plan Net Assets. The forward exchange contracts activity (purchases and sales) during fiscal years 2007 and 2006 are shown below.

2007	Purchase Value	Fair Value
PSRS	$ 2,626,430,154	$ 2,631,922,454
PEERS	222,625,478	223,117,916

2006	Purchase Value	Fair Value
PSRS	$ 2,052,279,597	$ 2,058,261,171
PEERS	185,499,509	186,100,757

The "Net Appreciation" in Fair Value of Investments" found on the Statement of Changes in Plan Net Assets includes for PSRS a gain on forward contracts and currency disposal of $8,100,307 during 2006-2007 and a net loss of $16,209,283 during 2005-2006. PEERS had a net gain of $1,386,351 during 2006-2007 and a net loss of $1,454,583 in 2005-2006.

Certain managers are authorized to enter into contractual commitments involving other financial instruments with off-balance-sheet risk. During the year, the Systems held equity futures, Treasury futures, options, forwards and swaps. These are used to minimize the expenses and volatility of the portfolio.

The following derivatives were held by the Systems at June 30, 2007:

Type	PSRS Notional Value	PEERS Notional Value
Equity futures	$ (46,337,718)	$ (1,663,689)
Treasury futures	121,215,844	11,325,688
Currency futures	1,059,410,106	81,105,480
Cash futures	66,472,757	5,578,359
Total	$ 1,200,760,989	$ 96,345,838

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. The custodial bank indemnified the System by agreeing to purchase replacement securities, or return cash collateral in the event a borrower failed to return a loaned security or pay distributions thereon. 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, 2007 was 68 days and an average weighted maturity of 533 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, 2007 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 "Statement of Plan Net Assets" and non-cash collateral) and the fair values of securities on loan for PSRS were $5,090,660,025 and $4,898,844,667 at June 30, 2007 and $4,145,455,453 and $4,069,555,366 at June 30, 2006. Net security lending income was $12,631,289 for the 2006-2007 fiscal year and $12,050,552 for the 2005-2006 fiscal year.

The collateral held (including both cash collateral recognized in the "Statement of Plan Net Assets" and non-cash collateral) and the fair values of securities on loan for PEERS were $465,515,757 and $450,515,316 at June 30, 2007 and $369,165,286 and $361,416,439 at June 30, 2006. Net security lending income was $1,167,681 for the 2006-2007 fiscal year and $1,017,073 for the 2005-2006 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 valued 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 System's 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 2006-2007. The deposits and interest of the one member who has not yet retired totaled $1,745 as of June 30, 2007.

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 Retirement System employees holding a valid Missouri teaching certificate are covered by PSRS. All other eligible employees are members of PEERS. 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 12.0% of their annual covered salary during 2006-2007 and 11.5% during 2005-2006. 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 $32,322 for the 2006-2007 fiscal year and $29,899 for 2005-2006. The amounts for these years are equal to the required contributions.

PEERS members were required to contribute 5.75% of their annual covered salary during 2006-2007 and 5.50% during 2005-2006. 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 PEERS totaled $335,772 for the 2006-2007 fiscal year and $281,877 for 2005-2006. 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 most employees, the System will match $50 plus 0.52% of salary per month. For certain employees, the System will make employer-paid contributions up to the maximum deferral allowed by the IRS (currently $15,500 per year plus $5,000 in catch up contributions). 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 $83,773 for the 2006-2007 fiscal year and $70,796 for the 2005-2006 fiscal year. Employer-paid contributions totaled $48,250 for the 2006-2007 fiscal year and $28,000 for the 2005-2006 fiscal year. Employee contributions totaled $185,099 for the 2006-2007 fiscal year and $169,349 for the 2005-2006 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.

Post Employment Health Plan – PSRS maintains a Post Employment Health Plan ("PEHP") for employees. Upon termination, an employee will receive payment at the rate of one day of pay for each two days of accrued sick leave up to 100 days of accrued sick leave (50 days paid). Any days above 100 will be forfeited. All payments under the PEHP in excess of $1,000 will be transferred into a PEHP account which can be used to pay medical premiums for the employee or dependent at any time in the future. If an employee is retiring, the payments can be transferred back to PSRS on a monthly basis to cover the cost of medical insurance for the retiree. The amount paid into the PEHP was $24,217 for four employees (two retirees and two terminations) during 2007 and $23,145 for four employees (three retirees and one termination) during 2006. The cost was charged 60% to PSRS and 40% to PEERS.

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 $5,093,730,593 on June 30, 2007 and to the future purchase of $3,294,051,028 in investments on June 30, 2006. PEERS had investment commitments of $416,705,802 on June 30, 2007 and $316,720,766 on June 30, 2006.

PSRS has entered into a contract with a consultant to provide and implement the software and training of an automated pension administration system at a cost of approximately $8,200,000. As of June 30, 2007, $313,241 of payments had been made pursuant to this contract.

Schedules of Funding Progress

Required Supplementary Information

Public School 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)
6/30/2002	$ 22,236,105	$ 23,333,937[1]	$ 1,097,832	95.3%	$ 3,213,461	34.2 %
6/30/2003	20,047,982	24,719,450[2]	4,671,468	81.1	3,373,058	138.5
6/30/2004	21,501,572	26,225,259[3]	4,723,687	82.0	3,408,230	138.6
6/30/2005	23,049,441	27,881,513[4]	4,832,072	82.7	3,540,649	136.5
6/30/2006	24,801,644	30,037,130[5]	5,235,486	82.6	3,775,752	138.7
6/30/2007	27,049,004	32,396,722[6]	5,347,718	83.5	3,980,698	134.3

[1]There were no legislative changes in fiscal year 2002.
[2]The extension of the 25-and-Out provision to 2008 is included in the AAL for 2003.
[3]There were no legislative changes in fiscal year 2004.
[4]There were no legislative changes in fiscal year 2005.
[5]There were no legislative changes in fiscal year 2006.
[6]The extension of the 25-and-Out and 2.55% provisions to 2013 were included in the AAL for 2007.

Public Education 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)
6/30/2002	$ 1,810,619	$ 1,855,982[1]	$ 45,363	97.6 %	$ 895,420	5.1 %
6/30/2003	1,677,770	2,049,716[2]	371,946	81.9	971,177	38.3
6/30/2004	1,837,308	2,221,210[3]	383,902	82.7	984,866	39.0
6/30/2005	2,011,566	2,414,494[4]	402,928	83.3	1,055,204	38.2
6/30/2006	2,218,638	2,756,833[5]	538,195	80.5	1,190,994	45.2
6/30/2007	2,481,562	2,982,812[6]	501,250	83.2	1,275,199	39.3

[1]There were no legislative changes in fiscal year 2002.
[2]The extension of the 25-and-Out provision to 2008 is included in the AAL for 2003.
[3]There were no legislative changes in fiscal year 2004.
[4]There were no legislative changes in fiscal year 2005.
[5]There were no legislative changes in fiscal year 2006.
[6]The extension of the 25-and-Out and 2.55% provisions to 2013 were included in the AAL for 2007.

Schedules of Employer Contributions

Required Supplementary Information

Public School Retirement System

Year Ended June 30	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed
2002	$ 340,000,556	$ 340,000,556	100.0 %
2003	376,659,713	355,979,027	94.5
2004	475,400,520	359,762,556	75.7
2005	593,328,374	389,415,997	65.6
2006	608,134,319	429,578,911	70.6
2007	644,969,214	472,216,630	73.2

Public Education Employee Retirement System

Year Ended June 30	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed
2002	$ 45,773,119	$ 45,773,119	100.0 %
2003	52,847,992	48,933,326	92.6
2004	62,315,910	49,976,898	80.2
2005	73,948,917	53,109,687	71.8
2006	79,707,834	61,745,505	77.5
2007	89,945,503	69,235,160	77.0

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, 2007
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent, Open
Remaining amortization period	
PSRS	30 years (1)
PEERS	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%
Projected salary increases*	
PSRS	5.0 - 10.25%
PEERS	5.0 - 10.0%
*Includes inflation at	3.25%
Cost-of-living adjustments	3.25%

1) 30-year amortization assumes an ARC rate of 28.24% for fiscal year 2008. 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 12.98% for fiscal year 2008. The annual statutory increase in the total contribution rate may not exceed .5% of pay. Contribution rates will be established by actuarial valuation.

Schedule of Administrative Expenses

For the year ended June 30, 2007

	PSRS	PEERS	Combined Totals
Personal services	$ 3,771,194	$ 2,511,604	$ 6,282,798
Professional services			
Actuarial services	159,786	106,324	266,110
Financial audit services	25,800	17,200	43,000
Computer consulting	590,253	393,339	983,592
Insurance consulting	3,600	2,400	6,000
Legislative consulting	27,600	18,400	46,000
Other consultants	46,738	31,159	77,897
Legal services	85,280	56,853	142,133
Total professional services	939,057	625,675	1,564,732
Communications			
Information and publicity	503,573	364,152	867,725
Postage	58,557	38,329	96,886
Staff field	30,236	15,605	45,841
Telephone	52,996	35,331	88,327
Total communications	645,362	453,417	1,098,779
Miscellaneous			
Building and utilities	104,986	69,996	174,982
Insurance	76,194	50,796	126,990
Office	398,555	263,176	661,731
Staff development	227,086	138,227	365,313
Miscellaneous	131,681	56,554	188,235
Total miscellaneous	938,502	578,749	1,517,251
Charge for use of capital assets	-	257,243	257,243
Depreciation expense	816,945	-	816,945
Total administrative expenses	$ 7,111,060	$ 4,426,688	$ 11,537,748

Schedule of Investment Expenses

For the year ended June 30, 2007

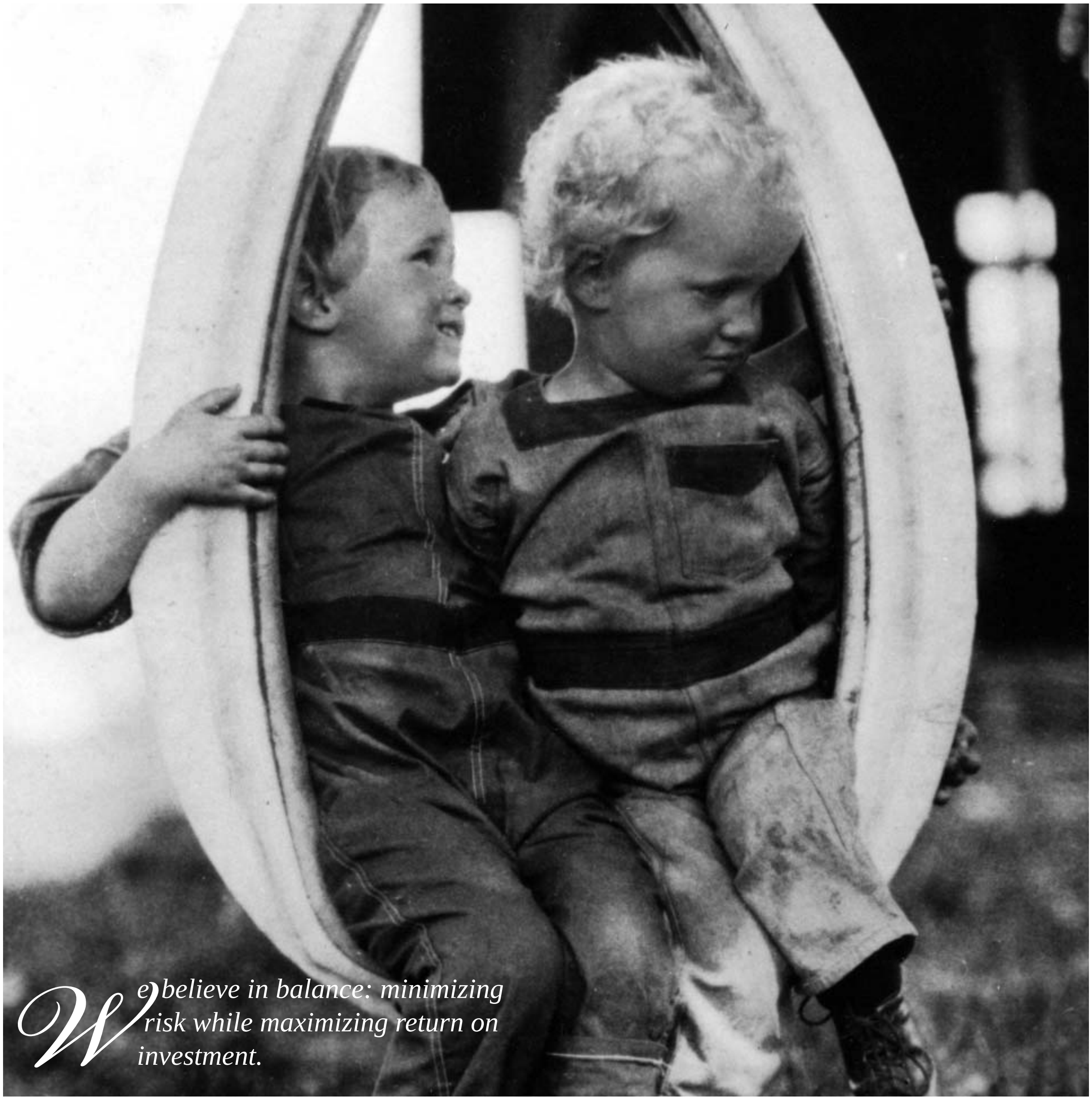
	PSRS	PEERS	Combined Totals
Investment management expenses			
U.S. equity	$ 24,251,443	$ 2,096,150	$ 26,347,593
International equity	20,411,537	1,818,152	22,229,689
Fixed income	6,616,722	574,867	7,191,589
Implementation pool	244,230	23,664	267,894
Real estate	1,100,706	106,864	1,207,570
Private equity	6,999,015	526,808	7,525,823
Total investment management expenses	59,623,653	5,146,505	64,770,158
Investment consultant fees	2,128,063	181,332	2,309,395
Custodial bank fees	4,033,802	375,740	4,409,542
Investment staff expenses	1,006,689	659,394	1,666,083
Commission recapture income	(456,136)	(27,489)	(483,625)
Total investment income expenses	$ 66,336,071	$ 6,335,482	$ 72,671,553
Security lending expenses			
Agent fees	$ 2,712,720	$ 248,069	$ 2,960,789
Broker rebates	208,929,337	20,075,043	229,004,380
Total security lending expenses	$ 211,642,057	$ 20,323,112	$ 231,965,169

Schedule of Professional/Consultant Fees

For the year ended June 30, 2007

	PSRS	PEERS	Combined Totals
Technology consulting	$ 590,253	$ 393,339	$ 983,592
Actuarial services	159,786	106,324	266,110
Legal expenses	85,280	56,853	142,133
Other consulting	46,738	31,159	77,897
Legislative consulting	27,600	18,400	46,000
Financial audit services	25,800	17,200	43,000
Insurance consulting	3,600	2,400	6,000
Total fees	$ 939,057	$ 625,675	$ 1,564,732

Investment Section



Investment Section

Russell Investment Group
909 A Street
Tacoma, Washington 98402-5120
253-439-4243
Fax: 253-439-2491

December 20, 2007

To the Members of the Board:

Fiscal year 2007 included market volatility, record highs in oil prices and a continued decline in the U.S. dollar relative to other currencies. PSRS and PEERS directly benefited from the strong economy as U.S. equity markets (S&P 500 and the Dow Industrial) reached new highs during the fiscal year.

In the Summer of 2007, as the fiscal year came to a close, markets became more turbulent. It began with problems in the sub-prime lending market, which spread to the bond market, which impacted credit markets, which finally hit the stock market as fear of contagion sent investors to the safety of Treasuries. The volatility in the equity markets during the Fall of 2007 will be felt in the Systems' portfolios in the next fiscal year.

The Total Fund return for the fiscal year ended June 30, 2007 was 16.6% for both PSRS and PEERS, ahead of the policy benchmark return of 16.1%. U.S. equity results were strong in absolute returns for the year at 18.8%, but behind the benchmark return of 20.1%. Global equity had a very strong year, up 31.8% versus a benchmark return of 28.8%. The PSRS and PEERS fixed income composite ended the fiscal period up 6.3% percent, slightly behind the benchmark return of 6.5%.

The Systems continue to see evidence that efforts to more broadly diversify the portfolio are having the effect intended, delivering higher returns at a marginal increase in volatility relative to the legacy policy. The strong public market equity returns were again augmented by strong performance of real estate and private equity, active management and Staff's strategic implementation decisions.

We at Russell have enjoyed another productive year working with Missouri PSRS/PEERS, and are looking forward to the coming year.

Regards,

Michael M. Hall, ASA, EA, CFA
Director – Investment Strategy
Senior Consultant

Russell

Investment Section

Public School & Education Employee
PSRS/PEERS
Retirement Systems of Missouri

December 28, 2007

To the Members of the Systems:

On behalf of the PSRS and PEERS Board of Trustees and the internal investment staff, I am pleased to present the following reports on the Systems' investments for the fiscal year ended June 30, 2007.

Fiscal year 2007 was the fourth consecutive year of strong investment returns for the combined Retirement Systems as both PSRS and PEERS achieved a 16.6% return. The four-year cumulative return for each System of just over 56% drove the market value of the total assets to $31.8 billion as of June 30, 2007. The combined Systems ended the year as one of the 50 largest defined benefit plans in the United States.

The primary purpose of this annual letter is typically to review the investment activity of the prior fiscal year and to provide the members with an update on significant investment changes within the Systems' portfolios. However, as the PSRS and PEERS fiscal year came to a close (June 30, 2007), the general 'optimism' in the financial markets was swiftly replaced with 'pessimism.' Thus, I felt it important to broaden the reach of this year's letter to discuss three primary topics:

- Fiscal year 2007 performance,
- Implementation of the long-term strategic asset allocation, and
- Events in the financial markets in the first half of fiscal year 2008.

Fiscal Year 2007 Review

The solid investment performance in fiscal year 2007 was the result of a well-diversified asset mix for the Systems. All asset categories enjoyed positive returns last year, with global stocks providing the largest increase at a return of 31.8%. The PSRS/PEERS U.S. stock portfolio returned 18.8%, the bond portfolio increased 6.3% and the Systems' newer allocations to alternative investments provided strong returns and beneficial diversification. Private equity (investments in private companies) increased almost 22% the past year while the PSRS/PEERS real estate investments returned just over 16%. Finally, PSRS/PEERS initiated a small allocation to hedge funds in the last half of the fiscal year and those investments (as a group) outperformed their benchmark. In total, the Systems' investment return of 16.6% exceeded the policy benchmark of 16.1%. The investment expenses for fiscal year 2007 were 0.21% or 21 cents for every $100 managed.

The total annualized fund performance for the five-year period ended June 30, 2007 was 10.5% for PSRS and 10.4% for PEERS. The total annualized fund performance for the 10-year period was 8.2% for both PSRS and PEERS. This long-term return exceeded the policy benchmark of 7.8%. The Systems' basic investment objective is to achieve a total return that exceeds the actuarial assumption of 8.0% over rolling five-year periods. Thus, both PSRS and PEERS have exceeded the 8.0% assumption for both shorter and longer term time horizons. Additionally, PSRS/PEERS' investment returns were generated while taking less risk than a large majority of other public pension funds in the nation over all time periods. Investment performance throughout this report is calculated using a time-weighted rate of return based on market values.

Changing Asset Allocation

The Board began making significant changes to the historical asset allocation in January 2002 with the decision to allocate 3% of total assets to private equity and 5% to real return assets. Since that time, the Board has followed a long-term strategic plan to further diversify the asset allocation and to systematically reduce the allocation to bonds. As I referenced in the last annual letter, the Board adopted another phase of the long-term plan in October 2006 to increase

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the target allocation of alternative assets. In April 2007, the Board continued with the strategic changes achieved in the previous fiscal year with the adoption of the Implementation Pool. The funding of this mandate specifically allowed the Systems to reduce the Public Debt exposure to the target of 25%. The Implementation Pool will act as a placeholder for assets that will eventually be invested in the PSRS/PEERS alternative asset classes: Real Estate, Private Equity and the Absolute Return Pool.

The following table indicates the long-term target asset allocation as well as the actual asset allocation at the end of the fiscal year (June 30, 2007) and for the most recent time period (November 30, 2007):

Asset Class	Long-Term Target Asset Allocation	Asset Allocation June 30, 2007	Asset Allocation November 30, 2007
U.S. Equity	33.5%	37.3%	36.2%
Global Equity	19.5%	22.0%	20.7%
Total Public Equity	**53.0%**	**59.3%**	**56.9%**
Core Fixed Income	20.0%	20.2%	20.6%
High Yield	2.0%	1.6%	1.6%
TIPS (Real Return)	3.0%	3.2%	3.4%
Total Public Debt	**25.0%**	**25.0%**	**25.6%**
Private Equity	7.5%	1.4%	2.3%
Real Estate	7.5%	3.9%	4.0%
Absolute Return	7.0%	0.5%	1.2%
Total Alternatives	**22.0%**	**5.8%**	**7.5%**
Implementation Pool	0.0%	9.9%	10.0%
Total Plan	**100.0%**	**100.0%**	**100.0%**

We have included a 'snapshot' look at the asset allocation at two recent time periods to indicate the steady progress that is being made toward reaching the long-term asset allocation targets. For example, the allocation to alternative assets (private equity, real estate and absolute return) has increased from 5.8% at the end of the fiscal year to 7.5% at the end of November. The allocation to the Implementation Pool and to Public Equity will decline over time as assets are transitioned into the alternative asset classes. It is anticipated that the Implementation Pool and the over-allocation to Public Equity could be utilized for up to five years because of the long-term investment cycle involved with private assets. We believe that the target asset allocation has laid the foundation for a strong investment program, regardless of market environment, for PSRS/PEERS for many years to come.

From Optimism to Pessimism

Former Secretary of the Treasury, Larry Summers, was quoted as saying "in economics, things happen slower than you expected they would but when they finally do, they happen faster than you imagined they could." Certainly, the recent transition in the investment markets from 'optimism' in early 2007 to 'pessimism' at the end of the fiscal year demonstrates this phenomenon.

The subprime issue, which more than a few pundits cautioned about as early as 2006, was relatively ignored until mid-July. At that point, what had been shrugged off as unimportant became everyone's focus. The subprime problem, most simply, was brought on by the large amount of mortgage credit extended at below market rates, often without proper documentation of collateral. Much of the risk associated with these loans was distributed through the packaging and reselling of mortgage loans. In short, with risk dispersed (through the resale of the mortgage loans) and no one sure who was left holding the bag, everyone became suspect, thereby resulting in a worldwide reduction in risk tolerance. The fundamental, psychological and technical influences devastated the market for subprime investments, but they also had a contagion effect. Investor psychology turned in all markets, even those totally unrelated to subprime loans. Caution replaced optimism. Risk aversion took over from the prior risk seeking mentality.

There is no question that all investors (including PSRS/PEERS) have been negatively impacted to some degree by the overall effect of the subprime event on our economy. However, the Systems had ***no*** direct exposure to the problematic investments. Instead, any impact felt by PSRS/PEERS is a function of being a large institutional investor in an economy that has suffered from the negative consequences.

Is the market as good as it was in January 2007 or as bad as it seemed in August 2007? The answer is undoubtedly no. Instead, we have experienced another phase of a long market cycle. In reality, there is strong global economic growth, few current trade wars, relatively low inflation and ample liquidity. We have experienced five years of generally good economic growth, rising equity markets, low interest rates, ample credit, a housing boom and benign inflation. The markets were due for a correction when this past summer's mortgage-related bad news began to unsettle investors. While unpleasant to go through, we view this movement as a healthy and necessary correction of the overall financial market.

Your Portfolio and Our Focus

We expect further volatility in the financial markets for much of fiscal year 2008. The global unwinding of risk is probably not over nor are the daily reports of new portfolio problems from market participants. As discussed in this letter, the Systems have increased exposure (in a deliberate manner) to alternative investments over the last several years. However, the Systems have ***not*** meaningfully increased the total portfolio risk or the exposure to various derivative instruments. Thus far, during the recent credit crisis, the higher risk strategies have suffered more on a relative basis.

The Systems continue to focus on a well diversified and disciplined investment program as the best course of action for the long-term. Ultimately, we believe that the investment environment will offer opportunities for patient, long-term investors such as PSRS and PEERS. As such, the Systems' investment staff will continue to analyze all investment opportunities within a total portfolio context to allow PSRS/PEERS to maintain a well-diversified and prudent portfolio. Over the long-term, we believe this approach will provide consistent and meaningful investment returns for all members of both PSRS and PEERS.

Sincerely,

Craig A. Husting, CFA
Chief Investment Officer

Investment Section

Investment Highlights

As of June 30, 2007

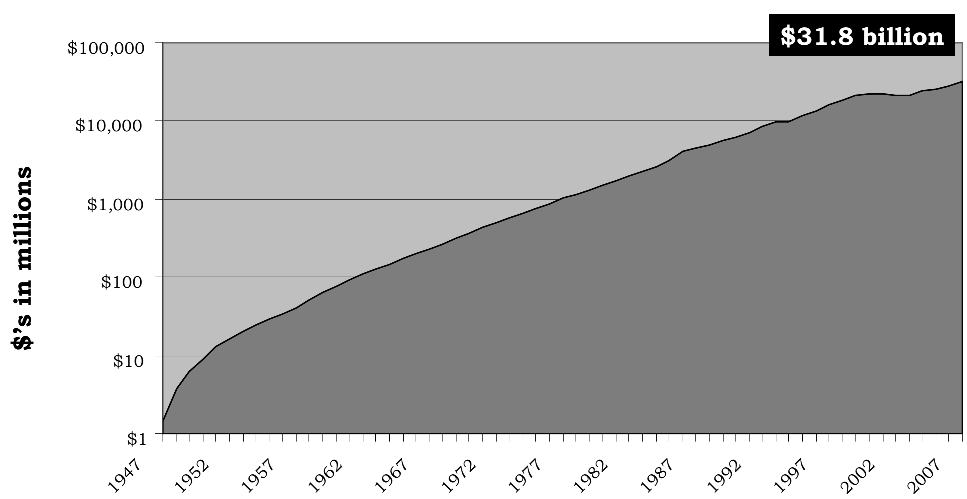
The Board of Trustees of the Public School and Public Education Employee Retirement Systems (PSRS/PEERS) is charged with the responsibility for investing the assets of the Systems in a manner consistent with the fiduciary standards set forth in the 'prudent person' rule. To that end, the Board has adopted 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,
(3) Preserve the long-term purchasing power of the fund.

The investment portfolios of PSRS/PEERS 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 combined assets grew to $31.8 billion as of June 30, 2007 from $27.7 billion at the beginning of the fiscal year, increasing by approximately $4.1 billion. This growth resulted from very good investment performance in the U.S. and international equity markets. The long-term growth in assets since the inception of PSRS in 1946 and PEERS in 1965 is shown in the graph below.

60 Years of Growth



Investment Section

PSRS/PEERS Asset Allocation

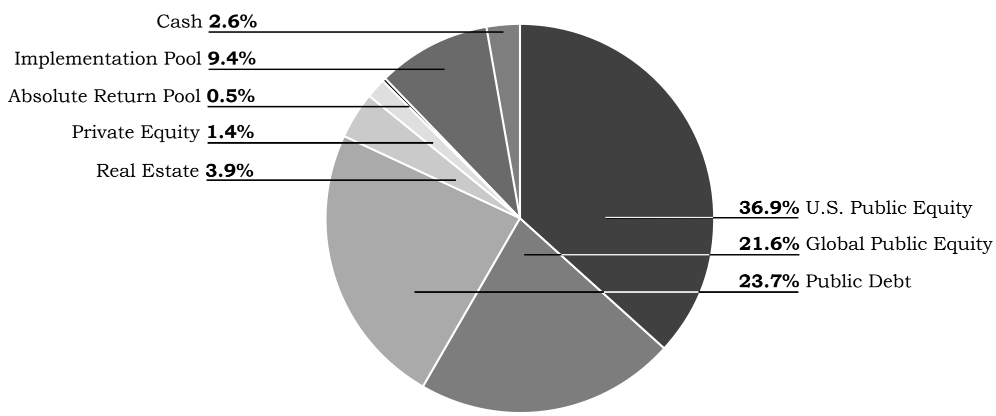
As of June 30, 2007

The time horizon of the Systems' investment portfolio reflects the long-term nature of the PSRS/PEERS 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 Systems 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. Public Equity, Global Public Equity, Public Debt, Real Estate, Private Equity and Absolute Return Assets. An Implementation Pool was created to hold interim assets that will be utilized in funding the alternative asset classes: Real Estate, Private Equity and the Absolute Return Pool. The Systems' asset allocation is reviewed in conjunction with plan liabilities at least every three years.

Asset Allocation

June 30, 2007



Asset Type	PSRS Market Value	PEERS Market Value	Combined Funds	% of Total	Long-Term Target Allocation
U.S. Public Equity	$ 10,745,801,025	$ 982,734,343	$ 11,728,535,368	36.9%	33.5%
Global Public Equity	6,278,741,926	581,432,862	6,860,174,788	21.6%	19.5%
Public Debt	6,901,821,136	638,639,277	7,540,460,413	23.7%	25.0%
Real Estate	1,122,251,600	98,875,016	1,221,126,616	3.9%	7.5%
Private Equity	418,001,487	33,276,639	451,278,126	1.4%	7.5%
Absolute Return Pool	153,095,721	13,312,379	166,408,100	0.5%	7.0%
Implementation Pool	2,744,133,755	257,938,441	3,002,072,196	9.4%	0.0%
Cash & Equivalents*	753,003,683	59,761,290	812,764,973	2.6%	0.0%
Total Investments**	**$ 29,116,850,333**	**$ 2,665,970,247**	**$ 31,782,820,580**	**100.0%**	**100.0%**

** All manager-held cash is reflected as Cash & Equivalents. Public Debt managers often hold cash or cash equivalents as part of an active management strategy.*

*** Total Investments includes accrued income and excludes securities lending collateral as of June 30, 2007.*

Investment Section

Total Fund Review

Periods Ended June 30, 2007

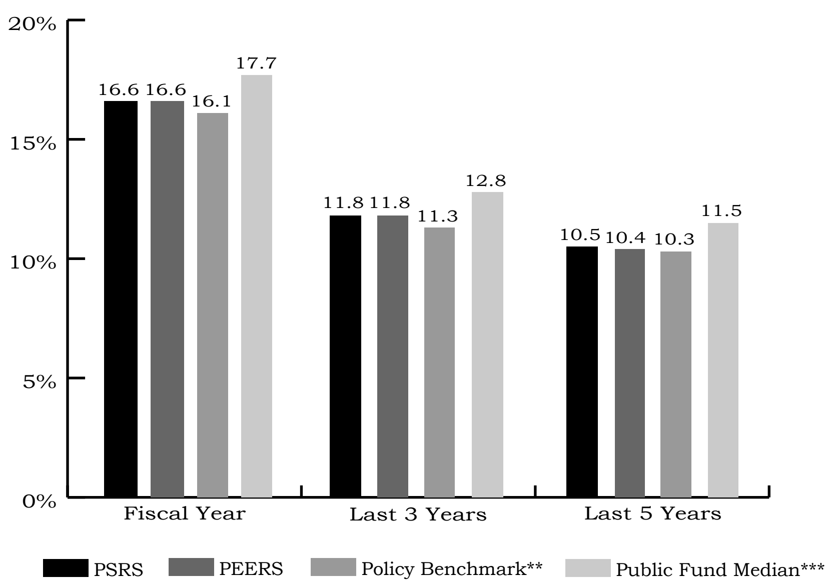
Total Fund Investment Returns*

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, three-year and five-year total returns for PSRS and PEERS were above the long-term investment objective of 8.0% due primarily to the positive global equity market environment. The Systems' total returns for the three time periods were below the public fund median returns largely due to the more conservative asset allocation employed by the Systems during a time when riskier assets performed well. PSRS/PEERS' performance exceeded the policy benchmark returns for all three time periods due primarily to the utilization of active investment management. The policy benchmark provides an indication of the returns that would have been achieved (excluding transaction costs) by a portfolio invested passively in the broad market with percentage weights allocated to each asset class in the PSRS/PEERS policy asset allocation.

Total Fund Investment Returns

June 30, 2007

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	16.6%	11.8%	10.5%
PEERS	16.6%	11.8%	10.4%
Policy Benchmark **	16.1%	11.3%	10.3%
Public Fund Median ***	17.7%	12.8%	11.5%



** Investment returns were prepared using a time-weighted rate of return based on market values.*

*** The Policy Benchmark is comprised of 37.75% Russell 3000 Index, 26.25% Lehman Aggregate Index, 17.5% MSCI All Country World ex-U.S. Free Index, 5.0% MSCI All Country World Free Index, 4.0% Lehman U.S. TIPS Index, 3.0% NCREIF Property Index, 2.75% S&P 500 Index, 1.75% Merrill Lynch High Yield Master II Index, 1.0% Russell 2000 Index and 1.0% FTSE NAREIT Equity Index.*

**** The Public Fund Median return reflects the performance of a universe of public pension plans with assets in excess of $1 billion.*

U.S. Public Equity Review

As of June 30, 2007

Market Value

As of June 30, 2007, the combined PSRS/PEERS domestic public equity assets had a market value of approximately $11.8 billion, representing 37.3% of total assets.

U.S. Public Equity Statistics

The following table displays the statistical characteristics of the PSRS/PEERS U.S. Public Equity composite as of June 30, 2007 with comparisons shown to the portfolio's policy benchmark (Russell 3000 Index). In addition, the top 10 U.S. stock holdings as of June 30, 2007 are shown in the table below the characteristics.

Characteristics	June 30, 2007 Combined Systems	June 30, 2007 Russell 3000 Index
Number of securities	2,895	2,962
Dividend yield	1.4%	1.7%
Price-to-earnings ratio	18.2	18.8
Avg. market capitalization	$ 76.6 billion	$ 81.5 billion
Price-to-book ratio	4.3	4.0

Top 10 Largest Holdings* June 30, 2007	Combined Market Value	% of Total U.S. Public Equity
Exxon Mobil Corp	$ 181,421,032	1.6%
JPMorgan Chase & Co	131,192,716	1.1%
Citigroup Inc	128,637,013	1.1%
Google Inc	126,253,911	1.1%
Microsoft Corp	121,202,801	1.0%
AT&T Inc	98,984,988	0.9%
Chevron Corp	85,523,818	0.7%
Cisco Systems Inc	85,434,777	0.7%
Pfizer Inc	84,513,427	0.7%
Apple Inc	83,825,737	0.7%
TOTAL	**$ 1,126,990,220**	**9.6%**

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

U.S. Public Equity Review

As of June 30, 2007

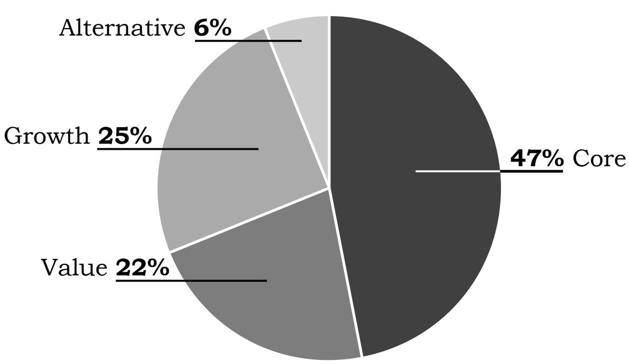
U.S. Public Equity Structure

As of June 30, 2007, 22.4% of the PSRS/PEERS domestic public equity composite was passively managed and 6.2% was managed in an enhanced index style. The remainder of the portfolio was actively managed and diversified across a broad array of capitalization ranges and investment styles, including the Small Cap Alpha Pool (S-CAP) and the Equity Manager Alpha Pool (E-MAP). Both programs represent multi-manager pools of assets managed within the overall PSRS/PEERS domestic equity structure. The S-CAP Program encompasses all small capitalization assets and began on July 1, 2005. The E-MAP (Equity Manager Alpha Pool) Program focuses on higher 'alpha' generating strategies and includes alternative equity mandates.

The pie charts below depict the domestic public equity portfolio by presenting the current style structure of the portfolio as well as the allocation by composite.

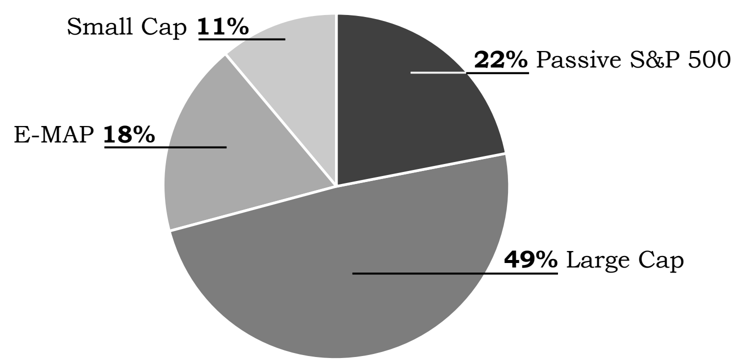
Style Allocation

June 30, 2007

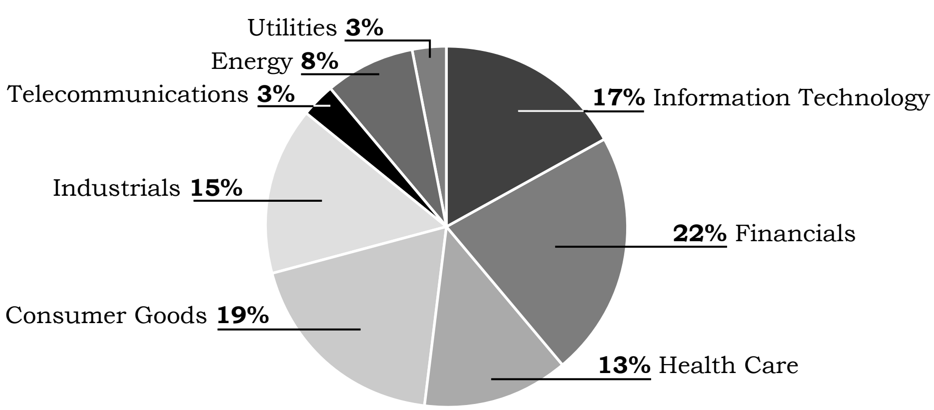


Composite Allocation

June 30, 2007



The following pie chart shows the allocation to market sectors within the domestic equity portion of the PSRS/PEERS portfolio as of June 30, 2007.



U.S. Public Equity Review

As of June 30, 2007

U.S. Public Equity Investment Advisors

The following firms were under contract with PSRS/PEERS as of June 30, 2007 for management of U.S. public equity securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2007	% of Total Market Value
Alliance Capital Management	Active Large Cap Growth	$ 876,780,235	2.8%
Aronson + Johnson + Ortiz	Active Large Cap Value	1,116,333,090	3.5%
Delaware Investments	Active Large Cap Growth	586,245,682	1.8%
Goldman Sachs Asset Management	Large Cap Quantitative Core	945,406,293	3.0%
Jacobs Levy Equity Management	Structured Large Cap Growth	630,755,906	2.0%
SSgA - Enhanced S&P 500 Index	Enhanced Large Cap Core	739,468,116	2.3%
SSgA - S&P 500 Index Fund	Passive S&P 500 Index	2,661,833,681	8.4%
UBS Global Asset Management	Active Large Cap Value	842,748,262	2.7%
E-MAP: Algert Coldiron Investors	Multi-Strategy Market Neutral	74,186,750	0.2%
E-MAP: Algert Coldiron Investors	U.S. Market Neutral	49,051,604	0.2%
E-MAP: AllianceBernstein Institutional	Global Market Neutral	132,645,012	0.4%
E-MAP: Analytic Investors	Structured Large Cap 120/20 Core	174,589,449	0.5%
E-MAP: Analytic Investors	Structured Large Cap Value	118,877,845	0.4%
E-MAP: Analytic Investors	Japan Market Neutral	102,217,520	0.3%
E-MAP: AQR Capital Management	Multi-Strategy Market Neutral	100,550,680	0.3%
E-MAP: AQR Capital Management	Large Cap 140/40 Core	146,227,107	0.5%
E-MAP: Aronson + Johnson + Ortiz	Active Large Cap 130/30 Value	114,175,278	0.4%
E-MAP: Bridgewater Associates	Multi-Strategy Market Neutral	30,976,146	0.1%
E-MAP: Legg Mason Capital Management	Active Large Cap Core	113,516,972	0.4%
E-MAP: Martingale Asset Management	Active Large Cap 130/30 Growth	201,291,478	0.6%
E-MAP: New Amsterdam Partners	Active Large Cap Core	132,811,541	0.4%
E-MAP: NISA Investment Advisors	Beta Overlay	32,782,408	0.1%
E-MAP: Renaissance Institutional Management	Multi-Strategy	215,762,130	0.7%
E-MAP: Westwood Management	Active Large Cap Value	199,155,530	0.6%
E-MAP: Zevenbergen Capital	Active All Cap Growth	220,407,348	0.7%
Equity Manager Alpha Pool (E-MAP) Subtotal		**2,159,224,798**	**6.8%**
S-CAP: AQR Capital Management	Active Small Cap Core	185,591,931	0.6%
S-CAP: Chartwell Investment Partners	Active Small Cap Growth	141,569,661	0.4%
S-CAP: Chartwell Investment Partners	Active Small Cap Value	90,332,581	0.3%
S-CAP: Duncan-Hurst Capital Management	Active Micro Cap Growth	104,857,268	0.3%
S-CAP: Next Century Growth Investors	Active Small Cap Growth	200,643,042	0.6%
S-CAP: Next Century Growth Investors	Active Micro Cap Growth	12,425,835	0.1%
S-CAP: Systematic Financial Management	Active Small Cap Value	119,178,433	0.4%
S-CAP: Thomson, Horstmann & Bryant	Active Small Cap Core	432,591,917	1.3%
Small Cap Alpha Pool (S-CAP) Subtotal		**1,287,190,668**	**4.0%**
Total		**$ 11,845,986,731**	**37.3%**

** Includes manager cash.*

U.S. Public Equity Review

Periods ended June 30, 2007

U.S. Public Equity Investment Returns

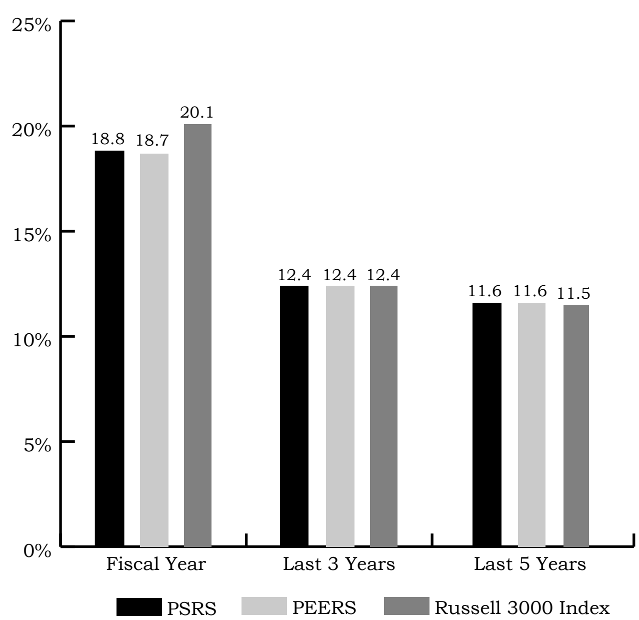
The U.S. equity market provided solid returns during fiscal year 2007. The total returns on the PSRS and PEERS U.S. public equity portfolios were 18.8% and 18.7%, respectively, compared to the benchmark return of 20.1% for the fiscal year ended June 30, 2007. Portfolios concentrated in large capitalization stocks tended to outperform portfolios holding smaller capitalization stocks in fiscal year 2007 while value oriented large-cap portfolios marginally outperformed growth style large-cap funds during the year.

As shown in the table and graph below, the Systems' annualized U.S. equity composite returns trailed the benchmark in fiscal year 2007. For the three-year time period, the U.S. public equity composite performance equaled benchmark performance and, for the five-year timeframe, exceeded the benchmark return by 10 basis points. The higher absolute returns for the fiscal year period reflect the recent positive domestic equity market environment.

U.S. Public Equity Investment Returns

June 30, 2007

	Fiscal Year	**Last 3 Years**	**Last 5 Years**
PSRS	18.8%	12.4%	11.6%
PEERS	18.7	12.4	11.6
Russell 3000 Index	20.1	12.4	11.5



Global Public Equity Review

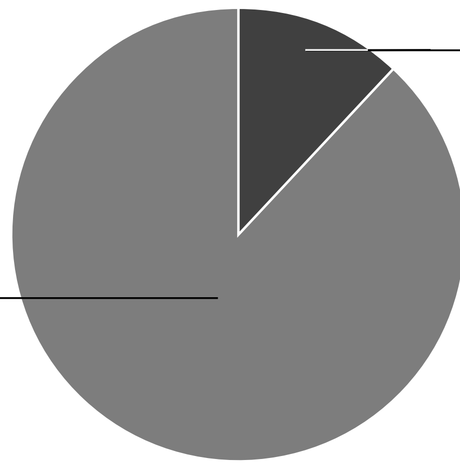
As of June 30, 2007

Market Value

As of June 30, 2007, the combined PSRS/PEERS global equity assets managed by external investment advisors had a market value of approximately $7.0 billion, representing 22.0% of total assets.

Global Public Equity Statistics

The pie chart below presents a breakdown of investments across developed and emerging markets in the global public equity composite. The following table displays the top 10 global stock holdings as of June 30, 2007.



Top 10 Largest Holdings* June 30, 2007	Combined Market Value	% of Total Global Public Equity
Vodaphone Group	$ 104,776,010	1.5%
Nestle SA	78,642,063	1.1%
Roche Holdings AG	77,051,945	1.1%
Total SA	71,331,419	1.0%
E.ON AG	67,272,028	1.0%
GlaxoSmithKline	65,453,833	1.0%
Canon Inc	61,918,295	0.9%
Diageo	60,105,462	0.9%
Toyota Motor Corp	59,983,481	0.9%
ING Groep NV	51,718,142	0.8%
Total	**$ 698,252,678**	**10.2%**

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

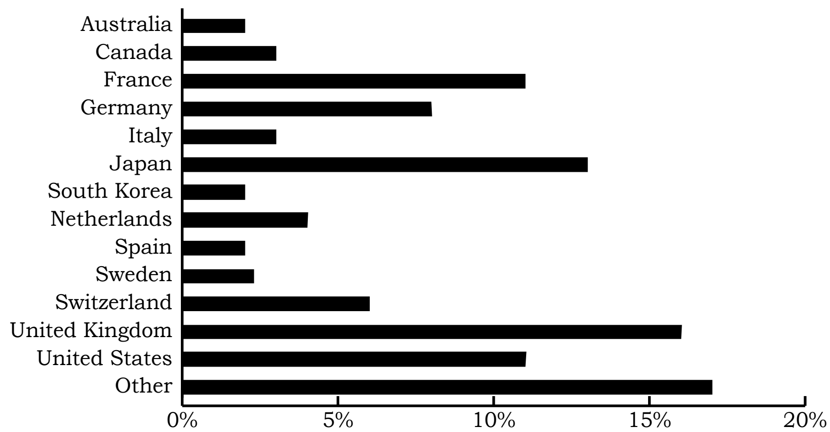
Global Public Equity Review

As of June 30, 2007

Global Public Equity Structure

As of June 30, 2007, the PSRS/PEERS global equity portfolios were 100% actively managed and diversified across capitalization ranges, styles and a number of developed and emerging market countries. The bar graph below displays the specific country exposure within the composite.

Country Allocation
June 30, 2007



Global Public Equity Investment Advisors

The following firms were under contract with PSRS/PEERS as of June 30, 2007 for management of global equity securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2007	% of Total Market Value
AllianceBernstein Institutional Mgmt.	Active Intl Value	$ 521,711,891	1.6%
AllianceBernstein Institutional Mgmt.	Active Global	656,433,453	2.1%
AQR Capital Management	Active Intl Core	1,121,043,236	3.5%
Arrowstreet Capital	Active Global	820,900,216	2.6%
INVESCO Global Asset Management	Active Intl Value	782,994,602	2.5%
Julius Baer Investment Management	Active Intl Core	994,673,658	3.1%
Legg Mason International Equities	Active Emerging Markets	376,950,039	1.2%
McKinley Capital Management	Active Intl Growth	771,153,660	2.4%
MFS Investment Management	Active Intl Core	949,217,530	3.0%
Global Equity Transition Assets	Core	2,554,242	0.0%
Total		**$ 6,997,632,527**	**22.0%**

**Includes manager cash.*

Global Public Equity Review

Periods ended June 30, 2007

Global Public Equity Investment Returns

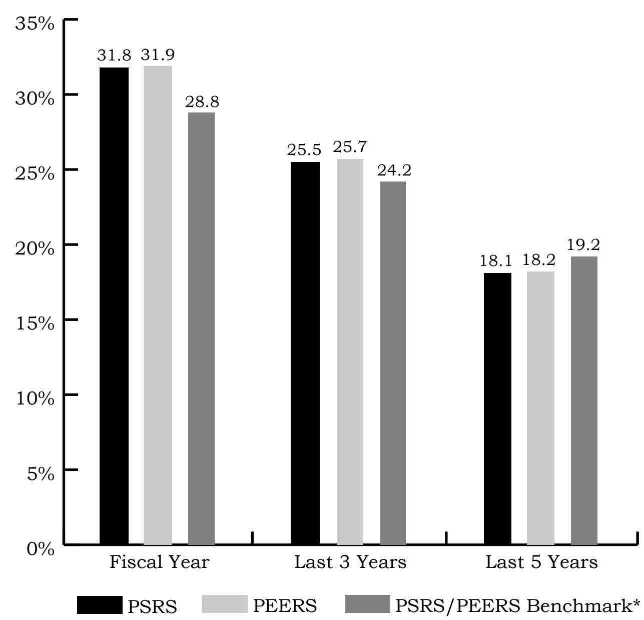
The fiscal year 2007 returns for both developed and emerging non-U.S. markets were significantly above long-term expectations for the fourth year in a row as the Systems' global equity benchmark* gained 28.8%. The total returns for the PSRS and PEERS global equity portfolios for the fiscal year ended June 30, 2007 exceeded the global equity benchmark by 300 and 310 basis points, respectively. Three-year global equity composite returns outperformed the benchmark as well. The positive performance of the actual portfolios relative to the policy benchmark can primarily be attributed to the value added by the Systems' active management strategies including a modest overweight to emerging market stocks.

Emerging markets led all developed international markets with a return of 45% for the fiscal year. Additionally, the U.S. dollar weakened against most major currencies throughout the year. A declining dollar has a positive impact on PSRS/PEERS' global stock investments as returns in most foreign markets are enhanced when translated back to dollars. Longer-term global equity composite returns (as depicted in the bar graphs below) indicate underperformance relative to the policy benchmark for the five-year time period.

Global Public Equity Investment Returns

June 30, 2007

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	31.8%	25.5%	18.1%
PEERS	31.9	25.7	18.2
PSRS/PEERS Benchmark*	28.8	24.2	19.2



** The PSRS/PEERS global equity benchmark was comprised of 81% MSCI All Country World ex-U.S. Free Index and 19% MSCI All Country World Free Index as of June 30, 2007.*

Public Debt Review

As of June 30, 2007

Market Value

As of June 30, 2007, the combined PSRS/PEERS public debt assets managed by external investment advisors had a market value of approximately $7.8 billion, representing 24.6% of total assets.

Fixed Income Statistics

The following table displays the statistical characteristics of the PSRS/PEERS bond portfolio as of June 30, 2007 with comparisons shown to the Lehman Brothers U.S. Aggregate Bond Index*. Additionally, the top 10 public debt holdings as of June 30, 2007 are shown in the table below the characteristics.

Characteristics	June 30, 2007 Combined Systems	June 30, 2007 Lehman Aggregate Index*
Number of Securities	10,795	8,956
Average Coupon	5.2%	5.5%
Yield to Maturity	5.8%	5.7%
Average Maturity (Years)	9.2	7.1
Duration (Years)	5.0	4.8

Top 10 Largest Holdings** June 30, 2007	Combined Market Value	% of Total Public Debt
FHLMC TBA AUG 30, 5.5%, GLD SNGL	$ 165,027,435	2.2%
USTN, INFLATION INDEXED, 2.0%, 1/15/14	143,664,144	1.9%
FNMA TBA JUL 30, 6.0%, SNGL FAM	142,117,058	1.9%
USTN, INFLATION INDEXED, 1.625%, 1/15/15	130,281,129	1.7%
USTN, INFLATION INDEXED, 0.875%, 4/15/10	126,924,168	1.7%
USTN, INFLATION INDEXED, 3.375%, 1/15/12	118,705,686	1.6%
USTN, INFLATION INDEXED, 2.5%, 7/15/16	112,148,351	1.4%
FNMA Pool 745511, 5.0%	79,048,379	1.0%
USTN, INFLATION INDEXED, 3.0%, 7/15/12	72,910,456	1.0%
FNMA TBA JUL 30, 5.5%, SNGL FAM	72,009,635	1.0%
Total	**$ 1,162,836,441**	**15.4%**

Key to Holdings

FHLMC = Federal Home Loan Mortgage Corporation
FNMA = Federal National Mortgage Association
USTN = U.S. Treasury Note

**The PSRS/PEERS Public Debt Composite Benchmark consisted of 82.5% Lehman Aggregate Bond Index, 11.0% Lehman U.S. TIPS Index and 6.5% Merrill Lynch High Yield Master II Index.*
***Includes only actively managed separate accounts.*
A complete list of portfolio holdings is available upon request.

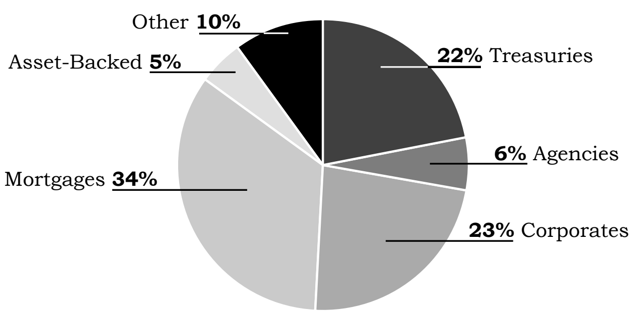
Public Debt Review

As of June 30, 2007

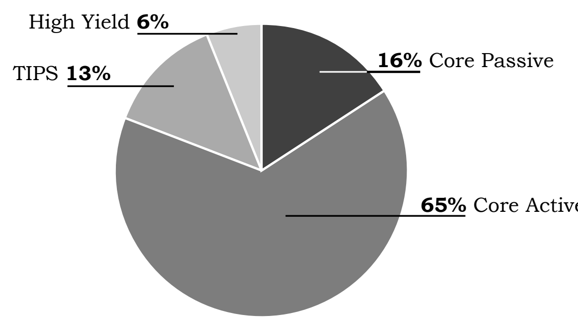
Public Debt Structure

As of June 30, 2007, approximately 15.8% of the PSRS/PEERS fixed income portfolio was passively managed by State Street Global Advisors while the remaining 84.2% was actively managed by four separate external managers across six mandates. Throughout fiscal year 2007, the Systems continued to utilize public debt assets as a source of funding for the Real Estate, Private Equity and Absolute Return Pool allocations. The pie charts below depict the public debt composite by showing the current sector and composite allocations for the PSRS/PEERS public debt portfolio.

Sector Allocation



Composite Allocation



Public Debt Investment Advisors

The following firms were under contract with PSRS/PEERS as of June 30, 2007 for management of public debt securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value*	% of Total Market Value
BlackRock Financial Management	Active Core Plus	$ 951,966,275	3.0%
BlackRock Financial Management	Active Mortgages	944,092,972	3.0%
NISA Investment Advisors	Active Core	1,811,180,180	5.7%
NISA Investment Advisors	U.S. TIPS	1,015,794,543	3.2%
Seix Investment Advisors	High Yield	498,869,745	1.5%
State Street Global Advisors	Passive U.S. Bonds	1,238,661,828	3.9%
Wellington Management Company	Active Core Plus	1,359,381,556	4.3%
Public Debt Transition Assets	Core	1,987,033	0.0%
Total		**$ 7,821,934,132**	**24.6%**

**Includes manager cash.*

Public Debt Review

Periods Ended June 30, 2007

Public Debt Investment Returns

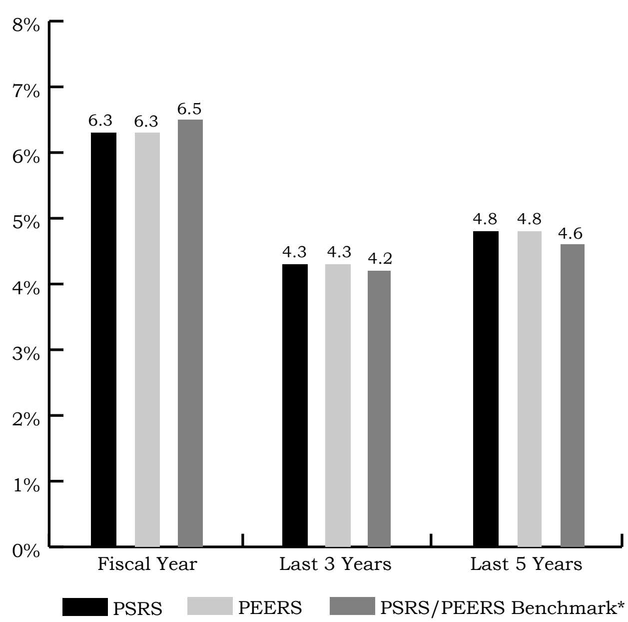
The public debt market provided positive returns for PSRS/PEERS for the fiscal year ended June 30, 2007 in contrast to the negative performance experienced in fiscal year 2006. The yield on the 10-year Treasury-note, which moves in the opposite direction from the price, ended the fiscal year at virtually the same level (5.1%) as it began the year. The Systems' allocation to high yield bonds within its public debt allocation added to composite performance in fiscal year 2007 with a return of 10.0%.

The annualized total returns on the PSRS and PEERS public debt portfolios for the three-year and five-year time periods (as depicted in the bar graphs below) exceeded the performance of the Systems' Public Debt Benchmark* by 10 basis points and 20 basis points, respectively. On a fiscal year basis, total returns trailed benchmark performance by 20 basis points.

Public Debt Investment Returns

June 30, 2007

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	6.3%	4.3%	4.8%
PEERS	6.3	4.3	4.8
PSRS/PEERS Benchmark*	6.5	4.2	4.6



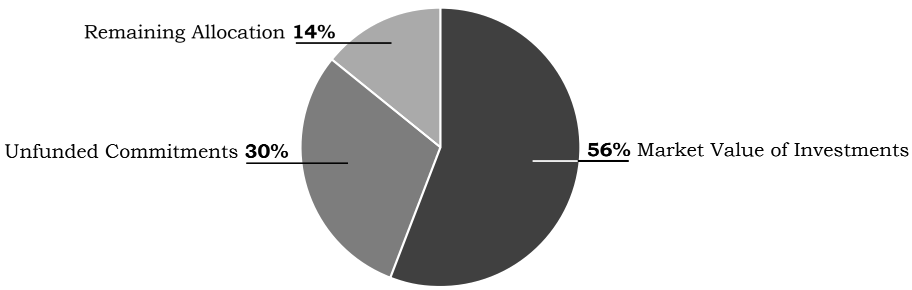
** The PSRS/PEERS Public Debt Benchmark was comprised of 82.5% Lehman Aggregate Bond Index, 6.5% Merrill Lynch High Yield Master II Index and 11.0% Lehman U.S. TIPS Index as of June 30, 2007.*

Real Estate Review

As of June 30, 2007

Market Value

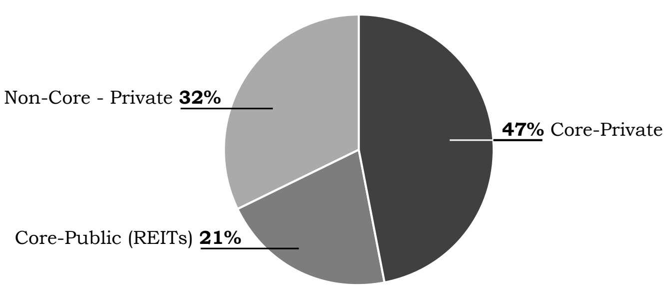
As of June 30, 2007, the combined PSRS/PEERS real estate assets committed* for investment were $1.79 billion. The market value of funds that had been drawn down and actually invested as of June 30, 2007 was approximately $1.23 billion, representing 3.9% of total assets. The following pie chart shows the percentage of the Systems' real estate allocation that had been invested (at market value), the percentage that had been committed but not yet funded and the percentage that remained to be committed to reach PSRS/PEERS' target allocation.

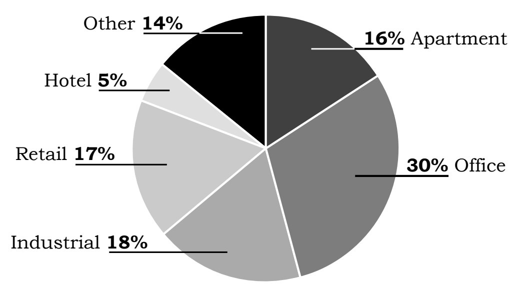


Real Estate Structure

In October 2006, the PSRS/PEERS Board of Trustees approved an increase to 7.5% for the target allocation to the real estate asset class. Within the overall real estate allocation, the Systems have established a 50% target allocation to non-core real estate, a 30% allocation to core private real estate and a 20% allocation to core public real estate (REITs). The non-core allocation includes both high return and enhanced strategies. The objective of the real estate allocation is to achieve superior risk-adjusted returns, as well as to benefit from the diversification effect provided by real estate investments. The 7.5% allocation equates to a total commitment (based on current assets) for the Systems of approximately $2.4 billion with implementation progressing as planned.

The left pie chart below shows the current allocation to real estate investment strategies utilizing the market value of the Systems' invested real estate assets. The right pie chart shows the diversification within the real estate composite by property type.





** Committed capital reflects the total amount of capital that the Systems are legally obligated to supply to the partnerships and funds as the capital is needed to invest in underlying holdings. Market value reflects capital that has actually been drawn and invested by the partnerships and funds.*

Real Estate Review

As of June 30, 2007

Real Estate Investment Advisors

The following investment advisors and limited partnerships provided investment management for the Retirement Systems' real estate assets as of June 30, 2007.

Investment Advisor	Investment Style	Combined Market Value* As of June 30, 2007	% of Total Market Value
AMB Alliance III	Non-Core - Private	$ 62,711,284	0.2%
AMB Japan Fund I	Non-Core - Private	13,195,071	0.0%
Blackstone R.E. Partners V	Non-Core - Private	35,236,212	0.1%
Blackstone R.E. Partners VI	Non-Core - Private	15,315,517	0.1%
Capmark Structured R.E. Partners	Non-Core - Private	10,896,297	0.0%
Carlyle Europe Real Estate Partners III	Non-Core - Private	667,234	0.0%
Carlyle Realty V	Non-Core - Private	447,626	0.0%
CBRE Fund IV	Non-Core - Private	12,211,924	0.0%
CB Richard Ellis Investors	Core - Public (Intl. REITs)	46,181,061	0.2%
CIM Urban REIT	Non-Core - Private	9,519,255	0.0%
Colony Investors VIII	Non-Core - Private	0	0.0%
CPI Capital Partners Europe	Non-Core - Private	6,085,271	0.0%
Dune Real Estate Fund I	Non-Core - Private	10,399,341	0.0%
Forum Asian Realty Income II	Non-Core - Private	14,915,203	0.1%
Guggenheim Structured R.E. II	Non-Core - Private	12,995,173	0.0%
Heitman Value Partners	Non-Core - Private	25,579,069	0.1%
Heitman Value Partners II	Non-Core - Private	0	0.0%
JPMorgan Strategic Property Fund	Core - Private	153,962,258	0.5%
LaSalle Asia Opportunity Fund II	Non-Core - Private	14,409,384	0.0%
LaSalle Income & Growth IV	Non-Core - Private	19,928,352	0.1%
Lone Star V	Non-Core - Private	9,005,678	0.0%
MSREF V International	Non-Core - Private	22,720,763	0.1%
Morgan Stanley Prime Property Fund	Core - Private	131,988,713	0.4%
Noble Hospitality Fund	Non-Core - Private	0	0.0%
Prudential PRISA Fund	Core - Private	144,073,372	0.5%
Prudential PRISA II Fund	Non-Core - Private	14,240,000	0.0%
RREEF America REIT II	Core - Private	155,450,739	0.5%
RREEF America REIT III	Non-Core - Private	60,837,725	0.2%
Starwood Hospitality Fund	Non-Core - Private	17,799,139	0.1%
Urdang Securities Management	Core - Public (U.S. REITs)	207,334,922	0.7%
Westbrook R.E. Fund VII	Non-Core - Private	0	0.0%
Total		**$ 1,228,106,583**	**3.9%**

** Includes manager cash and reflects valuations reported by the Systems' custodian, State Street Bank & Trust. Market values of private holdings reflect March 31, 2007 valuations that are cash flow adjusted through June 30, 2007. Public holdings reflect market values as of June 30, 2007.*

Real Estate Review

Periods ended June 30, 2007

Real Estate Investment Returns

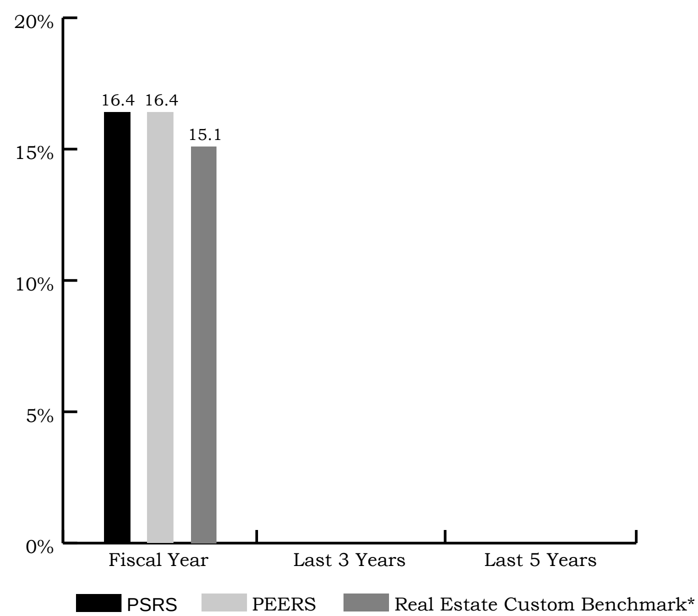
Fiscal year 2007 represented the second year that PSRS and PEERS had meaningful assets invested in the real estate asset class. The Systems have benefited from the strong real estate market through that time period. The funds and partnerships within the PSRS/PEERS real estate allocation were selected in conjunction with the Systems' real estate consultant, The Townsend Group.

Within the overall real estate universe, public REITs gained 12.6% for the fiscal year while private real estate provided a total return of 16.6%. As the table and chart below indicate, the Systems' combined real estate portfolio outperformed the PSRS/PEERS Real Estate Custom Benchmark* by 130 basis points for the fiscal year ended June 30, 2007.

Real Estate Investment Returns

June 30, 2007

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	16.4%	NA	NA
PEERS	16.4	NA	NA
Real Estate Custom Benchmark*	15.1	NA	NA



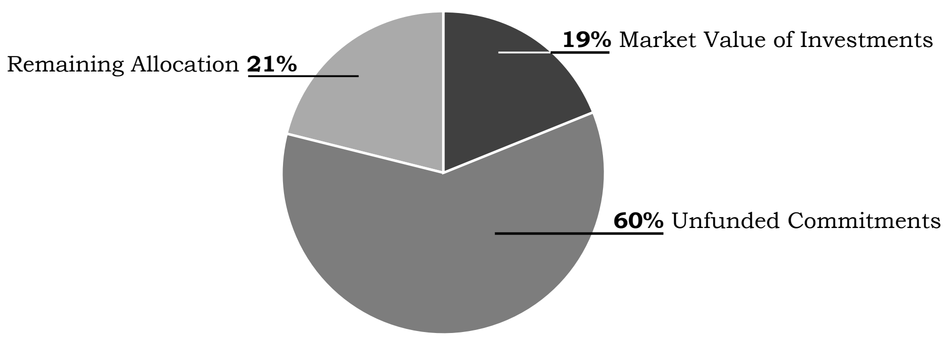
** The Custom Benchmark utilized by the Retirement Systems consisted of 75% NCREIF Property Index and 25% NAREIT Equity Index.*

Private Equity Review

As of June 30, 2007

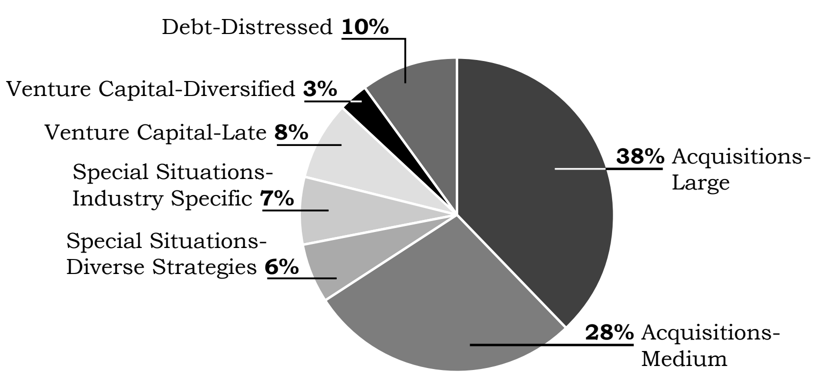
Market Value

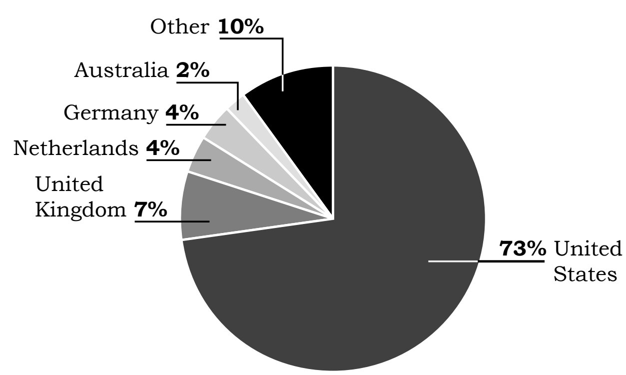
As of June 30, 2007, the combined PSRS/PEERS private equity assets committed* for investment were $1.89 billion. The market value of funds that have been drawn down and actually invested as of June 30, 2007 was approximately $451.3 million, representing 1.4% of total assets. The following pie chart shows the percentage of PSRS/PEERS' private equity allocation that had been invested (at market value), the percentage that had been committed but not yet funded and the percentage that remained to be committed to reach the Systems' target allocation.



Private Equity Structure

The objective for the Systems' allocation to private equity is to achieve returns that are higher than those attainable in the public equity markets with the added benefit of diversification. The PSRS/PEERS Board of Trustees approved an increase to 7.5% for the target allocation to the private equity asset class in October 2006. The long-term and illiquid nature of the private equity asset class dictates that capital must be invested at a measured pace. Pathway Capital Management has been retained by the Systems to provide private equity investment management services through two structures; a discretionary fund-of-funds relationship and an advisory relationship. The pie charts below show the diversification (utilizing the market value of the assets that have been invested) of the Systems' private equity holdings as of June 30, 2007 from both strategy and country perspectives.





** Committed capital reflects the total amount of capital that the Systems are legally obligated to supply to the partnerships and funds as the capital is needed to invest in underlying holdings. Market value reflects capital that has actually been drawn and invested by the partnerships and funds.*

Private Equity Review

As of June 30, 2007

Private Equity Investment Advisors

The following investment advisors and limited partnerships provided investment management for the Retirement Systems' private equity assets as of June 30, 2007.

Investment Advisor	Investment Style	Combined Market Value* As of June 30, 2007	% of Total Market Value
Blackstone Capital Partners V	Acquisition - Large	$ 8,279,455	0.0%
Carlyle Europe Partners III	Acquisition - Medium	0	0.0%
Carlyle Partners IV	Acquisition - Large	19,493,942	0.1%
Carlyle Partners V	Acquisition - Large	0	0.0%
Centerbridge Capital Partners	Acquisition & Debt	592,701	0.0%
CVC European Equity Partners IV	Acquisition - Large	10,293,714	0.1%
CVC European Equity Tandem Fund	Acquisition - Large	1,670,775	0.0%
First Reserve Fund XI	Acquisition - Energy	2,735,550	0.0%
Genstar Capital Partners V	Acquisition - Medium	0	0.0%
GTCR Fund IX	Acquisition - Medium	4,359,276	0.0%
Hellman & Friedman Capital Partners VI	Acquisition - Large	6,031,380	0.0%
Kelso Investment Associates VIII	Acquisition - Medium	0	0.0%
KKR 2006 Fund	Acquisition - Large	3,460,999	0.0%
Lexington Capital Partners VI-B	Secondary Fund	34,910,963	0.1%
Montagu III	Acquisition - Medium	6,988,552	0.0%
OCM Principal Opportunities Fund IV	Debt - Distressed	8,418,977	0.0%
OCM Opportunities Fund VII	Debt - Distressed	5,975,437	0.0%
OCM Opportunities Fund VIIb	Debt - Distressed	0	0.0%
Onex Partners II	Acquisition - Medium	10,142,475	0.1%
Pantheon Global Secondary Fund III	Secondary Fund	30,649,363	0.1%
Pathway Capital Management	Fund-of-Funds (A)	214,994,269	0.7%
Pathway Capital Management	Fund-of-Funds (B)	25,773,628	0.1%
Pathway Capital Management	Fund-of-Funds (C)	3,055,683	0.0%
Paul Capital Partners IX	Secondary Fund	0	0.0%
Permira IV	Acquisition - Large	5,708,024	0.0%
Providence Equity Partners VI	Acquisition - Media	4,684,695	0.0%
The Resolute Fund II	Acquisition - Medium	1,011,353	0.0%
Silver Lake Partners III	Acquisition - Technology	0	0.0%
TCV VI	Venture Capital	7,079,565	0.0%
Thoma Cressey Fund VIII	Acquisition - Medium	7,758,034	0.0%
TPG Partners V	Acquisition - Large	7,105,358	0.0%
Wayzata Opportunities Fund	Debt - Distressed	14,225,120	0.1%
Wind Point Partners VI	Acquisition - Medium	5,878,838	0.0%
Total		**$ 451,278,126**	**1.4%**

** Market values as reported by the Systems' custodian, State Street Bank & Trust, that reflect March 31, 2007 valuations cash flow adjusted through June 30, 2007.*

Private Equity Review

Periods ended June 30, 2007

Private Equity Investment Returns

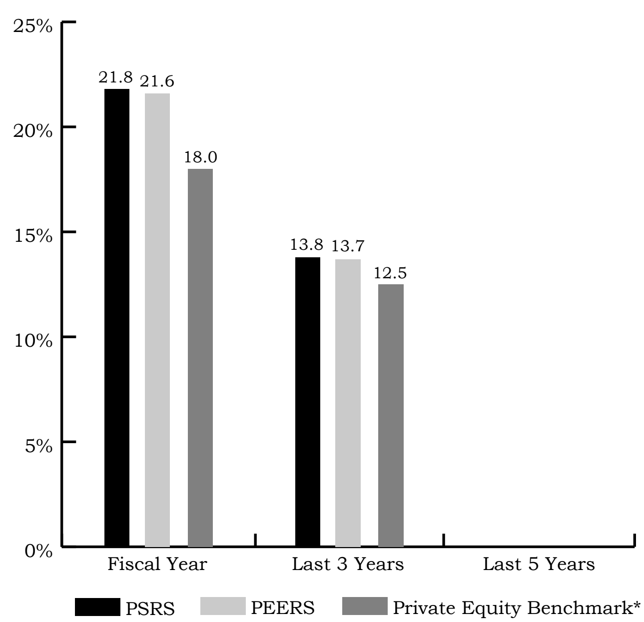
Fiscal year 2007 represented the fourth year of the implementation process for PSRS/PEERS' allocation to the private equity asset class. Private equity fundraising in the three primary geographic markets (the United States, Europe and Asia) remained strong throughout the fiscal year. Of the individual private equity sectors, U.S. buyout funds exhibited the greatest strength. The robust equity market provided strong demand for initial public offerings, assisting private equity funds in realizing portfolio gains.

The table and chart below show the Systems' private equity performance relative to its private equity benchmark.* For the fiscal year ended June 30, 2007, the PSRS and PEERS private equity composite outperformed by 380 and 360 basis points, respectively, and for the 3-year period, exceeded the benchmark return by 130 and 120 basis points, respectively.

Private Equity Investment Returns

June 30, 2007

	Fiscal Year	**Last 3 Years**	**Last 5 Years**
PSRS	21.8%	13.8%	N/A
PEERS	21.6%	13.7%	N/A
Private Equity Benchmark*	18.0%	12.5%	N/A



** As of June 30, 2007, the benchmark utilized by the Retirement Systems for the private equity composite was the Russell 3000 Index.*

Absolute Return Pool Review

As of June 30, 2007

Market Value

As of June 30, 2007, the combined PSRS/PEERS absolute return assets committed* for investment were $279.0 million. The market value of funds that had been drawn down and actually invested as of June 30, 2007 was approximately $166.4 million, representing 0.5% of total assets.

Absolute Return Pool Structure

In October 2006, the PSRS/PEERS Board of Trustees approved the Absolute Return Pool as a separate and distinct asset class with a target allocation of 7.0%. This composite will differ from the Systems' other asset classes primarily through a greater focus on earning consistent, absolute returns across economic and market cycles, as well as providing diversification benefits to the total fund. Within the overall absolute return composite, guidelines have been adopted specifying the following sub-asset class allocations:

- 25% to traditional investments such as public equity and debt,
- 25% to non-traditional investments such as hedge funds, and
- 50% to private investments.

The primary objective of this composite is to achieve a net-of-fees return in excess of 9.0% over a full market cycle with volatility (standard deviation, or risk) similar to the total fund. It is expected that the volatility will be significantly higher than the Public Debt asset class but lower than the Public Equity asset class over long periods of time. The 7.0% target allocation equates to a total commitment (based on current assets) for the Systems of approximately $2.2 billion with the initial implementation underway.

Absolute Return Pool Investment Advisors

The following investment advisors and limited partnerships provided investment management for the Retirement Systems' absolute return assets as of June 30, 2007.

Investment Advisor	Investment Style	Combined Market Value** As of June 30, 2007	% of Total Market Value
Alinda Infrastructure Fund I	Infrastructure	$ 15,418,168	0.0%
Bridgewater Associates	Multi-Strat Market Neutral	51,626,910	0.2%
Indigo Capital V	Debt - Mezzanine	0	0.0%
Macquarie Infrastructure Partners	Infrastructure	19,691,959	0.1%
Pathway Capital Management	Private Fund-of-Funds	26,983	0.0%
Stark Investments	Multi-Strat Market Neutral	79,644,080	0.2%
Total		**$ 166,408,100**	**0.5%**

** Committed capital reflects the total amount of capital that the Systems are legally obligated to supply to the partnerships and funds as the capital is needed to invest in underlying holdings. Market value reflects capital that has actually been drawn and invested by the partnerships and funds.*

*** Includes manager cash and reflects valuations reported by the Systems' custodian, State Street Bank & Trust. Market values of private holdings reflect March 31, 2007 valuations that are cash flow adjusted through June 30, 2007. Public holdings reflect market values as of June 30, 2007.*

Implementation Pool Review
As of June 30, 2007

Market Value
As of June 30, 2007, the combined PSRS/PEERS implementation assets had a market value of approximately $3.2 billion, representing 10.0% of total assets.

Implementation Pool Structure
In April 2007, the PSRS/PEERS Board of Trustees approved the Implementation Pool as a separate, but temporary, asset class for inclusion in the Systems' investment portfolios. This composite will act as a placeholder for assets that will eventually be invested in the PSRS/PEERS alternative asset classes: Real Estate, Private Equity and the Absolute Return Pool. The allocation to implementation assets will decline as assets are transitioned into the alternative asset classes.

It is anticipated that the Implementation Pool could be utilized for up to five years because of the long-term investment cycle involved with private assets.

The primary objective of this composite is to earn meaningful returns above public debt over a full market cycle while taking less risk than public equities. The Implementation Pool will include a diversified group of liquid investment vehicles that primarily provide favorable risk-adjusted rates of return. The expected volatility for the composite should be similar to that of the total fund while providing diversification benefits for the total portfolio. The initial funding of this composite has been completed.

Implementation Pool Investment Advisors
The following investment advisors were under contract with PSRS/PEERS as of June 30, 2007 for management of the assets in the Implementation Pool.

Investment Advisor	Investment Style	Combined Portfolio Market Value*	% of Total Market Value
Analytic Investors	Global Low Volatility Equity	$ 392,599,909	1.2%
Analytic Investors	U.S. Low Volatility Equity	152,164,103	0.5%
AQR Capital Management	Diversified Beta Fund	194,107,620	0.6%
Pacific Investment Management Company	Core Plus	603,617,670	1.9%
Pacific Investment Management Company	LIBOR Plus	480,583,364	1.5%
State Street Global Advisors	Passive EAFE Index	223,245,897	0.7%
State Street Global Advisors	Passive Russell 2000 Index	332,742,490	1.1%
State Street Global Advisors	Passive S&P 500 Index	349,215,268	1.1%
State Street Global Advisors	Passive U.S. TIPS	317,893,344	1.0%
Westwood Management	Master Limited Partnerships	120,927,328	0.4%
Total		**$ 3,167,096,993**	**10.0%**

** Includes manager cash.*

U.S. Public Equity Broker Commissions Report

For the Fiscal Year Ended June 30, 2007

PSRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost Per Share
INVESTMENT TECHNOLOGY GROUP INC	57,419,027	$ 2,090,128,980.20	$ 531,173.47	$ 0.01
GOLDMAN SACHS + CO	32,020,473	1,266,767,736.89	468,061.11	0.01
CREDIT SUISSE SECURITIES LLC	16,978,677	693,506,937.12	334,147.17	0.02
LEHMAN BROTHERS INC	21,269,363	795,639,139.18	331,431.13	0.02
INSTINET LLC	21,074,854	659,147,729.31	309,505.50	0.01
LIQUIDNET INC	13,252,680	430,859,961.18	295,936.04	0.02
CITIGROUP GLOBAL MARKETS INC	11,579,362	418,702,251.93	295,920.70	0.03
MORGAN STANLEY CO INC	27,981,543	987,693,632.68	241,171.05	0.01
BANC/AMERICA SECURITIES LLC	14,927,523	590,041,731.25	229,523.82	0.02
MERRILL LYNCH, PIERCE, FENNER + SMITH INC	12,859,792	594,853,162.22	219,331.42	0.02
BROADCORT CAPITAL	6,579,395	187,922,607.03	217,040.45	0.03
UBS SECURITIES LLC	6,662,729	263,106,653.15	188,051.63	0.03
STATE STREET BROKERAGE SERVICES	6,024,482	219,512,287.74	187,597.35	0.03
JP MORGAN SECURITIES INC	5,658,781	211,082,722.90	179,765.82	0.03
BEAR STEARNS + CO INC	5,668,282	246,432,569.40	166,055.53	0.03
Other (<$160,000)	94,853,369	3,152,132,479.15	2,995,298.51	0.03
Total	**354,810,332**	**$ 12,807,530,581.33**	**$ 7,190,010.70**	**$ 0.020**

PEERS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost Per Share
INVESTMENT TECHNOLOGY GROUP INC	5,035,253	$184,288,584.76	$ 45,694.01	$ 0.01
GOLDMAN SACHS + CO	2,830,478	113,469,902.15	42,366.71	0.01
CREDIT SUISSE SECURITIES LLC	1,588,745	64,937,504.38	31,531.20	0.02
LEHMAN BROTHERS INC	1,821,474	67,418,422.23	29,597.90	0.02
CITIGROUP GLOBAL MARKETS INC	1,133,847	40,070,843.48	28,417.14	0.03
INSTINET LLC	1,879,187	58,976,837.21	26,610.76	0.01
LIQUIDNET INC	1,150,520	38,060,896.13	25,852.23	0.02
UBS SECURITIES LLC	771,445	30,235,224.97	20,624.75	0.03
MORGAN STANLEY CO INC	2,359,100	84,075,835.11	20,547.22	0.01
BANC/AMERICA SECURITIES LLC	1,237,932	48,601,676.17	20,265.40	0.02
MERRILL LYNCH, PIERCE, FENNER + SMITH INC	1,171,036	54,433,853.39	20,097.19	0.02
JP MORGAN SECURITIES INC	551,899	20,073,144.05	17,551.31	0.03
STATE STREET BROKERAGE SERVICES	502,742	16,645,339.08	17,005.96	0.03
BEAR STEARNS + CO INC	526,401	22,711,161.95	15,654.40	0.03
BROADCORT CAPITAL	491,946	15,849,555.34	14,559.09	0.03
Other (<$14,000)	8,193,207	277,720,242.69	256,479.08	0.03
Total	**31,245,212**	**$ 1,137,569,023.09**	**$ 632,854.35**	**$ 0.020**

Global Public Equity Broker Commissions Report

For the Fiscal Year Ended June 30, 2007

PSRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost (basis points)
PERSHING LLC	30,301,685	$ 382,781,295.87	$ 659,676.01	17.2
MERRILL LYNCH INTERNATIONAL	90,510,279	400,852,063.37	615,406.70	15.4
MORGAN STANLEY CO INC	96,844,948	744,154,422.16	568,829.43	7.6
CREDIT SUISSE SECURITIES LLC	58,893,496	406,984,591.13	548,085.56	13.5
GOLDMAN SACHS + CO	55,297,243	713,549,238.07	471,952.48	6.6
LEHMAN BROTHERS INC	55,135,694	691,737,536.17	400,553.52	5.8
UBS SECURITIES LLC	46,302,887	292,209,029.01	388,243.69	13.3
DEUTSCHE BANK SECURITIES INC	108,839,462	539,411,077.32	381,287.11	7.1
CITIGROUP GLOBAL MARKETS INC	38,186,826	326,105,115.03	360,055.79	11.0
JP MORGAN SECURITIES INC	39,622,976	270,709,984.19	358,676.10	13.2
BEAR STEARNS SECURITIES CORP	20,851,361	382,317,567.36	340,717.10	8.9
SOCIETE GENERALE	12,168,591	250,504,319.72	197,123.60	7.9
INSTINET LLC	8,718,351	278,047,642.83	152,913.19	5.5
CREDIT LYONNAIS SECURITIES	28,796,104	92,430,247.95	125,816.22	13.6
INVESTMENT TECHNOLOGY GROUP LTD	11,656,580	194,758,888.20	106,505.04	5.5
Other (<$100,000)	284,858,337	1,087,305,741.26	1,437,443.68	13.2
Total	**986,984,820**	**$ 7,053,858,759.64**	**$ 7,113,285.22**	**10.1**

PEERS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost (basis points)
PERSHING LLC	2,682,507	$ 33,064,940.10	$ 57,757.55	17.5
MERRILL LYNCH INTERNATIONAL	8,216,114	37,852,070.18	57,102.37	15.1
MORGAN STANLEY CO INC	9,211,361	69,549,015.90	52,856.92	7.6
CREDIT SUISSE SECURITIES LLC	5,670,675	35,780,361.39	47,579.15	13.3
GOLDMAN SACHS + CO	5,145,329	64,156,601.96	42,241.12	6.6
DEUTSCHE BANK SECURITIES INC	9,720,455	50,275,904.65	34,665.60	6.9
CITIGROUP GLOBAL MARKETS INC	3,718,894	30,145,101.80	33,762.56	11.2
LEHMAN BROTHERS INC	4,724,803	54,907,419.92	33,416.89	6.1
JP MORGAN SECURITIES INC	3,414,274	23,958,529.43	33,257.31	13.9
UBS SECURITIES LLC	4,077,805	20,954,355.43	31,350.27	15.0
BEAR STEARNS SECURITIES CORP	1,676,237	35,962,740.23	30,491.87	8.5
NOMURA	1,052,220	10,517,618.90	28,396.39	27.0
SOCIETE GENERALE	1,103,895	22,999,966.66	17,653.65	7.7
INSTINET LLC	717,836	23,502,121.59	12,600.38	5.4
CREDIT LYONNAIS SECURITIES	2,989,305	8,292,669.90	11,519.47	13.9
Other (<$11,000)	26,144,476	104,834,176.64	116,802.88	11.1
Total	**90,266,186**	**$ 626,753,594.68**	**$ 641,454.38**	**10.2**

Investment Section

Investment Summary

As of June 30, 2007

Total Market Value	PSRS/PEERS Combined Funds - FY 2007	Percent of Total Market Value FY 2007	FY 2006	FY 2005
U.S. Public Equity	$ 11,728,535,368	36.9%	38.5%	39.7%
Global Public Equity	6,860,174,788	21.6	20.4	17.6
Public Debt	7,540,460,413	23.7	34.7	38.1
Real Estate	1,221,126,616	3.9	3.0	0.7
Private Equity	451,278,126	1.4	0.5	0.1
Absolute Return Pool	166,408,100	0.5	0.0	0.0
Implementation Pool	3,002,072,196	9.4	0.0	0.0
Cash and Equivalents	812,764,973	2.6	2.9	3.8
Total	**$ 31,782,820,580**	**100.0%**	**100.0%**	**100.0%**

Reconciliation with financial statements	
Total from above	*$ 31,782,820,580*
Accrued payable for investments purchased	*5,510,436,395*
Accrued income payable	*13,041,513*
Accrued receivable for investments sold	*(4,878,750,409)*
Accrued income receivable	*(307,072,064)*
Securities lending receivable	*1,487,213*
Short-term investments designated for benefits	*(84,356,101)*
Statement of Plan Net Assets	*$ 32,037,607,127*

Investment Expenses

For the year ended June 30, 2007

Investment Managers	PSRS	PEERS	Total
Investment Management Fees			
BlackRock Financial Management - Core	$ 597,508	$ 51,956	$ 649,464
BlackRock Financial Management - Mortgages	699,304	60,808	760,112
Bridgewater Associates, Inc.- TIPS	346,598	30,134	376,732
NISA Investment Advisors - Core	885,192	76,972	962,164
NISA Investment Advisors - TIPS	459,982	42,599	502,581
Payden & Rygel Investments	516,366	44,901	561,267
Seix Investment Advisors	1,156,345	98,101	1,254,446
Wellington Management Company	807,949	70,256	878,205
Public Debt Fees	5,469,244	475,727	5,944,971
Alliance Capital Management	1,499,600	130,400	1,630,000
Aronson & Johnson & Ortiz	1,766,698	161,441	1,928,139
Delaware Investment Advisors	1,656,784	143,216	1,800,000
Goldman Sachs Asset Management	4,141,857	348,301	4,490,158
Jacobs Levy	2,053,261	177,673	2,230,934
SSGA-Enhanced S&P 500 Index	775,207	85,902	861,109
SSGA-S&P 500 Index Fund	231,950	20,924	252,874
TCW Asset Management Company	388,028	33,668	421,696
UBS Global Asset Management	1,305,957	102,083	1,408,040
U.S. Public Equity Fees	13,819,342	1,203,608	15,022,950
Alliance Bernstein Institutional Mgmt. - Global	2,392,401	220,201	2,612,602
Alliance Bernstein Institutional Mgmt. - Value	1,656,685	147,676	1,804,361
AQR Capital Management	3,646,606	317,096	3,963,702
Arrowstreet Capital	2,238,583	197,194	2,435,777
INVESCO Global Asset Management	1,607,476	143,680	1,751,156
Julius Baer Investment Management	3,011,758	272,495	3,284,253
Legg Mason International Equities	836,026	72,698	908,724
McKinley Capital Management	2,549,499	221,846	2,771,345
MFS Institutional Advisors	2,472,503	225,266	2,697,769
Global Public Equity Fees	20,411,537	1,818,152	22,229,689
AQR Capital Management	784,283	68,198	852,481
Chartwell Investment Partners -Growth	674,978	57,874	732,852
Chartwell Investment Partners -Value	373,520	32,480	406,000
Duncan Hurst Capital Management	1,035,082	88,024	1,123,106
Next Century Growth Investors Micro Cap	65,551	5,695	71,246
Next Century Growth Investors - Small Cap	1,244,357	109,258	1,353,615
Systematic Financial Management	595,680	46,376	642,056
Thomson, Horstmann & Bryant	818,285	68,264	886,549
Westcap Investors	52,609	4,325	56,934
S-Cap Fees	5,644,345	480,494	6,124,839
Pacific Investment Management Co - Core	1,147,478	99,140	1,246,618
Pacific Investment Management Co - Libor Plus	75,291	6,547	81,838
Westwood MLPs	5,486	477	5,963
State Street Global Advisors - Passive Russell 2000	130,318	13,380	143,698
State Street Global Advisors - Passive S&P 500	33,135	3,260	36,395
Implementation Pool Fees	1,391,708	122,804	1,514,512
EMAP Fees	4,787,756	412,048	5,199,804
Real Estate Fees	1,100,706	106,864	1,207,570
Private Equity Fees	6,999,015	526,808	7,525,823
Commission Recapture Income	(456,136)	(27,489)	(483,625)
Investment Management Expense	59,167,517	5,119,016	64,286,533

(continued on page 78)

Investment Expenses

For the year ended June 30, 2007

Investment Managers *(continued from page 77)*	PSRS	PEERS	Total
Investment Management Fees			
Custodial Services			
State Street Bank & Trust Co.	4,033,802	375,740	4,409,542
Investment Consultants			
Townsend	312,800	27,200	340,000
Albourne America, LLC	220,800	19,200	240,000
Pathway Consulting	954,121	71,816	1,025,937
Pathway Absolute Return Consulting	188,609	14,196	202,805
Russell Investment Group	314,320	27,332	341,652
Russell/Mellon Analytical Services	137,413	21,588	159,001
Investment Consultant Fees	2,128,063	181,332	2,309,395
Staff Investment Expenses	1,006,689	659,394	1,666,083
Total Investment Expenses	$ 66,336,071	$ 6,335,482	$ 72,671,553

Note: An additional $2.8 million in private equity fees and $15.1 million in real estate fees were recorded as adjustments to the net value of the investments. These totals include $0.6 million in private equity incentive fee accruals and $1.8 million in real estate incentive fee accruals.

Actuarial Section

Actuarial Section

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

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October 18, 2007

Board of Trustees
Public School Retirement System of Missouri
Public Education 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 Public Education Employee Retirement System of Missouri as of June 30, 2007. 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 adopted this set of assumptions effective for the actuarial valuations as of June 30, 2007 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.

Board of Trustees
Public School Retirement System of Missouri
Page 2

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. Effective with the 2007 Legislative session, the Unfunded Actuarial Accrued Liabilities for these changes shall be amortized over a 20-year period.
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.	Larry Langer, A.S.A.	Alex Rivera, F.S.A.
Senior Consultant	Senior Consultant	Senior Consultant

NSL:dw

Gabriel, Roeder, Smith & Company

PSRS Calculation of Unfunded Actuarial Accrued Liability

As of June 30, 2007

	Amount
(1) Present value of future benefits for:	
Active members	$ 23,177,934,589
Service retirees	16,267,015,558
Disability retirees	140,766,782
Tax-sheltered annuitants	1,016,588
Survivors	596,473,255
Death benefits	54,341,306
Inactive members	410,011,270
Total	40,647,559,348
(2) Present value of future normal costs	8,250,836,418
(3) Actuarial accrued liability ((1)-(2))	32,396,722,930
(4) Actuarial value of assets	27,049,004,438
(5) Unfunded actuarial accrued liability ((3)-(4))	$ 5,347,718,492

PSRS Required Contribution Rate and Amortization of Unfunded Liability

As of FY June 30, 2007

	Percentage of Payroll
(1) Total FY 2008 contribution rate, member and employer	25.00%
(2) Normal cost rate	21.60
(3) Approximate rate available for unfunded actuarial accrued liability ((1) - (2))	3.40
(4) Number of years required to amortize unfunded actuarial accrued liability	Never*
(5) Benchmark FY 2008 contribution rate - normal cost plus a rate to fund the UAAL over 30 years	28.24%

** 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, 2007

(Dollar amounts in thousands)

(1) Unfunded actuarial liability as of July 1, 2006		$ 5,235,486
(2) Normal cost for 2007 plan year		799,551
(3) Contribution expected to be received during year (30-year rate)		(1,117,311)
(4) Interest to year end at 8.00% on (1), (2) & (3)		406,373
(5) Expected unfunded actuarial liability as of June 30, 2007		5,324,099
(6) Contribution shortfall		183,675
(7) Valuation refinements		328,084
(8) Actuarial (gain)/loss during the year		
a. From investment	$ (726,004)	
b. From actuarial liabilities	237,864	
c. Total		(488,140)
(9) Unfunded actuarial accrued liability as of June 30, 2007		$ 5,347,718

PEERS Calculation of Unfunded Actuarial Accrued Liability
As of June 30, 2007

	Amount
(1) Present value of future benefits for:	
Active members	$ 2,863,385,403
Service retirees	1,031,155,736
Disability retirees	19,613,540
Survivors	42,880,939
Inactive members	85,893,736
Total	4,042,929,354
(2) Present value of future normal costs	1,060,116,526
(3) Actuarial accrued liability ((1)-(2))	2,982,812,828
(4) Actuarial value of assets	2,481,562,443
(5) Unfunded actuarial accrued liability ((3)-(4))	$ 501,250,385

PEERS Required Contribution Rate and Amortization of Unfunded Liability
As of June 30, 2007

	Percentage of Payroll
(1) Total FY 2008 contribution rate, member and employer	12.00%
(2) Normal cost rate	11.04
(3) Approximate rate available for unfunded actuarial accrued liability ((1) - (2))	0.96
(4) Number of years required to amortize unfunded actuarial accrued liability	Never*
(5) Benchmark FY 2008 contribution rate - normal cost plus a rate to fund the UAAL over 30 years[2]	12.98%

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

PEERS Analysis of Actuarial Gains and Losses
As of June 30, 2007
(Dollar amounts in thousands)

(1) Unfunded actuarial liability as of July 1, 2006		$ 538,195,140
(2) Normal cost for 2007 plan year		122,201,932
(3) Contribution expected to be received during year (30-year rate)		(159,180,663)
(4) Interest to year end at 8.00% on (1), (2) & (3).		41,604,918
(5) Expected unfunded actuarial liability as of June 30, 2007		542,821,327
(6) Contribution shortfall		21,638,982
(7) Valuation refinements		(30,257,733)
(8) Actuarial (gain)/loss during the year		
a. From investment	$ (63,611,098)	
b. From actuarial liabilities	30,658,907	
c. Total		(32,952,191)
(9) Unfunded actuarial accrued liability as of June 30, 2007		$ 501,250,385

PSRS Summary of Actuarial Assumptions and Methods

Mortality - Sample rates per 1,000 members by age: (effective 6/30/06)

Active and service retired members, beneficiaries and survivors

Age	Male	Female
20	0.430	0.262
40	0.891	0.551
60	5.581	2.919
80	45.171	28.366
100	268.815	219.655
Active % of Retired -	70%	65%

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

Termination - Illustrate per 1,000 members (male and female): (2006)

Service	Rate	Second Year
0	190	110
2	85	100
4	62	90
10	23.5	70
20	5	

Salary Increases - Sample annual rates varying by years of service: (effective 6/30/06)

Service	Increase	Service	Increase
0	10.25%	9	6.5%
3	7.75	10	6.25
6	7.25	15 and over	5.0

Retirement Rates - Sample rates per 1,000 members: (effective 6/30/06)

(1) Age 60+		(2) Below 60		(3) Below 60, less than 30 years	
Age	5 Years	Service	With 30 Years	Before (1) or (2), After 55/25	
60	200	30	350	First Year Eligible	450
62	200	31 and over	300	Thereafter	200
65	300				
67	200				
70+	1,000				

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 6/30/06). Membership is not assumed to increase.

Inflation - 3.25% per annum compound (effective 6/30/06).

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 - 3.25% per year (effective 6/30/06).

Note: Dates reflect the effective date as adopted by the Board of Trustees.
The most recent assumption analysis was performed as of June 30, 2006. The revised assumptions were used for the June 30, 2007 valuation.

PEERS Summary of Actuarial Assumptions and Methods

Mortality - Sample rates per 1,000 members by age: (effective 6/30/06)

Active and service retired members, beneficiaries and survivors

Age	Male	Female
20	0.530	0.273
40	1.156	0.598
60	8.986	3.359
80	68.615	31.727
100	333.461	237.713
Active % of Retired -	70%	60%

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

Termination - Illustrate per 1,000 members (male and female): (2006)

Service	Rate	Second Year	Third Year	After Three Years Males	After Three Years Females
0	300	170	100	66	50
2	150	170	100	66	50
4	100	125	90	61	45
10	48	85	55	39	29
20	18				
25	0				

Salary Increases - Sample annual rates varying by years of service: (effective 6/30/06)

Service	Increase	Service	Increase
0	10.00%	9	5.15%
3	6.05	10 and over	5.0
6	5.60		

Retirement Rates - Sample rates per 1,000 members: (effective 6/30/06)

(1) Age 60+		(2) Below 60		(3) Below 55, with at least 25 years	
Age	5 Years	Service	With 30 Years	Service	With 25+ Years
60	160	30 & over	160	25	50
62	240			27	150
65	260			29	150
66-74	200				
75+	1,000				

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 6/30/06).

Inflation - 3.25% per annum compound (effective 6/30/06).

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).

COLA - 3.25% per year. (effective 6/30/06).

Note: Dates reflect the effective date as adopted by the Board of Trustees.
The most recent assumption analysis was performed as of June 30, 2006. The revised assumptions were used for the June 30, 2007 valuation.

PSRS Schedule of Active Member Valuation Data

Actuarial Valuation Date	Number of Members	Covered Annual Payroll (000's)	Average Annual Salary	% Increase in Average Salary	Average Attained Age	Average Years of Service
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	42.3	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
6/30/2005	73,850	3,540,649	47,944	3.8	42.5	11.4
6/30/2006	75,540	3,775,752	49,983	4.3	42.4	11.2
6/30/2007	77,121	3,980,698	51,616	3.3	42.3	11.1

PEERS Schedule of Active Member Valuation Data

Actuarial Valuation Date	Number of Members	Covered Annual Payroll (000's)	Average Annual Salary	% Increase in Average Salary	Average Attained Age	Average Years of Service
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
6/30/2005	46,598	1,055,204	22,645	5.5	46.6	7.1
6/30/2006	48,188	1,190,994	24,716	9.1	46.4	7.1
6/30/2007	49,281	1,275,199	25,876	4.7	46.6	7.2

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)		(1)	(2)	(3)
6/30/1998	$ 3,541,459	$ 5,523,768	$ 5,405,822	$ 14,979,358	100.00%	100.00%	109.4%
6/30/1999	3,765,854	6,602,915	6,004,376	17,209,870	100.00	100.00	113.9
6/30/2000	3,976,059	7,801,845	6,501,209	19,437,223	100.00	100.00	117.8
6/30/2001	4,129,191	9,504,921	7,648,091	21,146,294	100.00	100.00	98.2
6/30/2002	4,354,507	10,589,546	8,389,885	22,236,105	100.00	100.00	86.9
6/30/2003	4,687,227	11,387,543	8,644,680	20,047,982	100.00	100.00	46.0
6/30/2004	4,954,080	12,625,925	8,645,254	21,501,572	100.00	100.00	45.4
6/30/2005	5,119,055	13,976,901	8,785,557	23,049,441	100.00	100.00	45.0
6/30/2006	5,453,906	15,371,279	9,211,945	24,801,644	100.00	100.00	43.2
6/30/2007	5,787,667	17,059,613	9,549,443	27,049,004	100.00	100.00	44.0

PEERS 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)		(1)	(2)	(3)
6/30/1998	$ 225,454	$ 350,860	$ 460,033	$ 1,150,311	100.00%	100.00%	124.6%
6/30/1999	231,252	396,846	540,413	1,335,308	100.00	100.00	130.9
6/30/2000	274,167	467,653	653,480	1,522,660	100.00	100.00	119.5
6/30/2001	301,936	565,126	769,014	1,686,242	100.00	100.00	106.5
6/30/2002	354,296	651,295	850,391	1,810,619	100.00	100.00	94.7
6/30/2003	394,925	731,059	923,732	1,677,770	100.00	100.00	59.7
6/30/2004	444,318	804,864	972,028	1,837,308	100.00	100.00	60.5
6/30/2005	466,259	904,292	1,043,943	2,011,566	100.00	100.00	61.4
6/30/2006	524,014	1,020,486	1,212,333	2,218,638	100.00	100.00	55.6
6/30/2007	580,853	1,093,650	1,308,310	2,481,562	100.00	100.00	61.7

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

	Added to Rolls		Removed from Rolls		Rolls End of Year			% Increase	
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	Average Annual Allowances	in Annual Allowance	in Average Annual Allowance
2006-2007									
Service retirees	2,396	$ 85,977,276	770	$ 20,772,324	36,257	$ 1,271,565,084	35,071	9.66%	4.75%
Disability retirees	41	886,872	29	646,560	683	15,111,252	22,125	5.17	3.32
Beneficiaries	241	5,318,208	161	1,972,128	2,888	61,457,496	21,280	8.95	5.93
2005-2006									
Service retirees	2,441	$ 85,952,556	811	$ 19,138,824	34,631	$ 1,159,504,692	33,482	8.59%	3.48%
Disability retirees	41	855,684	34	594,708	671	14,368,776	21,414	3.95	2.86
Beneficiaries	279	6,109,776	127	1,679,784	2,808	56,410,080	20,089	10.61	4.62
2004-2005									
Service retirees	2,630	91,773,708	681	16,100,976	33,001	1,067,742,636	32,355	10.86	4.31
Disability retirees	58	1,151,928	24	402,816	664	13,823,160	20,818	7.94	2.42
Beneficiaries	226	4,153,424	118	1,426,464	2,656	51,000,276	19,202	9.47	5.02
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	69,930,201	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

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

	Added to Rolls		Removed from Rolls		Rolls End of Year			% Increase	
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	Average Annual Allowances	in Annual Allowance	in Average Annual Allowance
2006-2007									
Service retirees	1,250	$ 10,608,864	563	$ 2,140,032	16,009	$ 95,809,332	$ 5,985	11.70%	6.91%
Disability retirees	29	134,592	18	56,736	489	2,010,516	4,111	7.35	4.93
Beneficiaries	120	537,792	39	108,804	1,041	4,290,168	4,121	14.55	5.64
2005-2006									
Service retirees	1,080	$ 8,500,248	528	$ 1,834,320	15,322	$ 85,772,400	$ 5,598	9.22%	5.28%
Disability retirees	53	217,428	23	96,480	478	1,872,912	3,918	9.62	2.73
Beneficiaries	86	291,804	50	175,392	960	3,745,200	3,901	4.79	0.85
2004-2005									
Service retirees	1,092	7,628,508	481	1,697,460	14,770	78,531,972	5,317	10.76	6.17
Disability retirees	43	203,208	26	101,004	448	1,708,548	3,814	9.49	5.36
Beneficiaries	98	443,100	29	77,064	924	3,573,960	3,868	16.21	7.53
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

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 Public Education Employee Retirement System (PEERS) 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 a PEERS 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 Public Education Employee Retirement System are contributing members of PSRS unless PEERS membership is elected.

Members working in covered employment are considered *active* members. Such members contribute 12.0% (12.5% effective July 1, 2007) 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, 2007 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 12.0% (12.5% effective July 1, 2007) 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 7/1/2001-7/1/2013, 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, 2013 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.

The Partial Lump Sum Option (PLSO) is available to qualified members. This option allows qualified members to 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.

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.

Actuarial Section

PEERS Summary Plan Description

The Public Education Employee Retirement System of Missouri (PEERS) 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.

PEERS 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 PEERS. The Board is comprised of three elected PSRS members, one elected Public Education Employee Retirement System (PEERS) 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 a PEERS 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 5.75% (6.0% effective July 1, 2007) of their total compensation to PEERS. These amounts are deducted by the employing district and then forwarded to PEERS by the payroll officer and applied to the member's account in PEERS. PEERS 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.

PEERS 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 a PEERS election is not made. The election to join PEERS 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 PEERS 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, 2007. Since PEERS 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 PEERS 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 PEERS withhold members' contributions from salary payments and match employee contributions at a current rate of 5.75% (6.0% effective July 1, 2007) 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 PEERS 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, 2013 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 PEERS benefit prior to minimum Social Security eligibility age (currently age 62). When the minimum Social Security eligibility age is attained, the member's PEERS benefit is reduced and remains at a reduced level for the remainder of their retirement.

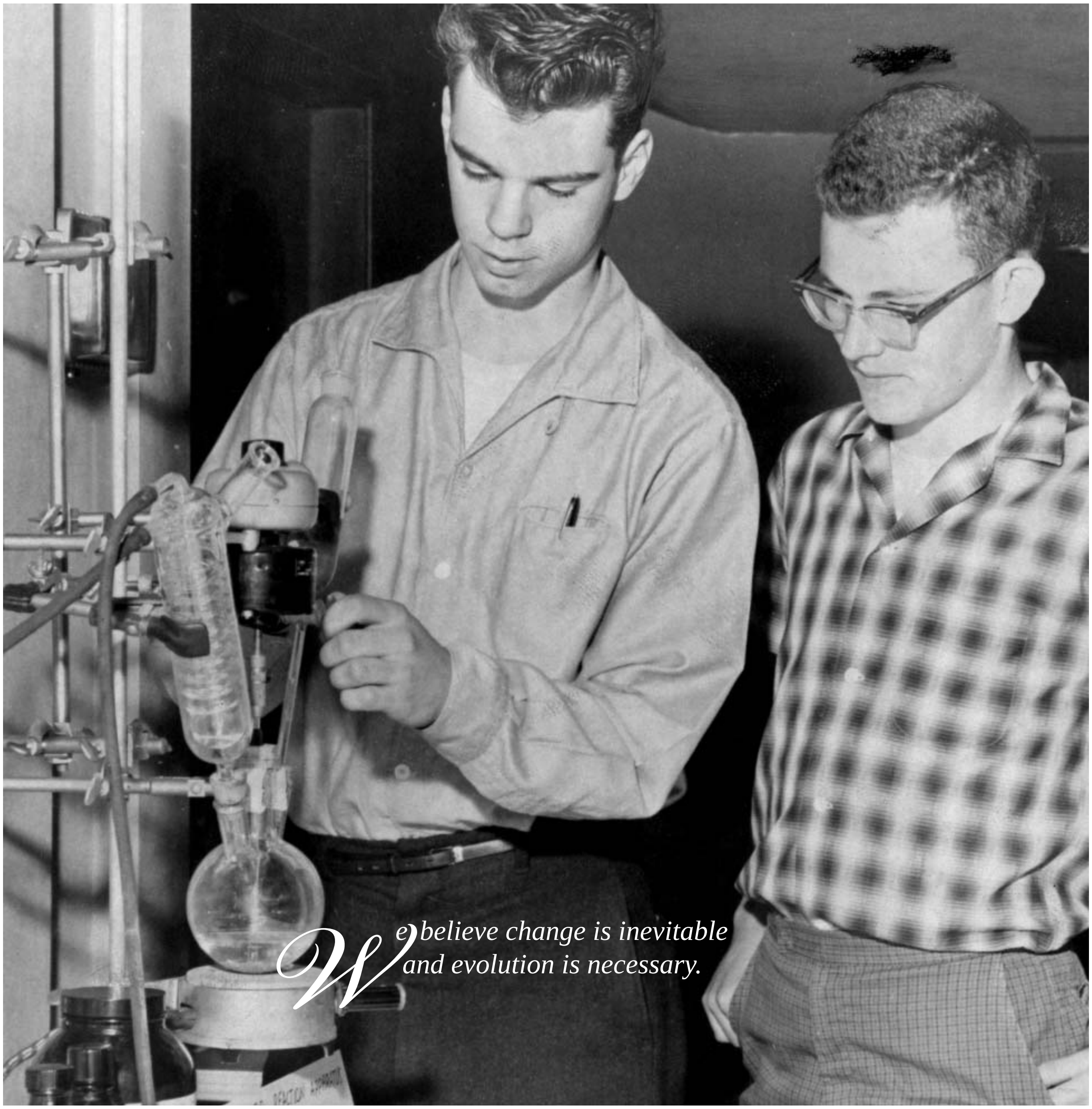
The Partial Lump Sum Option (PLSO) is available to qualified members. This option allows qualified members to elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time, lump-sum payment at retirement.

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 PEERS law and regulations can be obtained from the retirement office.

Statistical Section



Statistical Section

Statistical Summary

Benefit Recipients
The largest percentage of the Systems' benefit recipients are service retirees. Service retirement benefits are payable to members who have met age and service requirements. The number of PSRS service retirees increased by 1,626 from 34,631 at June 30, 2006 to 36,257 at June 30, 2007. The number of PEERS service retirees increased by 687 from 15,332 at June 30, 2006 to 16,009 at June 30, 2007.

Disability benefits in PSRS and PEERS are paid to members who are unable to earn a livelihood due to permanent disability and who have met certain eligibility requirements. The number of PSRS disability retirees increased by 12 from 671 at June 30, 2006 to 683 at June 30, 2007. The number of PEERS disability retirees increased by 11 from 478 at June 30, 2006 to 489 at June 30, 2007.

In both PSRS and PEERS, beneficiary payments are available to survivors if the retiree elected this option. Three Joint-and-Survivor options and two Term-Certain options are available. In PSRS, survivor benefits are also available to designated beneficiaries of members who die before retirement.

The chart on page 102 details the number of benefit recipients by type and monthly benefit amount for each System.

Pension Funding
An unfunded actuarial accrued liability (UAAL) for pension benefits generally represents the difference between the present value of all benefits estimated to be payable to plan members as a result of their age, salary, and service through the valuation date and the actuarial value of plan assets available to pay those benefits. This amount changes over time as a result of changes in accrued benefits, pay levels, rates of return on investments, changes in actuarial assumptions, and changes in the demographics of the employee base. Each year an outside actuary performs a valuation to determine the present value of the benefits payable (actuarial accrued liability) and compares this to the assets available to arrive at the funded status of the Systems.

The charts on page 110 show a comparison of the assets and liabilities of the Systems over time. At June 30, 2007, PSRS was 83.5% funded and PEERS was 83.2%. These percentages have remained relatively constant for the past four fiscal years.

Changes in Net Assets
The charts on page 103 detail a 10-year history of the additions (revenue) and deductions (expenses) of the Systems.

Other charts in this section detail demographic information concerning our members and employers.

The data in this section was derived from internal sources and the annual actuarial valuation reports.

Summary of Benefits by Type

Public School Retirement System

Amount of Monthly Benefit	Service Retirement	Disability Retirement	Beneficiary Recipients: Disability	Survivors	Beneficiary	Term Certain	Total
<$1,000	2,959	61	60	611	379	5	4,075
$1,000 - $1,999	6,421	377	39	-	736	-	7,573
$2,000 - $2,999	10,316	201	8	-	549	2	11,076
$3,000 - $3,999	9,189	38	3	-	308	5	9,543
$4,000 - $4,999	4,967	5	-	-	113	3	5,088
$5,000 - $5,999	1,583	1	-	-	53	-	1,637
$6,000+	822	-	-	-	14	-	836
Total	**36,257**	**683**	**110**	**611**	**2,152**	**15**	**39,828**

Public Education Employee Retirement System

Amount of Monthly Benefit	Service Retirement	Disability Retirement	Beneficiary Recipients: Disability	Survivors	Beneficiary	Term Certain	Total
<$500	10,510	381	113	-	721	16	11,741
$500 - $599	3,587	102	8	-	130	3	3,830
$1,000 - $1,999	1,595	6	-	-	42	3	1,646
$2,000 - $2,999	238	-	1	-	4	-	243
$3,000 - $3,999	56	-	-	-	-	-	56
$4,000+	23	-	-	-	-	-	23
Total	**16,009**	**489**	**122**	**-**	**897**	**22**	**17,539**

Schedules of Changes in Plan Net Assets
Last 10 Fiscal Years

(Dollar amounts in thousands)

Public School Retirement System

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Additions by source										
Member contributions	$ 289,224	$ 302,183	$ 319,579	$ 335,275	$ 356,685	$ 378,434	$ 405,614	$ 432,500	$ 502,980	$ 514,163
Employer contributions	273,126	287,699	304,944	324,526	340,000	355,979	359,763	389,416	429,579	472,217
Investment income	2,609,911	1,795,732	1,455,003	(407,172)	(582,958)	873,340	2,402,566	1,958,622	2,235,836	4,125,164
Other income	246	273	274	810	2761	351	488	476	264	280
Total additions by source	3,172,507	2,385,887	2,079,800	253,439	116,488	1,608,104	3,168,431	2,781,014	3,168,659	5,111,824
Deductions by type										
Monthly benefits										
Service retirement	417,511	504,517	601,718	706,647	810,898	877,538	967,357	1,089,909	1,192,394	1,306,286
Disability	7,716	8,717	9,762	10,719	11,621	11,901	12,720	13,613	14,297	14,982
Beneficiary	17,623	21,385	27,501	32,525	37,916	41,011	44,663	49,056	54,148	59,295
Lump-sum refunds										
Death	2,568	2,215	5,603	6,170	6,872	6,781	7,173	6,131	7,188	6,801
Withdrawal/transfers	25,841	28,829	30,495	28,877	24,907	21,693	28,845	28,215	29,206	37,209
Administrative expenses/other	2,833	3,140	3,712	4,009	4,486	4,675	5,274	5,614	6,754	7,113
Total deductions by type	474,092	568,803	678,791	788,947	896,700	963,599	1,066,032	1,192,538	1,303,987	1,431,686
Changes in plan net assets	$ 2,698,415	$ 1,817,084	$ 1,401,009	($ 535,508)	($ 780,212)	$ 644,505	$ 2,102,399	$ 1,588,476	$ 1,864,672	$ 3,680,138

Public Education Employee Retirement System

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Additions by source										
Member contributions	$ 27,528	$ 30,372	$ 34,499	$ 37,934	$ 46,217	$ 48,994	$ 50,625	$ 55,699	$ 68,018	$ 73,071
Employer contributions	27,316	30,013	34,186	37,500	45,773	48,933	49,977	53,110	61,746	69,235
Investment income	198,913	137,142	113,954	(29,647)	(46,732)	73,188	198,389	170,921	197,629	373,198
Other income	11	17	14	73	26	16	10	9	3	0
Total additions by source	253,768	197,544	182,653	45,860	45,284	171,131	299,001	279,739	327,396	515,504
Deductions by type										
Monthly benefits										
Service retirement	29,599	32,547	39,071	46,093	56,305	63,333	70,419	78,860	87,151	97,170
Disability	665	746	945	1,122	1,304	1,448	1,503	1,686	1,840	1,968
Beneficiary	1,074	1,225	1,514	1,823	2,262	2,618	2,949	3,360	3,670	4,044
Lump-sum Refunds										
Death	402	527	409	432	425	475	593	647	542	816
Withdrawal/transfers	6,719	6,768	9,493	8,769	7,441	7,559	9,827	11,245	11,502	12,883
Administrative expenses/other	1,471	1,605	1,920	2,246	2,575	2,946	3,210	3,564	4,358	4,427
Total deductions by type	39,930	43,418	53,352	60,485	70,312	78,379	88,501	99,362	109,063	121,308
Changes in plan net assets	$ 213,838	$ 154,126	$ 129,301	($ 14,625)	($ 25,028)	$ 92,752	$ 210,500	$ 180,377	$ 218,333	$ 394,196

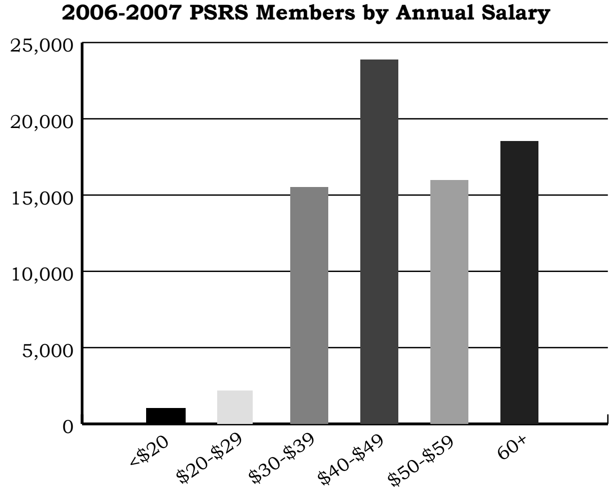
Statistical Section

PSRS Summary of Changes in Membership During 2006-2007

		Male	Female	Total
Membership, July 1, 2006		19,384	67,908	87,292
New members added		1,484	4,929	6,413
Less:	Service retirements	605	1,764	2,369
	Disability retirements	7	34	41
	Withdrawals	549	1,649	2,198
	Deaths	19	32	51
	Memberships terminated	59	232	291
	Other	10	17	27
		1,249	3,728	4,977
Net change in membership 2006-2007		234	1,201	1,436
Membership June 30, 2007		19,619	69,109	88,728

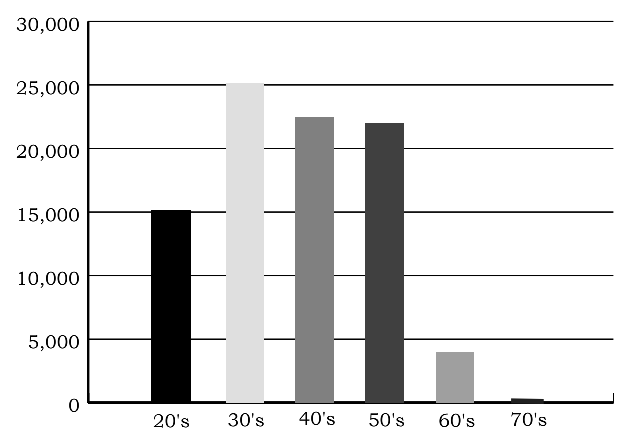
Note: Seven members eligible for retirement died during the year. These are reflected as deaths on this schedule, but as new retirees on page 106.

2006-2007 PSRS Members by Annual Salary

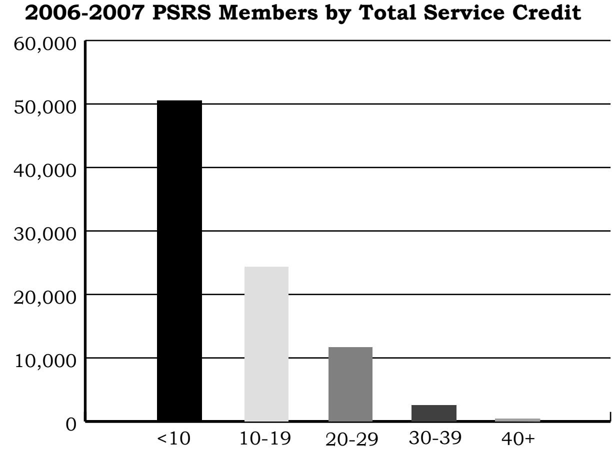


(Dollar amounts in thousands)

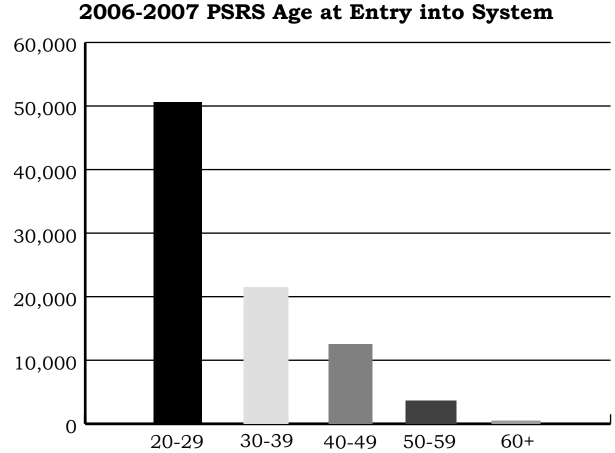
2006-2007 PSRS Members by Current Age



2006-2007 PSRS Members by Total Service Credit



2006-2007 PSRS Age at Entry into System



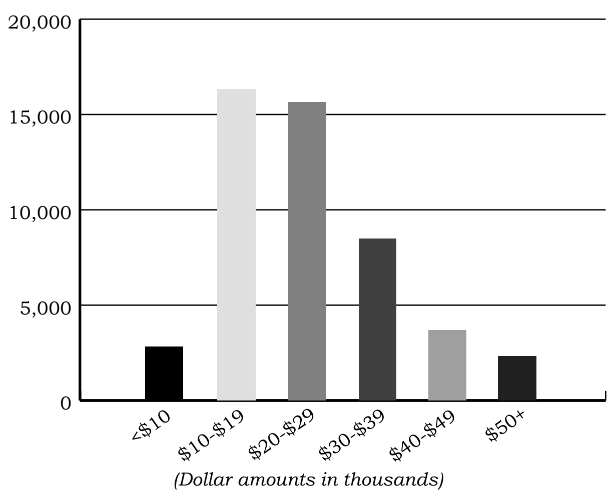
Statistical Section

PEERS Summary of Changes in Membership During 2006-2007

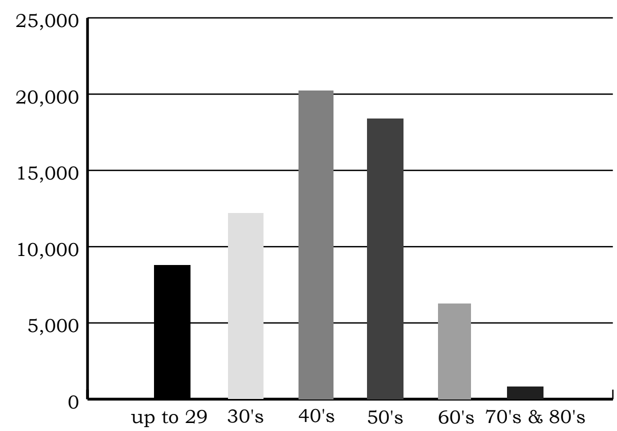
		Male	Female	Total
Membership, July 1, 2006		16,186	49,926	66,112
New members added		2,158	5,882	8,040
Less:	Service retirements	335	876	1,211
	Disability retirements	13	15	28
	Withdrawals	1,341	3,468	4,809
	Deaths	48	58	106
	Memberships terminated	368	847	1,215
	Other	35	53	88
		2,140	5,317	7,457
Net change in membership 2006-2007		18	565	583
Membership June 30, 2007		16,204	50,491	66,695

Note: Nine members eligible for retirement died during the year. These are reflected as deaths on this schedule, but as new retirees on page 107.

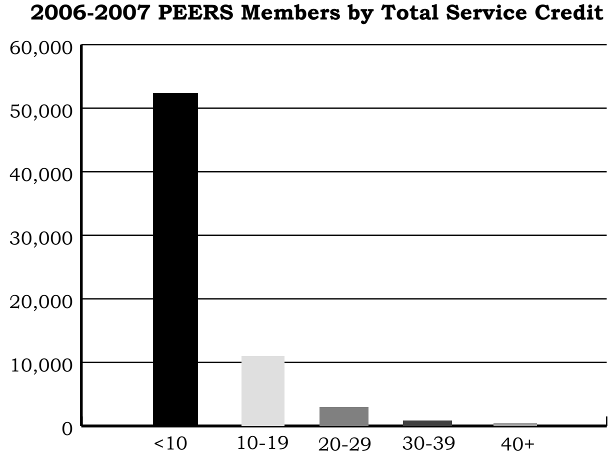
2006-2007 PEERS Members by Annual Salary



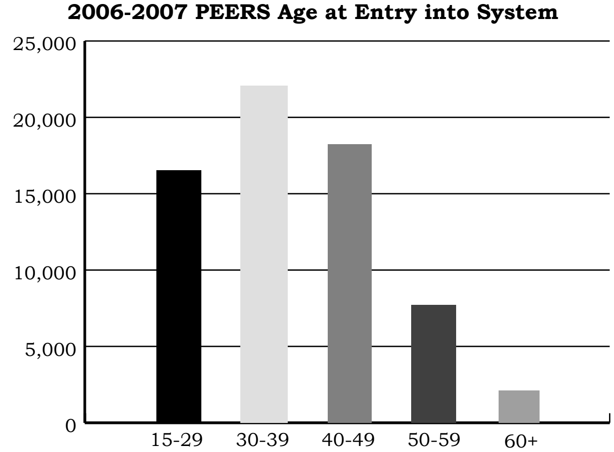
2006-2007 PEERS Members by Current Age



2006-2007 PEERS Members by Total Service Credit



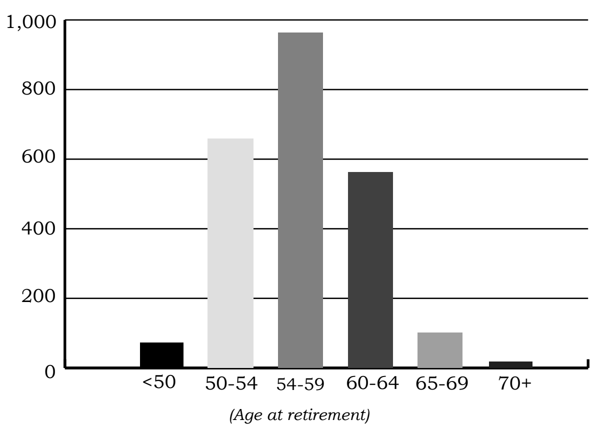
2006-2007 PEERS Age at Entry into System



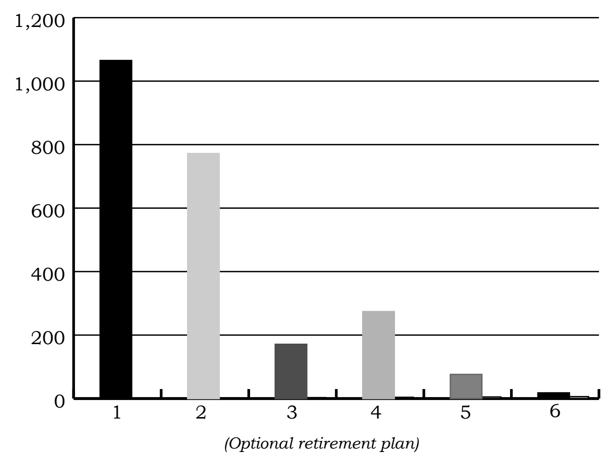
PSRS 2006-2007 New Service Retirees

	Service Retirees	Disability Retirees	Beneficiaries
Retirees July 1, 2006	34,631	671	2,808
Added during the year	2,376	41	237
Died during the year	(757)	(26)	(88)
Other	7	(3)	(69)
Retirees June 30, 2007	36,257	683	2,888

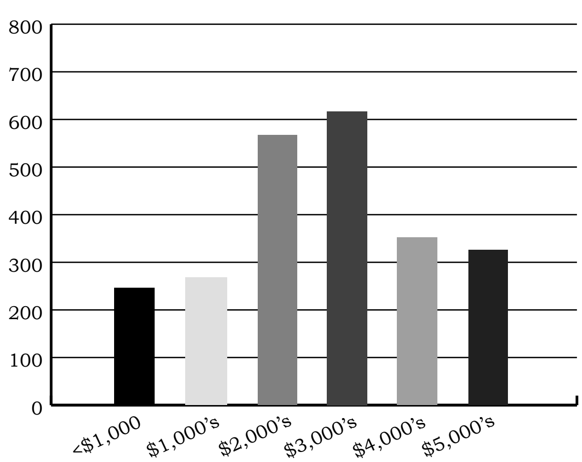
2006-2007 New Service Retirees by Age at Retirement



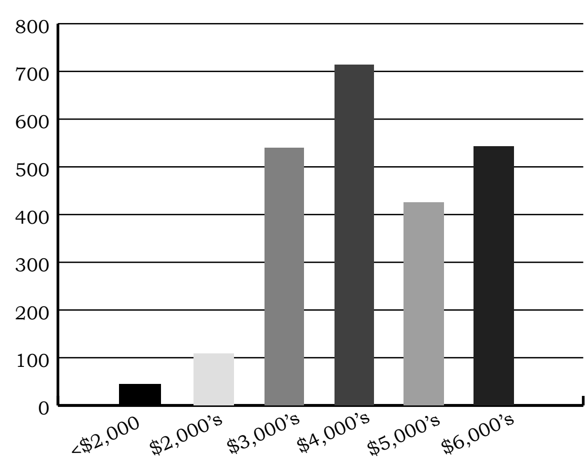
2006-2007 New Service Retirees by Retirement Plan Option



2006-2007 New Service Retirees by Single Life Benefit Amount



2006-2007 New Service Retirees by Final Average Monthly Salary

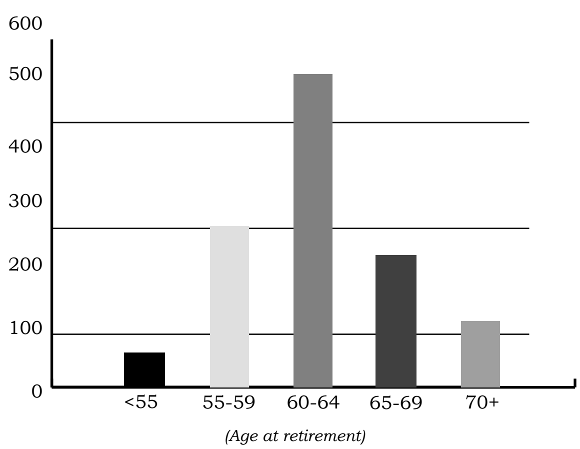


Statistical Section

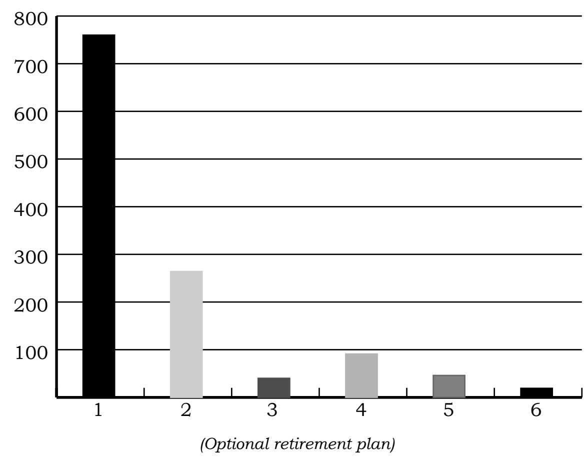
PEERS 2006-2007 New Service Retirees

	Service Retirees	Disability Retirees	Beneficiaries
Retirees July 1, 2006	15,322	478	960
Added during the year	1,220	28	120
Died during the year	(545)	(18)	(33)
Other	12	1	(6)
Retirees June 30, 2007	16,009	489	1,041

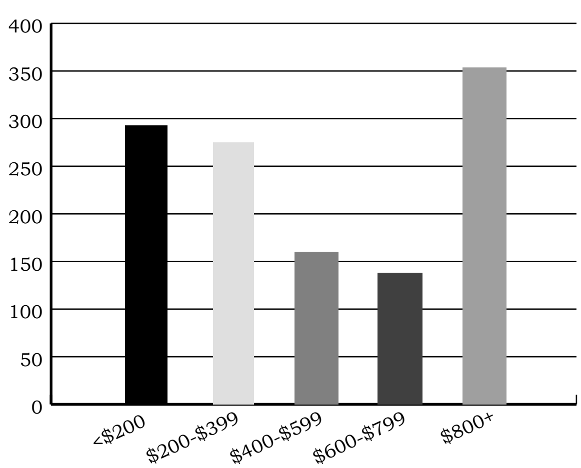
2006-2007 New Service Retirees by Age at Retirement



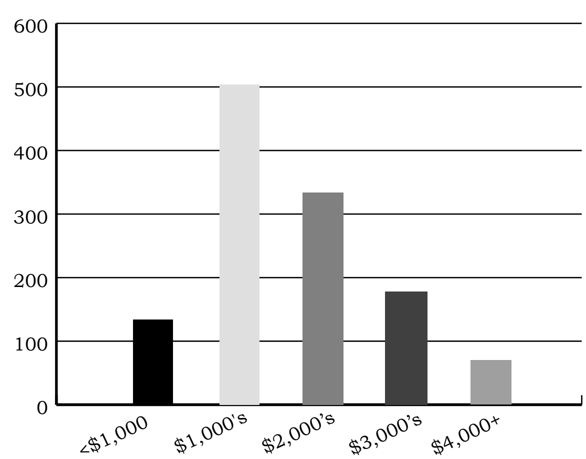
2006-2007 New Service Retirees by Retirement Plan Option



2006-2007 New Service Retirees by Single Life Benefit Amount



2006-2007 New Service Retirees by Final Average Monthly Salary



PSRS Schedule of Average Benefit Payments to New Retirees

	Years of Service Credit							
Retirement Effective Dates	**5 - 9.9**	**10 - 14.9**	**15 - 19.9**	**20 - 24.9**	**25 - 29.9**	**30 - 34.9**	**35 - 39.9**	**40+**
2006-2007								
Average monthly benefit	$ 614	$ 1,010	$ 1,772	$ 2,748	$ 3,283	$ 4,322	$ 6,145	$ 6,019
Average final average salary	$ 3,848	$ 3,499	$ 4,319	$ 4,889	$ 4,934	$ 5,380	$ 6,576	$ 5,826
Number of retirees	162	160	159	338	653	783	115	6
2005-2006								
Average monthly benefit	$ 572	$ 1,021	$ 1,709	$ 2,558	$ 3,263	$ 4,299	$ 5,555	$ 5,833
Average final average salary	$ 3,659	$ 3,628	$ 4,214	$ 4,580	$ 4,854	$ 5,346	$ 5,985	$ 5,833
Number of retirees	177	137	137	358	778	744	96	6
2004-2005								
Average monthly benefit	$ 579	$ 1,314	(1)	$ 2,977	(2)	$ 4,240	(3)	$ 5,751
Average final average salary	$ 3,630	$ 3,783	(1)	$ 4,652	(2)	$ 5,216	(3)	$ 5,751
Number of retirees	158	323	(1)	1,165	(2)	973	(3)	11
2003-2004								
Average monthly benefit	$ 510	$ 1,363	(1)	$ 2,944	(2)	$ 4,205	(3)	$ 4,042
Average final average salary	$ 3,243	$ 3,849	(1)	$ 4,582	(2)	$ 5,155	(3)	$ 4,042
Number of retirees	158	269	(1)	1,097	(2)	927	(3)	12
2002-2003								
Average monthly benefit	$ 493	$ 1,295	(1)	$ 2,832	(2)	$ 4,005	(3)	$ 4,241
Average final average salary	$ 3,210	$ 3,591	(1)	$ 4,418	(2)	$ 4,936	(3)	$ 4,241
Number of retirees	111	247	(1)	930	(2)	752	(3)	17
2001-2002								
Average monthly benefit	$ 486	$ 1,253	(1)	$ 2,738	(2)	$ 3,872	(3)	$ 4,823
Average final average salary	$ 3,276	$ 3,637	(1)	$ 4,248	(2)	$ 4,824	(3)	$ 4,823
Number of retirees	93	232	(1)	1,034	(2)	875	(3)	18
2000-2001								
Average monthly benefit	$ 478	$ 1,165	(1)	$ 2,621	(2)	$ 3,593	(3)	$ 5,431
Average final average salary	$ 3,020	$ 3,245	(1)	$ 4,072	(2)	$ 4,552	(3)	$ 5,431
Number of retirees	75	276	(1)	1,232	(2)	1,027	(3)	18
1999-2000								
Average monthly benefit	$ 506	$ 1,128	(1)	$ 2,472	(2)	$ 3,514	(3)	$ 5,208
Average final average salary	$ 2,949	$ 3,310	(1)	$ 3,900	(2)	$ 4,447	(3)	$ 5,209
Number of retirees	95	218	(1)	913	(2)	912	(3)	14
1998-1999								
Average monthly benefit	$ 429	$ 994	(1)	$ 2,211	(2)	$ 3,159	(3)	$ 4,456
Average final average salary	$ 2,922	$ 2,827	(1)	$ 3,576	(2)	$ 3,987	(3)	$ 4,532
Number of retirees	82	206	(1)	1,120	(2)	526	(3)	12
1997-1998								
Average monthly benefit	$444	$921	(1)	$ 2,009	(2)	$ 2,839	(3)	$ 3,407
Average final average salary	$2,716	$2,781	(1)	$ 3,502	(2)	$ 3,900	(3)	$ 3,575
Number of retirees	43	203	(1)	757	(2)	722	(3)	23

Prior year data is not available in five-year service increments. Chart will be updated as data becomes available.

(1) Column to the left covers those with 10 to 19.9 years of service.

(2) Column to the left covers those with 20 to 29.9 years of service.

(3) Column to the left covers those with 30 to 39.9 years of service.

Statistical Section

PEERS Schedule of Average Benefit Payments to New Retirees

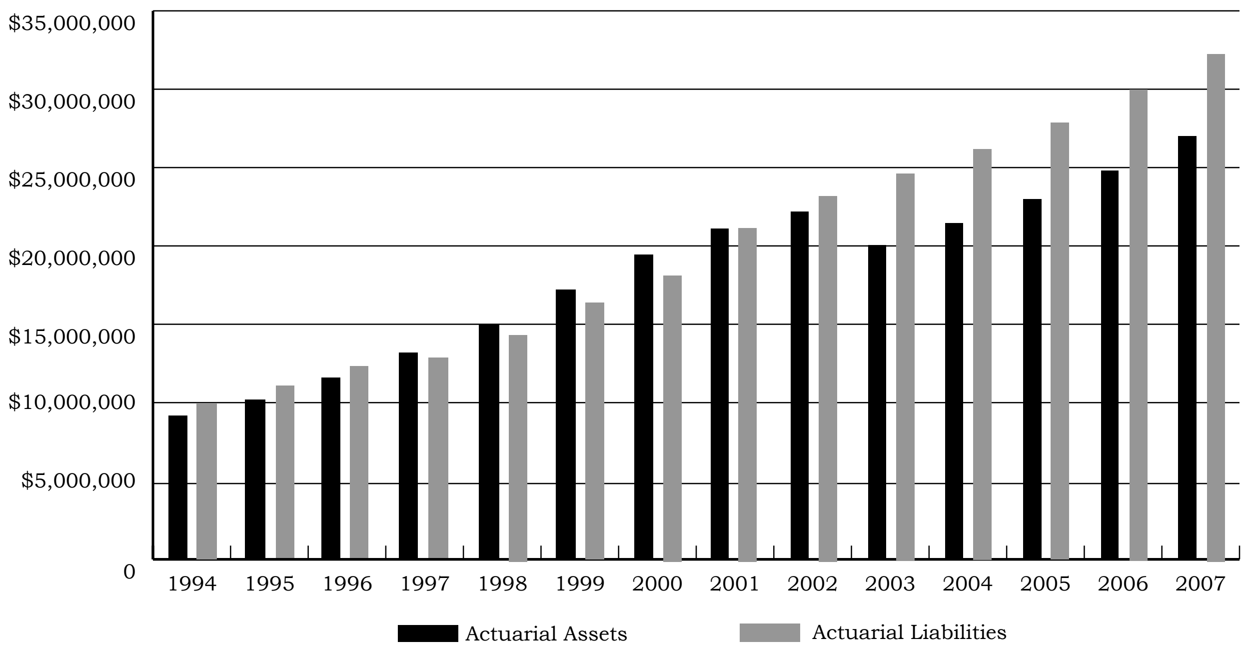
Retirement Effective Dates	Years of Service Credit					
	5 - 9.9	10 - 14.9	15 - 19.9	20 - 24.9	25 - 29.9	30+
2006-2007						
Average monthly benefit	$ 174	$ 363	$ 637	$ 861	$ 1,240	$ 1,611
Average final average salary	$ 1,607	$ 1,918	$ 2,368	$ 2,423	$ 2,838	$ 3,038
Number of retirees	370	214	166	224	158	88
2005-2006						
Average monthly benefit	$ 178	$ 370	$ 586	$ 822	$ 1,111	$ 1,451
Average final average salary	$ 1,611	$ 1,971	$ 2,134	$ 2,306	$ 2,564	$ 2,708
Number of retirees	310	184	165	177	156	77
2004-2005						
Average monthly benefit	$ 159	$ 401	(1)	$ 952	(2)	$ 1,468
Average final average salary	$ 1,454	$ 1,788	(1)	$ 2,427	(2)	$ 2,771
Number of retirees	306	366	(1)	322	(2)	97
2003-2004						
Average monthly benefit	$ 167	$ 402	(1)	$ 906	(2)	$ 1,250
Average final average salary	$ 1,519	$ 1,737	(1)	$ 2,305	(2)	$ 2,397
Number of retirees	222	338	(1)	306	(2)	71
2002-2003						
Average monthly benefit	$ 167	$ 373	(1)	$ 836	(2)	$ 1,335
Average final average salary	$ 1,519	$ 1,644	(1)	$ 2,115	(2)	$ 2,530
Number of retirees	222	324	(1)	335	(2)	58
2001-2002						
Average monthly benefit	$ 147	$ 345	(1)	$ 827	(2)	$ 1,150
Average final average salary	$ 1,382	$ 1,645	(1)	$ 2,102	(2)	$ 2,300
Number of retirees	230	371	(1)	354	(2)	84
2000-2001						
Average monthly benefit	$ 141	$ 310	(1)	$ 685	(2)	$ 876
Average final average salary	$ 1,363	$ 1,524	(1)	$ 1,894	(2)	$ 1,853
Number of retirees	217	374	(1)	306	(2)	67
1999-2000						
Average monthly benefit	$ 120	$ 1,128	(1)	$ 594	(2)	$ 3,514
Average final average salary	$ 1,188	$ 3,310	(1)	$ 1,735	(2)	$ 4,447
Number of retirees	213	218	(1)	307	(2)	912
1998-1999						
Average monthly benefit	$ 111	$ 270	(1)	$ 507	(2)	$ 824
Average final average salary	$ 1,190	$ 1,405	(1)	$ 1,580	(2)	$ 1,916
Number of retirees	187	300	(1)	259	(2)	50
1997-1998						
Average monthly benefit	$ 106	$ 265	(1)	$ 536	(2)	$ 735
Average final average salary	$ 1,112	$ 1,401	(1)	$ 1,633	(2)	$ 1,703
Number of retirees	193	344	(1)	24	(2)	53

Prior year data is not available in five-year service increments. Chart will be updated as data becomes available.

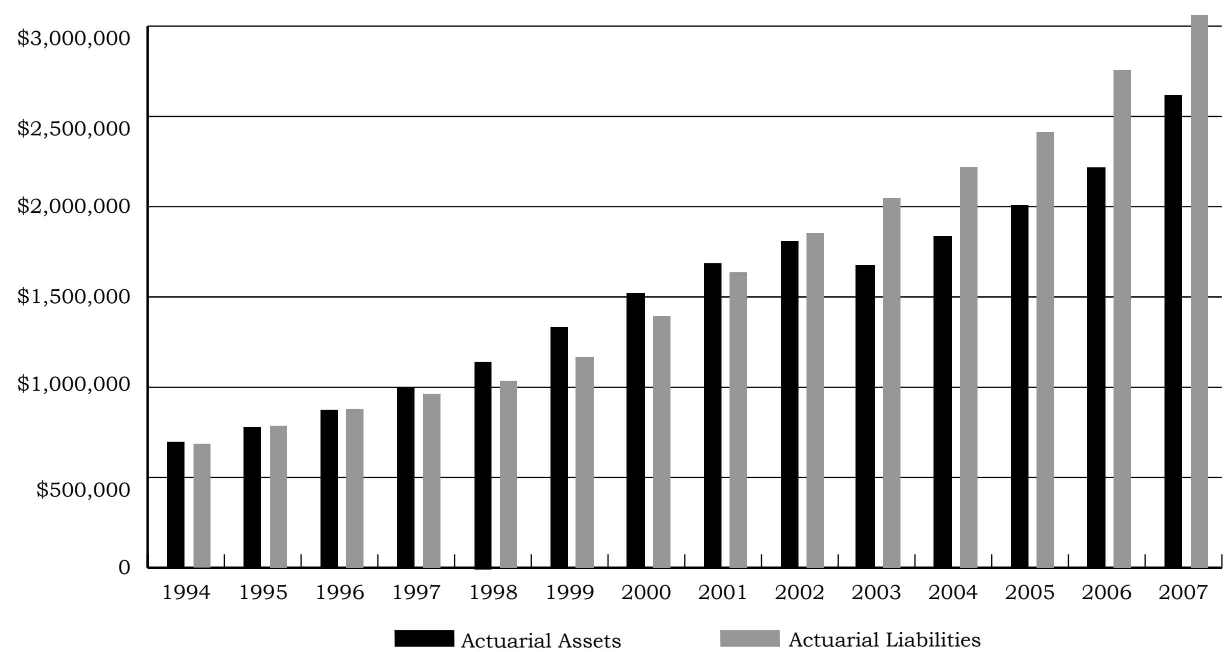
(1) Column to the left covers those with 10 to 19.9 years of service.

(2) Column to the left covers those with 20 to 29.9 years of service.

PSRS Comparison of Actuarial Assets and Total Actuarial Liabilities
(Dollar amounts in thousands)

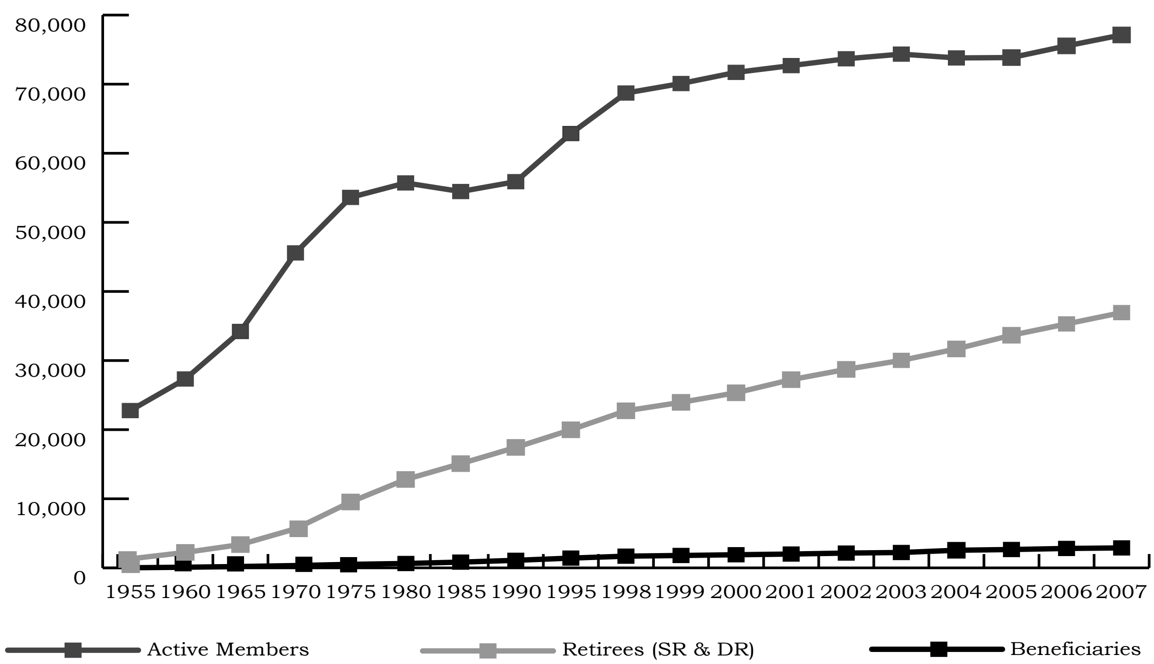


PEERS Comparison of Actuarial Assets and Total Actuarial Liabilities
(Dollar amounts in thousands)

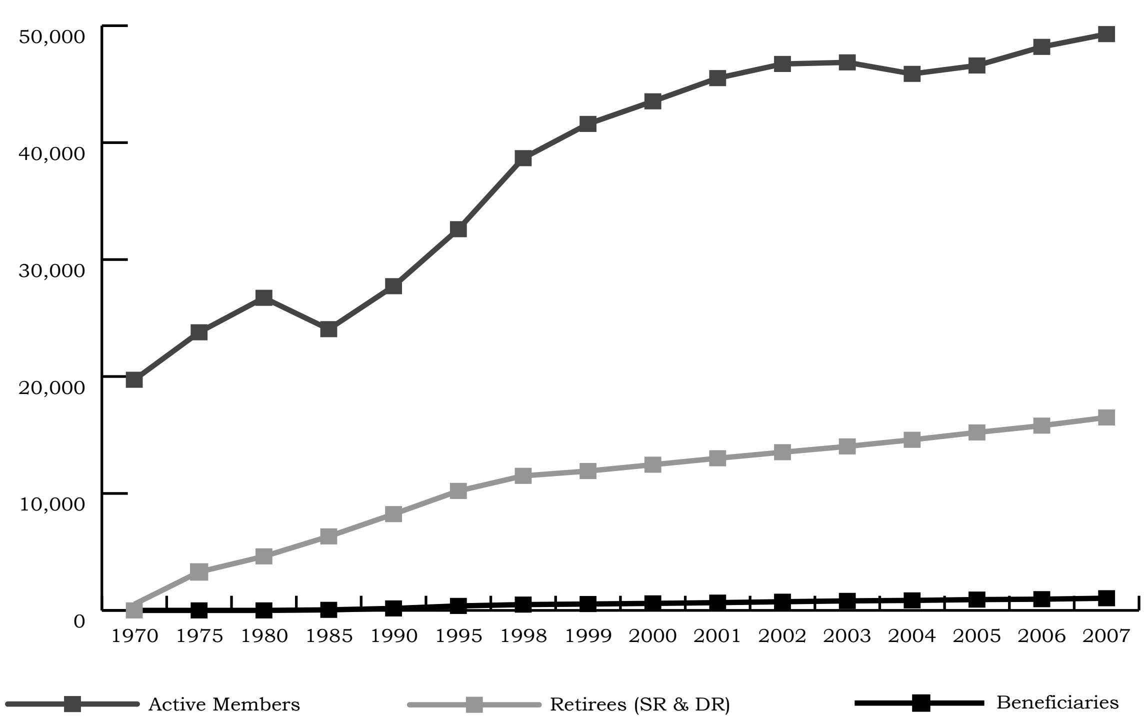


Statistical Section

PSRS Growth in Membership



PEERS Growth in Membership



PSRS Schedule of Covered Employees for the Nine Years Ended June 30, 2007

Public School Retirement System

District	2007 Covered Employees	2007 Percentage of Total	2006 Covered Employees	2006 Percentage of Total	2005 Covered Employees	2005 Percentage of Total
Special School District - St. Louis	2,861	4%	2,809	4%	2,771	4%
Springfield R-XII Schools	2,031	3%	1,983	3%	1,914	3%
Rockwood R-VI Schools	1,751	2%	1,724	2%	1,690	2%
Columbia Public Schools	1,560	2%	1,533	2%	1,490	2%
Parkway C-2 Schools	1,520	2%	1,522	2%	1,575	2%
North Kansas City Schools	1,483	2%	1,450	2%	1,430	2%
Hazelwood R-I Schools	1,481	2%	1,461	2%	1,486	2%
Francis Howell R-III Schools	1,459	2%	1,444	2%	1,397	2%
Ft. Zumwalt R-II Schools	1,351	2%	1,340	2%	1,270	2%
Lee's Summit R-VII Schools	1,285	2%	1,262	2%	1,179	2%
All Others	61,939	77%	60,766	77%	59,427	77%
Total - 545 Employers	78,721	100%	77,294	100%	75,629	100%

District	2004 Covered Employees	2004 Percentage of Total	2003 Covered Employees	2003 Percentage of Total	2002 Covered Employees	2002 Percentage of Total
Special School District - St. Louis	2,799	4%	2,647	3%	2,468	3%
Springfield R-XII Schools	1,902	2%	1,957	3%	1,980	3%
Rockwood R-VI Schools	1,768	2%	1,679	2%	1,564	2%
Columbia Public Schools	1,500	2%	1,510	2%	1,479	2%
Parkway C-2 Schools	1,700	2%	1,706	2%	1,832	2%
North Kansas City Schools	1,494	2%	1,489	2%	1,436	2%
Hazelwood R-I Schools	1,451	2%	1,536	2%	1,474	2%
Francis Howell R-III Schools	1,464	2%	1,461	2%	1,419	2%
Ft. Zumwalt R-II Schools	1,259	2%	1,264	2%	1,194	2%
Lee's Summit R-VII Schools	1,178	2%	1,186	2%	1,084	1%
All Others	60,407	78%	60,817	78%	59,663	79%
Total - 545 Employers	76,922	100%	77,252	100%	75,593	100%

District	2001 Covered Employees	2001 Percentage of Total	2000 Covered Employees	2000 Percentage of Total	1999 Covered Employees	1999 Percentage of Total
Special School District - St. Louis	2,454	3%	2,435	3%	2,316	3%
Springfield R-XII Schools	1,880	3%	1,877	3%	2,002	3%
Rockwood R-VI Schools	1,492	2%	1,447	2%	1,523	2%
Columbia Public Schools	1,444	2%	1,382	2%	1,376	2%
Parkway C-2 Schools	1,738	2%	1,729	2%	1,725	2%
North Kansas City Schools	1,436	2%	1,394	2%	1,334	2%
Hazelwood R-I Schools	1,474	2%	1,425	2%	1,370	2%
Francis Howell R-III Schools	1,375	2%	1,444	2%	1,512	2%
Ft. Zumwalt R-II Schools	1,187	2%	1,150	2%	987	1%
Lee's Summit R-VII Schools	1,025	1%	972	1%	993	1%
All Others	58,728	79%	57,599	79%	56,887	80%
Total - 545 Employers	74,233	100%	72,854	100%	72,025	100%

Note: 10 years of data was not available in this format - additional data will be added next year.

PEERS Schedule of Covered Employees for the Nine Years Ended June 30, 2007

Public Education Employee Retirement System

District	2007 Covered Employees	2007 Percentage of Total	2006 Covered Employees	2006 Percentage of Total	2005 Covered Employees	2005 Percentage of Total
Special School District - St. Louis	2,514	5%	2,483	5%	2,467	5%
Springfield R-XII Schools	1,418	3%	1,374	3%	1,328	3%
Rockwood R-VI Schools	1,200	2%	1,177	2%	1,213	2%
Lee's Summit R-VII Schools	1,167	2%	1,138	2%	1,072	2%
North Kansas City Schools	1,158	2%	1,144	2%	1,117	2%
Parkway C-2 Schools	1,101	2%	1,120	2%	1,070	2%
Ft. Zumwalt R-II Schools	1,051	2%	1,023	2%	968	2%
Columbia Public Schools	1,008	2%	992	2%	957	2%
Independence Public Schools	978	2%	920	2%	910	2%
Hazelwood R-I Schools	931	2%	914	2%	912	2%
All Others	38,903	76%	37,874	76%	36,634	76%
Total - 536 Employers	51,429	100%	50,159	100%	48,648	100%

	2004 Covered Employees	2004 Percentage of Total	2003 Covered Employees	2003 Percentage of Total	2002 Covered Employees	2002 Percentage of Total
Special School District - St. Louis	2,129	4%	2,044	4%	1,833	4%
Springfield R-XII Schools	1,333	3%	1,326	3%	1,407	3%
Rockwood R-VI Schools	1,230	3%	1,244	3%	1,148	2%
Lee's Summit R-VII Schools	984	2%	983	2%	933	2%
North Kansas City Schools	1,132	2%	1,163	2%	1,081	2%
Parkway C-2 Schools	1,145	2%	1,199	2%	1,278	3%
Ft. Zumwalt R-II Schools	952	2%	955	2%	668	1%
Columbia Public Schools	942	2%	954	2%	983	2%
Independence Public Schools	939	2%	899	2%	1,062	2%
Hazelwood R-I Schools	907	2%	963	2%	970	2%
All Others	36,473	76%	37,371	76%	36,399	77%
Total - 536 Employers	48,166	100%	49,101	100%	47,762	100%

	2001 Covered Employees	2001 Percentage of Total	2000 Covered Employees	2000 Percentage of Total	1999 Covered Employees	1999 Percentage of Total
Special School District - St. Louis	1,833	4%	1,941	4%	1,792	4%
Springfield R-XII Schools	1,407	3%	1,336	3%	1,254	3%
Rockwood R-VI Schools	1,148	2%	1,164	3%	1,071	3%
Lee's Summit R-VII Schools	933	2%	857	2%	672	2%
North Kansas City Schools	1,084	2%	1,070	2%	897	2%
Parkway C-2 Schools	1,278	3%	1,264	3%	1,080	3%
Ft. Zumwalt R-II Schools	668	1%	623	1%	515	1%
Columbia Public Schools	983	2%	898	2%	830	2%
Independence Public Schools	1,068	2%	1,099	2%	843	2%
Hazelwood R-I Schools	970	2%	958	2%	834	2%
All Others	36,400	77%	34,963	76%	30,947	76%
Total - 536 Employers	47,772	100%	46,173	100%	40,735	100%

Note: 10 years of data was not available in this format - additional data will be added next year.

For more information on
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The Public Education Employee Retirement System of
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Web site: **www.psrs-peers**.*org*

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