Comprehensive

ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2008

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

Pictured on the front cover: Hazelwood Southeast Middle School, one of four middle schools opened by the Hazelwood School District in the 2007-2008 school year.

Growing schools for growing minds

From top to bottom, left to right: Camdenton High School, Graden Elementary School in Park Hill, Clever High School, Neosho High School, Kirbyville Elementary School, Stony Point Elementary School in Grain Valley, and Hallsville Primary School. These are just a few of the schools growing throughout Missouri.

Comprehensive Annual Financial Report
for the fiscal year ended June 30, 2008

M. Steve Yoakum, Executive Director

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

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www.psrs-peers.*org*

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.

TABLE OF CONTENTS

Kirbyville R-VI School District

Pictured at left is the old Kirbyville Elementary School.

Pictured at right is the main entrance of the new Kirbyville Elementary School.

Growing schools for growing minds

TABLE OF CONTENTS

TABLE OF CONTENTS (continued)

STATISTICAL SECTION

INTRODUCTORY SECTION

Camdenton School District

Pictured above is the new 260,000 square foot Camdenton High School, completed in 2007.

Pictured above is the Senior High building, completed and occupied in December 1967. The building was used as a high school until the 2007-2008 school year. It is currently the Camdenton Middle School.

The white brick building pictured above was finished in 1941 and served as a high school until 1967. This building now houses Special Services, Early Childhood, and several classes for Dogwood Elementary, grades K-2.

Pictured at left, “Old Red” was finished in 1932. The class of 1933 was the first class to graduate in this building.

Growing schools for growing minds

Tina Zubeck
Chair
Elected PEERS Member

Joncee Nodler
Vice-Chair
Appointed Member

Cheryl Boggess
Elected PSRS Member

James O'Donnell
Appointed Member

Peggy Preston
Elected PSRS Member

Wayne Wheeler
Appointed Retired
Member

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

December 1, 2008

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, 2008. 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, 2008.

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 who have elected to join the System.

Financial Information

The Systems' financial statements are prepared in accordance with generally accepted accounting principles (GAAP) within the guidelines established by the Governmental Accounting Standards Board (GASB). A system of internal controls is in place to help monitor and safeguard assets and promote efficient operations. An independent certified public accounting firm selected by the Board of Trustees performs a financial audit each year. In addition, the Systems employ an internal auditor who performs operational reviews to ensure that the internal controls are functioning effectively.

Please refer to the Management's Discussion and Analysis on pages 22 through 27 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 -4.6% for the Public School Retirement System (PSRS) and the Public Education Employee Retirement System (PEERS). Our return was below our assumed rate of return of 8% due to the overall negative global economic environment; however, our return exceeded the policy benchmark return of -4.9%. Our decision to restructure the public debt portfolio in December 2007, from a core Lehman Aggregate Public Debt portfolio to a U.S. Treasuries and TIPS portfolio assisted in providing returns that exceeded our policy benchmark return and provided significant downside protection as the credit crisis evolved throughout the fiscal year.

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 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. The Systems continue to monitor and update strategy to increase expected returns. During 2008, the staff continued to work towards implementation of the long-term asset allocation adopted in fiscal year 2007.

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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

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, 2008, PSRS was 83.4% funded, while PEERS was 82.5% funded. This is a slight decrease from the June 30, 2007 funded ratios of 83.5% for PSRS and 83.2% 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 2008 return below 8% was recognized as of June 30, 2008.

During the 2008 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 2008 were 28.24% for PSRS and 12.98% for PEERS. The contribution rates collected were 25.0% for PSRS and 12.0% for PEERS.

Based upon the June 30, 2008 actuarial valuations, the annual required contribution rates for fiscal year 2009 were determined to be 28.45% for PSRS and 13.29% for PEERS. The Board of Trustees set the fiscal year 2009 contribution rates at 26% for PSRS and 12.5% for PEERS and the 2010 rates at 27% for PSRS and 13% 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. Due to the current decline in the investment market, we anticipate that rates will continue to rise for the foreseeable future.

Legislative Changes During 2007-2008

There was no legislation passed during the 2007-2008 legislative session that directly impacted PSRS or PEERS.

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, 2007. 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 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 2008 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.

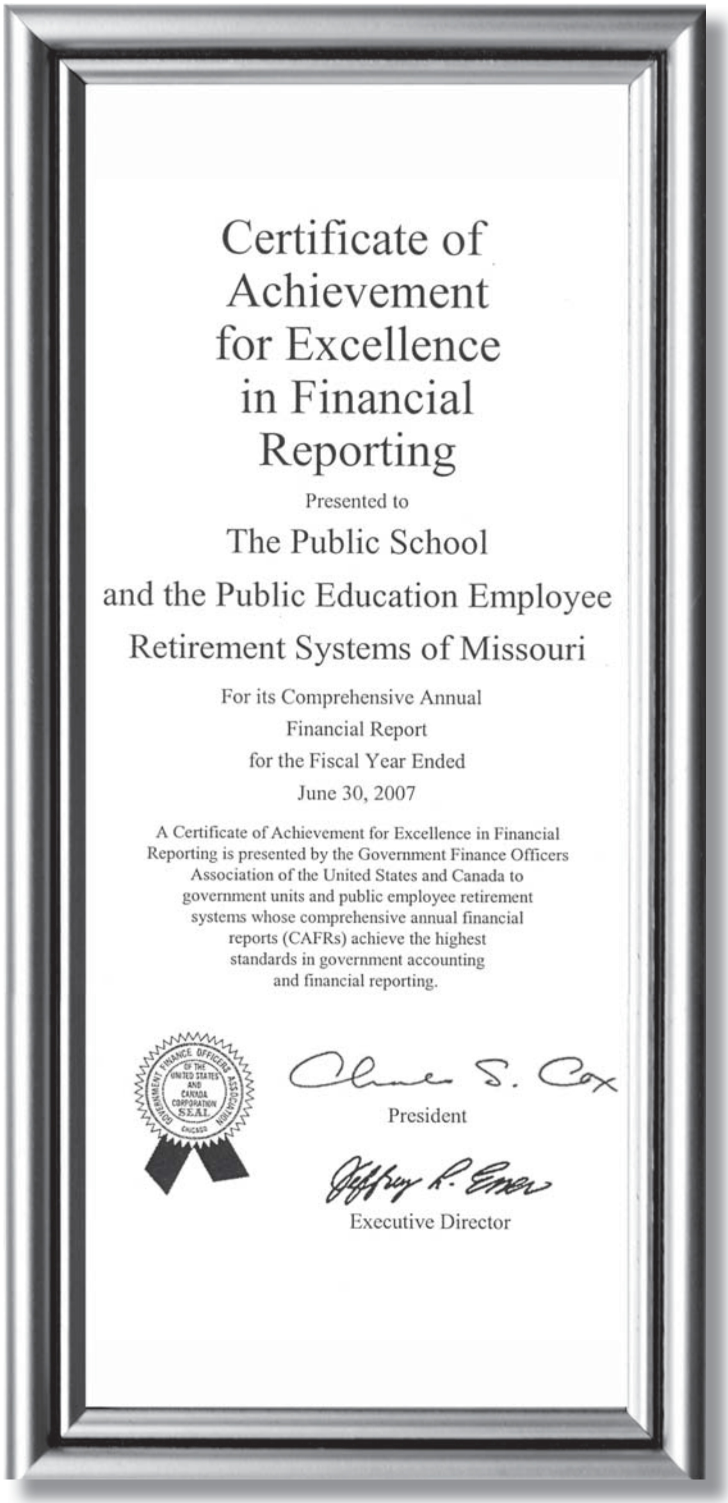
Acknowledgements

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



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, 2007

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

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2008

Presented to

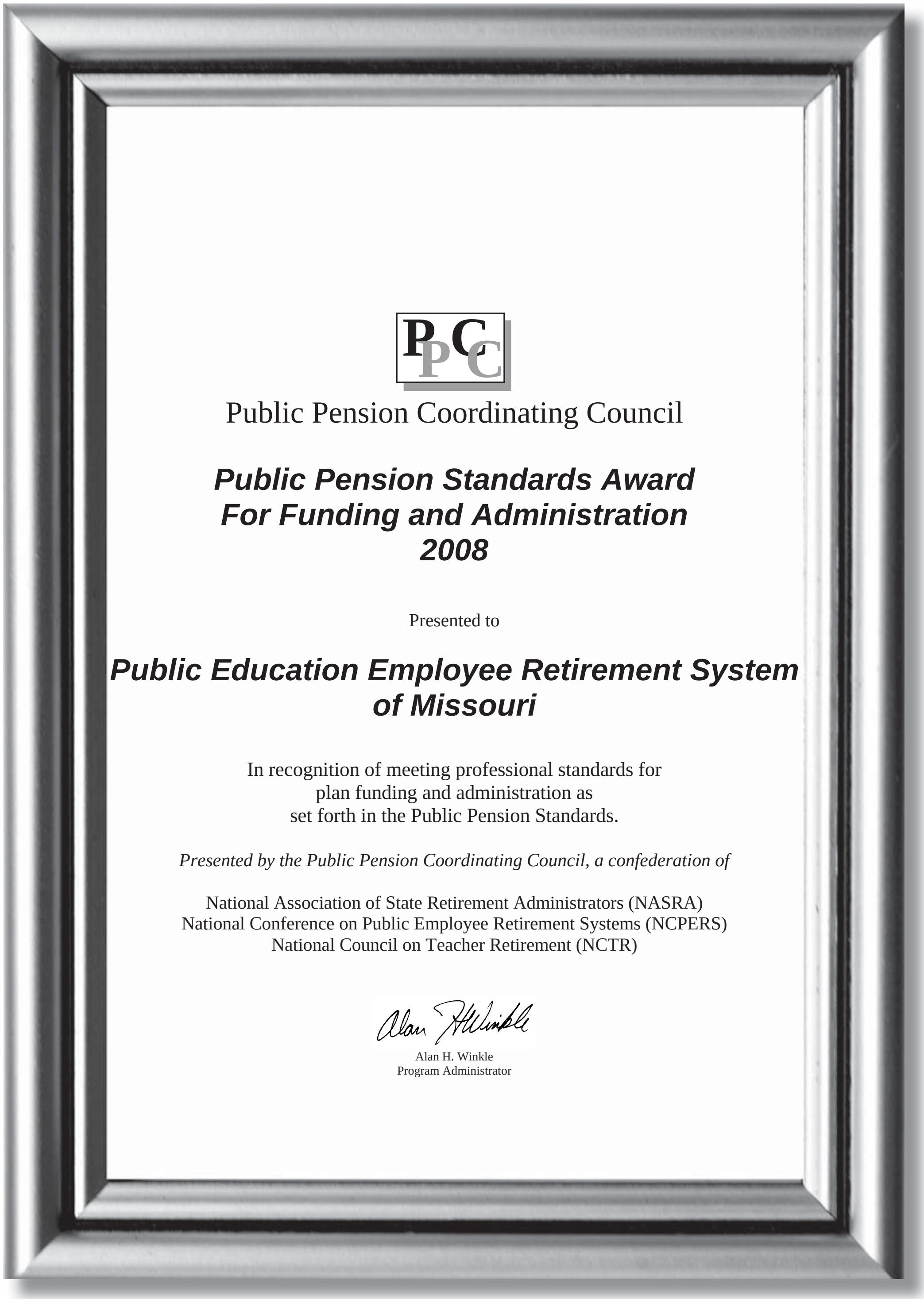
Public School Retirement System of Missouri

In recognition of meeting professional standards for
plan funding 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



Public Pension Coordinating Council

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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

June 30, 2008

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Internal Auditor

Mary Hiatte
Executive Assistant

Craig Husting, CFA
Assistant Executive Director, Investments

Jeff Russler
Director, Employer Services

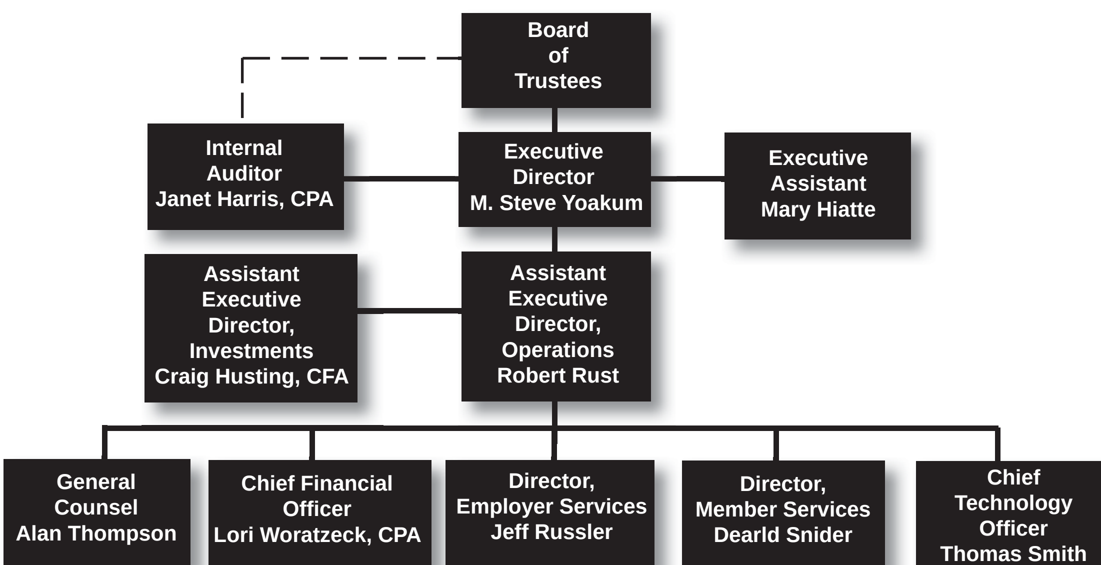
Rob Rust
Assistant Executive Director, Operations

Tom Smith
Chief Technology Officer

Dearld Snider
Director, Member Services

Alan Thompson
General Counsel

Lori Woratzeck, CPA
Chief Financial Officer



June 30, 2008

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Columbia, Missouri

Investment Management, Custodial and Consulting fees can be found in the Schedule of Investment Expenses on Pages 84 and 85. Additional information on Investment Managers can also be found in the Investment Section of this report.

Hallsville R-IV School District

FINANCIAL SECTION

Pictured above is Hallsville Primary School, constructed in 2006-2007. This 50,000 square foot building houses Pre-Kindergarten through first grade with a planned expansion through third grade.

Pictured above, the Hallsville Primary School Media Center

Pictured above, the Hallsville Primary School Cafeteria

Growing schools for growing minds

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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, 2008 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, 2008 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 22 through 27 and the schedules of funding progress and employer contributions on pages 46 through 48 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 49 through 51 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 24, 2008

June 30, 2008

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, 2008. 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, 2008 were $30.0 billion. The net assets were down $2.0 billion from June 30, 2007. This decrease was primarily due to the decrease in the fair value of investments of $2.2 billion caused by a decline in equities due to the global credit crisis, overall global economic slowdown and weakness in consumer demand.

The overall investment return was -4.6% for the Public School Retirement System (PSRS) and -4.6% for the Public Education Employee Retirement System (PEERS). This was a direct result of market declines that have affected all pension systems due to the global credit crisis, overall global economic slowdown and weakness in consumer demand. The overall investment return of the Systems was marginally above the Systems' benchmark returns and comparable to the median return of large institutional pension funds.

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, 2008, the funded ratios were 83.4% for PSRS and 82.5% for PEERS. As of June 30, 2007, the funded ratios were 83.5% for PSRS and 83.2% for PEERS. To arrive at the actuarial value of assets as of June 30, 2008 and 2007, we used an asset smoothing method by which investment returns above or below 8% are recognized over a five-year period.

Revenues for fiscal year 2008 were comprised of contribution revenue of $1.2 billion and investment losses of $1.5 billion, compared to contribution revenue of $1.1 billion and investment income of $4.5 billion for fiscal year 2007.

Expenses increased 8.9% over the prior year from $1.6 billion to $1.7 billion. Service retirement benefits increased by $120.1 million from $1.35 billion in fiscal year 2007 to $1.47 billion in fiscal year 2008. Another $62.9 million was paid to retirees electing the Partial Lump Sum Option (PLSO). This cost was up $7.3 million from the $55.6 million paid during fiscal year 2007. 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 28) 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 29) present information detailing the changes in net assets that occurred during the current fiscal year. All changes in net assets are reported on an accrual basis. This means that the revenue or expense is recognized as soon as the underlying event giving rise to the change occurs, regardless of when the actual cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. For example, contributions due from a district, even though not yet paid by year end, will be reflected as revenue. Earned vacation accruals will be reflected as an expense, even though they have not been paid to employees.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 30 through 45. The report also contains required supplementary information in addition to the basic financial statements themselves.

The Schedules of Funding Progress (page 46) include historical trend information about the actuarially funded status of each pension plan from a long-term, ongoing perspective and the progress made in accumulating assets to pay benefits when due.

The Schedules of Employer Contributions (page 47) present historical trend information about the annual required contributions of employers and the actual contributions made by employers.

The Schedules of Funding Progress (page 48) include historical trend information about the actuarially funded status of the defined benefit other post employment benefit (OPEB) plan from a long-term, ongoing perspective and the progress made in accumulating assets to pay benefits when due.

Other supplementary schedules are also included. The Schedule of Administrative Expenses (page 49) presents the overall cost of administering the Systems. The Schedule of Professional/Consultant Fees (page 51) further details this category of administrative expense.

The Schedule of Investment Expenses (page 50) shows the costs associated with investing the assets of the Systems. These expenses are shown as a reduction of revenue on the Statements of Changes in Plan Net Assets.

Financial Analysis of the Public School Retirement System

The Public School Retirement System (PSRS) is a mandatory cost-sharing multiple employer retirement system for full-time certificated employees and certain part-time employees of participating employers. PSRS members were required to contribute 12.5% of their annual covered salary during 2008. 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, 2008 were $37.3 billion and were mostly comprised of cash, investments, and contributions due from employers. Total assets decreased by $1.1 billion or 2.9% from the prior year primarily due to investment losses.

Liabilities

Total liabilities as of June 30, 2008 were $9.9 billion and were mostly comprised of obligations under security lending arrangements and payables from the purchase of investments. Total liabilities increased by $0.7 billion from the prior year. This increase was primarily due to increased obligations under security lending arrangements.

Net Assets

System assets exceeded liabilities at June 30, 2008 by $27.4 billion. This was down from 2007 net assets of $29.2 billion by $1.8 billion. This reduction was primarily due to a reduction in investment earnings due to the adverse market conditions previously discussed. Investment losses totaled $1.4 billion for the year. In addition, benefit payments and other expenses 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)

	2008	2007	Change
Cash & investments	$ 34,009,978	$ 33,531,143	$ 478,835
Receivables	3,306,861	4,916,199	(1,609,338)
Other	14,293	12,893	1,400
Total assets	37,331,132	38,460,235	(1,129,103)
Total liabilities	9,896,093	9,176,568	719,525
Plan net assets	$ 27,435,039	$ 29,283,667	$ (1,848,628)

PUBLIC SCHOOL RETIREMENT SYSTEM
CHANGES IN PLAN NET ASSETS (000'S)

	2008	2007	Change
Additions			
Member contributions	$ 572,810	$ 514,163	$ 58,647
Employer contributions	521,242	472,217	49,025
Investment (loss) income	(1,385,701)	4,125,164	(5,510,865)
Other	370	280	90
Total additions	(291,279)	5,111,824	(5,403,103)
Deductions			
Monthly benefits	1,502,974	1,380,563	122,411
Refunds of contributions	46,301	44,010	2,291
Administrative expenses	8,042	7,111	931
Other	32	2	30
Total deductions	1,557,349	1,431,686	125,663
Change in plan net assets	$ (1,848,628)	$ 3,680,138	$ (5,528,766)

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 $107.7 million to $1.1 billion. This was a 10.9% increase over the prior year. Retirement contributions were calculated at 12.5% of retirement salary for each member during fiscal year 2008. The employer matched this amount. Contribution rate increases accounted for 4.2% 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. Such contributions for the year increased by $10.0 million or 21.9%. The remainder of the increase in contributions is attributed to increased salaries and healthcare benefits.

The net investment loss was $1.4 billion as compared to a net investment gain of $4.1 billion in 2007. The 2008 investment markets experienced significant adverse conditions which resulted in investment losses. Such conditions included the global credit crisis and an overall global economic slowdown. 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 2008 were $1.6 billion, an increase of 8.8% over fiscal year 2007.

Benefit expenses increased by $122.4 million. This was a result of cost-of-living increases applied to the benefits of current retirees, increased PLSO payments and the addition of 2,921 new service and disability retirees. There were no changes to the benefit formula during 2008. Refunds of contributions increased by $2.3 million to $46.3 million.

Administrative expenses increased by $0.93 million to $8.0 million. This was a 13.1% increase. This increase is attributable to a variety of factors including: providing a 2.6% COLA increase plus a 3% merit pool for staff members, market salary adjustments based on an independent compensation study, the addition of an investment accountant and information technology security analyst, the performance of an independent fiduciary audit and the recognition of annual other post employment healthcare costs in accordance with Governmental Accounting Standards Board (GASB) Statement No. 45. 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 6.0% of their annual covered salary during 2008. The employer was required to match that amount. PEERS members also contribute to Social Security.

Assets

Total assets of PEERS as of June 30, 2008 were $3.6 billion and were mostly comprised of cash, investments, and contributions due from employers. Total assets increased by $0.08 billion or 2.3% from the prior year primarily due to increased securities lending collateral which was partially offset by investment losses.

Liabilities

Total liabilities as of June 30, 2008 were $1.0 billion and were mostly comprised of obligations under security lending arrangements and payables from the purchase of investments. Total liabilities increased by $0.2 billion. This increase was primarily due to increased obligations under security lending arrangements.

Net Assets

PEERS assets exceeded liabilities at the close of fiscal year 2008 by $2.6 billion. This was down from 2007 net assets by $0.1 billion. This reduction was primarily due to a reduction in investment earnings due to the adverse market conditions previously discussed. Investment losses totaled $0.1 billion for the year. Because PEERS is a much younger plan than PSRS, contribution revenues exceeded benefit payments and other expenses by $25.1 million.

PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM
PLAN NET ASSETS (000'S)

	2008	2007	Change
Cash & investments	$ 3,321,490	$ 3,099,494	$ 221,996
Receivables	287,819	428,630	(140,811)
Total assets	3,609,309	3,528,124	81,185
Total liabilities	1,033,647	846,948	186,699
Plan net assets	$ 2,575,662	$ 2,681,176	$(105,514)

PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM
CHANGES IN PLAN NET ASSETS (000'S)

	2008	2007	Change
Additions			
Member contributions	$ 81,370	$ 73,071	$ 8,299
Employer contributions	77,989	69,235	8,754
Investment (loss) income	(130,619)	373,198	(503,817)
Total additions	28,740	515,504	(486,764)
Deductions			
Monthly benefits	114,064	103,182	10,882
Refunds of contributions	15,509	13,699	1,810
Administrative expenses	4,681	4,427	254
Total deductions	134,254	121,308	12,946
Change in plan net assets	$(105,514)	$ 394,196	$(499,710)

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 $17.1 million to $159.4 million. This was a 12.0% increase over the prior year. Retirement contributions were calculated at 6.0% of retirement salary for each member during fiscal year 2008. The employer matched this amount. Contribution rate increases accounted for 4.3% 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 remainder of the increase in contributions is attributed to increased salaries and healthcare benefits.

The net investment loss was $130.6 million as compared to a net investment gain of $373.2 million in 2007. The 2008 investment markets experienced significant adverse conditions which resulted in investment losses. Such conditions included the global credit crisis and an overall global economic slowdown. 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 2008 were $134.3 million, an increase of 10.7% over fiscal year 2007.

Benefit expenses increased by $10.9 million. This was a result of cost-of-living increases applied to the benefits of current retirees and the addition of 1,390 new service and disability retirees. There were no changes to the benefit formula during 2008. Refunds of contributions increased by $1.8 million to $15.5 million.

Administrative expenses increased by $0.3 million to $4.7 million. This was a 5.7% increase. This increase is attributable to a variety of factors including: providing a 2.6% COLA increase plus a 3% merit pool for staff members, market salary adjustments based on an independent compensation study, the addition of an investment accountant and information technology security analyst, the performance of an independent fiduciary audit and the recognition of annual other post employment healthcare costs in accordance with GASB Statement No. 45. 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 did not meet the 8% return assumption in 2008, the current five-year return of the Systems is 8.4%. As indicated earlier, the current year decrease in net assets is a result of an overall investment market slowdown, which has affected all pension systems. Subsequent to fiscal year end, the overall investment market deteriorated further due to an expanded global credit crisis and continued write downs of mortgage related assets. Investment returns have been negatively impacted in certain asset classes due to such events since fiscal year end. The current contribution rates recommended for fiscal year 2010, which are limited by state statute, are still below the annual required contribution rates of 28.45% for PSRS and 13.29% for PEERS. Unless our investment returns greatly exceed our assumptions and expectations, we can expect contribution rate increases over the next several years. The Board of Trustees, management and staff continually strive to improve the financial position of the Systems through a prudent investment program and long-term strategic planning.

Requests for Information

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

As of June 30, 2008 with comparative totals for June 30, 2007

	PSRS	PEERS	Combined Totals June 30, 2008	Combined Totals June 30, 2007
ASSETS				
Cash	$ 47,822,523	$ 13,656,824	$ 61,479,347	$ 117,161,436
Receivables				
Contributions	144,084,075	14,796,308	158,880,383	158,398,115
Accrued interest and dividends	172,173,582	15,963,556	188,137,138	307,072,064
Investment sales	2,990,103,368	257,017,695	3,247,121,063	4,878,750,409
Due from PEERS	352,855	-	352,855	497,409
Other	147,311	41,889	189,200	110,846
Total receivables	3,306,861,191	287,819,448	3,594,680,639	5,344,828,843
Investments, at fair value				
Public debt	7,717,897,255	729,914,940	8,447,812,195	9,190,037,351
U.S. equities	10,784,523,512	1,002,612,527	11,787,136,039	12,702,294,119
Global equities	5,537,599,624	527,538,996	6,065,138,620	7,409,810,184
Short term investments	703,183,018	88,697,111	791,880,129	1,013,542,867
Private equity	1,048,439,431	84,860,221	1,133,299,652	451,864,690
Real estate	1,477,020,486	131,021,534	1,608,042,020	1,270,057,916
Total investments	27,268,663,326	2,564,645,329	29,833,308,655	32,037,607,127
Invested securities lending collateral	6,693,492,465	743,187,762	7,436,680,227	4,475,868,863
Prepaid expenses	586,502	-	586,502	128,640
Capital assets, net of accumulated depreciation	13,706,076	-	13,706,076	12,764,715
Total assets	37,331,132,083	3,609,309,363	40,940,441,446	41,988,359,624
LIABILITIES				
Accounts payable	15,103,801	1,421,358	16,525,159	22,734,422
Interest payable	44,763,717	3,895,609	48,659,326	13,041,513
Securities lending collateral	6,693,492,465	743,187,762	7,436,680,227	4,475,868,863
Investment purchases	3,141,968,142	284,291,457	3,426,259,599	5,510,436,395
Due to PSRS	-	352,855	352,855	497,409
Net other post employment benefit obligation	109,974	73,316	183,290	-
Compensated absences	655,362	424,573	1,079,935	937,905
Total liabilities	9,896,093,461	1,033,646,930	10,929,740,391	10,023,516,507
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 27,435,038,622	$ 2,575,662,433	$ 30,010,701,055	$ 31,964,843,117

(Schedules of funding progress for the plans are presented on page 46)

See accompanying Notes to the Financial Statements.

For the year ended June 30, 2008 with comparative totals for the year ended June 30, 2007

	PSRS	PEERS	Combined Totals Year Ended June 30, 2008	Combined Totals Year Ended June 30, 2007
ADDITIONS				
Contributions				
Employer	$ 521,241,501	$ 77,988,839	$ 599,230,340	$ 541,451,790
Member	572,810,350	81,370,202	654,180,552	587,233,945
Total contributions	1,094,051,851	159,359,041	1,253,410,892	1,128,685,735
Investment income				
From investing activities:				
Net (depreciation) appreciation in fair value of investments	(1,943,610,417)	(183,462,063)	(2,127,072,480)	3,789,631,921
Interest from investments	251,067,417	23,424,496	274,491,913	462,220,215
Interest from bank deposits	392,417	58,850	451,267	715,574
Dividends	316,650,039	29,772,418	346,422,457	304,666,400
Total investment (loss) income	(1,375,500,544)	(130,206,299)	(1,505,706,843)	4,557,234,110
Less investment expenses	66,018,558	6,244,145	72,262,703	72,671,553
Net (loss) income from investing activities	(1,441,519,102)	(136,450,444)	(1,577,969,546)	4,484,562,557
From security lending activities:				
Security lending gross income	228,515,885	24,904,325	253,420,210	245,764,139
Less security lending activity expenses:				
Agent fees	9,941,219	1,035,359	10,976,578	2,960,789
Broker rebates	162,756,640	18,037,436	180,794,076	229,004,380
Total security lending expenses	172,697,859	19,072,795	191,770,654	231,965,169
Net income from security lending activity	55,818,026	5,831,530	61,649,556	13,798,970
Total net investment (loss) income	(1,385,701,076)	(130,618,914)	(1,516,319,990)	4,498,361,527
Other income				
PEERS capital asset charge	326,778	-	326,778	257,243
Miscellaneous income	43,275	396	43,671	23,344
Total other income	370,053	396	370,449	280,587
Total (deductions) additions	(291,279,172)	28,740,523	(262,538,649)	5,627,327,849
DEDUCTIONS				
Monthly benefits	1,502,974,331	114,063,510	1,617,037,841	1,483,744,552
Refunds of contributions	46,300,943	15,509,484	61,810,427	57,709,050
Administrative expenses	8,041,951	4,680,634	12,722,585	11,537,748
Other expenses	31,802	758	32,560	1,871
Total deductions	1,557,349,027	134,254,386	1,691,603,413	1,552,993,221
Net (decrease) increase	(1,848,628,199)	(105,513,863)	(1,954,142,062)	4,074,334,628
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
Beginning of year	29,283,666,821	2,681,176,296	31,964,843,117	27,890,508,489
End of year	$ 27,435,038,622	$ 2,575,662,433	$ 30,010,701,055	$ 31,964,843,117

See accompanying Notes to the Financial Statements.

June 30, 2008 with comparative information for June 30, 2007

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 Sections 169.560-169.595 RSMo. It is a defined benefit plan providing service retirement, death and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of creditable service. 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 12.5% of their annual covered salary during 2007-2008 and 12.0% during 2006-2007. 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. The annual statutory increase in the total contribution rate may not exceed 1% of pay. 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:

		2008		2007	
Retirees and beneficiaries receiving benefits			41,738		39,828
Inactive members entitled to but not yet receiving benefits			6,392		6,243
Active members:	Vested	55,415		55,299	
	Non-vested	23,021		21,822	
Total active members			78,436		77,121
Other inactive members			5,188		5,364
Total			131,754		128,556

Employers – PSRS had 543 and 545 contributing employers during fiscal years 2008 and 2007, respectively.

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 6.0% of their annual covered salary during 2007-2008 and 5.75% during 2006-2007. 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. The annual statutory increase in the total contribution rate may not exceed .5% of pay. 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:

		2008	2008	2007	2007
Retirees and beneficiaries receiving benefits			18,288		17,539
Inactive members entitled to but not yet receiving benefits			4,304		4,071
Active members:	Vested	26,345		26,054	
	Non-vested	24,520		23,227	
Total active members			50,865		49,281
Other inactive members			12,319		13,343
Total			85,776		84,234

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, 2008 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 $326,778 in 2008 and $257,243 in 2007.

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, 2008. 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, 2007, from which the information was derived.

Reclassification – Certain reclassifications have been made to the 2007 totals to conform with the classifications for 2008.

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

	2008	2007
Designated for Members' Contributions (Member Reserves) – Accumulation of active and terminated member contributions plus interest.	$ 6,174,728,056	$ 5,820,742,526
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.	18,547,599,919	17,058,596,901
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.	952,184	1,016,588
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.	2,711,758,463	6,403,310,806
Net Assets Held In Trust For Pension Benefits	$ 27,435,038,622	$ 29,283,666,821

PEERS

	2008	2007
Designated for Members' Contributions (Member Reserves) – Accumulation of active and terminated member contributions plus interest.	$ 650,970,360	$ 586,679,606
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.	1,215,035,632	1,093,650,215
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.	709,656,441	1,000,846,475
Net Assets Held In Trust For Pension Benefits	$ 2,575,662,433	$ 2,681,176,296

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, 2008, the PSRS carrying amount of deposits at the depository bank was $13,601,191 and the bank balance was $16,289,941. Of the bank balance, $100,000 was covered by federal depository insurance. The remaining $16,189,941 was collateralized with securities held by a third-party institution in the System's name. An additional $4,735,104 was held in overnight repurchase agreements with a book value of $4,735,104.

At June 30, 2008, the PEERS carrying amount of deposits at the depository bank was ($324,300) 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, 2008 was $2,236,880 with a book value of $2,236,880.

The following Agency securities were pledged as collateral for overnight repurchase agreements as of June 30, 2008:

PSRS

Agency	Maturity Date	Market Value
GLPC	01/25/21	$ 485,875
GLPC	04/25/14	400,459
GLPC	01/25/21	461,699
GLPC	02/25/21	777,343
GLPC	04/25/26	415,856
GLPC	10/25/18	1,079,012
GLPC	01/25/19	1,114,860
Total		$ 4,735,104

PEERS

Agency	Maturity Date	Market Value
FNMA	01/29/13	$ 396,997
FNMA	01/04/13	1,530,944
FHLMC	02/27/09	308,939
Total		$ 2,236,880

The following Agency securities were pledged as collateral for overnight deposits as of June 30, 2008:

PSRS

Agency	Maturity Date	Market Value
GLPC	01/25/19	$ 636,453
GLPC	01/25/19	1,679,099
GLPC	08/25/20	2,090,000
FNMA	05/07/12	3,954,064
FHMC	03/02/12	4,921,609
FFCB	10/03/12	3,942,187
Total		$ 17,223,412

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, 2008, 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, 2008	<1 Year to Maturity	1 to 5 Years to Maturity	6 to 10 Years to Maturity	over 10 Years to Maturity
U.S. treasuries	$ 5,661,932,780	$ 206,141,042	$ 3,194,325,598	$ 1,756,768,251	$ 504,697,889
Government guaranteed mortgages	96,242,210	79,275,540	55,412	5,057,983	11,853,275
Agencies	958,411,182	20,311,233	13,738,726	20,010,892	904,350,331
Collateralized mortgage obligations	577,194,402	-	4,691,582	34,016,508	538,486,312
Asset backed securities	54,123,010	6,623,996	10,852,507	5,107,789	31,538,718
Corporate bonds	340,864,714	63,637,325	128,735,035	90,597,280	57,895,074
Sovereign	21,463,869	-	-	10,083,274	11,380,595
Municipals	7,031,967	-	-	-	7,031,967
Commingled Funds (see note)					
SSGA STIF	482,975,469	482,975,469	-	-	-
PIMCO High Yield	595,484	-	595,484	-	-
PIMCO Institutional Class	5,288,475	-	5,288,475	-	-
PIMCO Emerging Markets	8,757,988	-	8,757,988	-	-
PIMCO Emerging Markets Local Currency	654,581	-	654,581	-	-
Currency	179,787,010	179,787,010	-	-	-
Total	$ 8,395,323,141	$ 1,038,751,615	$ 3,367,695,388	$ 1,921,641,977	$ 2,067,234,161
Percentage of total fixed income	100%	12%	40%	23%	25%

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.

PEERS

Security Type	Market Value at June 30, 2008	<1 Year to Maturity	1 to 5 Years to Maturity	6 to 10 Years to Maturity	over 10 Years to Maturity
U.S. treasuries	$ 535,175,262	$ 22,422,769	$ 300,376,803	$ 164,349,081	$ 48,026,609
Government guaranteed mortgages	7,949,537	5,881,216	1,502	-	2,066,819
Agencies	90,373,930	3,074,115	1,928,983	996,596	84,374,236
Collateralized mortgage obligations	46,725,085	-	124,688	2,999,271	43,601,126
Asset backed securities	8,653,101	590,257	3,537,932	1,405,620	3,119,292
Corporate bonds	40,505,358	12,789,145	13,874,054	6,422,988	7,419,171
Sovereign	1,933,023	-	-	854,883	1,078,140
Municipals	1,492,576	-	-	200,000	1,292,576
Commingled Funds (see note)					
SSGA STIF	62,966,308	62,966,308	-	-	-
PIMCO High Yield	50,827	-	50,827	-	-
PIMCO Institutional Class	467,586	-	467,586	-	-
PIMCO Emerging Markets	579,985	-	579,985	-	-
PIMCO Emergency Markets Local Currency	1,157,378	-	1,157,378	-	-
Currency	26,934,768	26,934,768	-	-	
Total	$ 824,964,724	$ 134,658,578	$ 322,099,738	$ 177,228,439	$ 190,977,969
Percentage of total fixed income	100%	16%	39%	22%	23%

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.

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 tables include 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, 2008 are presented in the following tables.

PSRS

Security Type	Market Value at June 30, 2008	Percentage	AAA	AA	A	BBB	BB	B	CCC	Not Rated
U.S. treasuries	$ 5,661,932,780	67%	$ 5,661,932,780	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Government guaranteed mortgages	96,242,210	2%	96,242,210	-	-	-	-	-	-	-
Agencies	958,411,182	11%	958,411,182	-	-	-	-	-	-	-
Collateralized mortgage obligations	577,194,402	7%	577,194,402	-	-	-	-	-	-	-
Asset backed securities	54,123,010	1%	53,007,110	-	832,528	-	283,372	-	-	-
Corporate bonds	340,864,714	4%	13,561,106	125,994,803	186,194,290	41,138,030	22,807,383	24,338,111	6,439,299	(79,608,308)
Sovereign	21,463,869	0%	-	-	-	16,866,183	4,231,904	365,782	-	-
Municipals	7,031,967	0%	-	3,793,612	529,213	2,709,142	-	-	-	-
Commingled Funds (see note)										
SSGA STIF	482,975,469	6%	-	-	482,975,469	-	-	-	-	-
PIMCO High Yield	595,484	0%	-	-	-	-	595,484	-	-	-
PIMCO Institutional Class	5,288,475	0%	-	-	-	5,288,475	-	-	-	-
PIMCO Emerging Markets	8,757,988	0%	-	-	-	-	8,757,988	-	-	-
PIMCO Emerging Markets Local Currency	654,581	0%	-	-	-	654,581	-	-	-	-
Currency	179,787,010	2%	-	-	-	-	-	-	-	179,787,010
Total	$ 8,395,323,141	100%	$ 7,360,348,790	$ 129,788,415	$ 670,531,500	$ 66,656,411	$ 36,676,131	$ 24,703,893	$ 6,439,299	$ 100,178,702
Percentage of total fixed income	100%		88%	2%	8%	1%	0%	0%	0%	1%

PEERS

Security Type	Market Value at June 30, 2008	Percentage	AAA	AA	A	BBB	BB	B	CCC	Not Rated
U.S. treasuries	$ 535,175,262	65%	$ 535,175,262	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Government guaranteed mortgages	7,949,537	1%	7,949,537	-	-	-	-	-	-	-
Agencies	90,373,930	11%	90,373,930	-	-	-	-	-	-	-
Collateralized mortgage obligations	46,725,085	6%	46,725,085	-	-	-	-	-	-	-
Asset backed securities	8,653,101	1%	8,360,505	41,050	233,835	-	17,711	-	-	-
Corporate bonds	40,505,358	5%	1,664,677	13,645,780	23,003,279	4,390,462	940,799	2,446,500	496,091	(6,082,230)
Sovereign	1,933,023	0%	-	-	-	1,442,530	454,931	35,562	-	-
Municipals	1,492,576	0%	797,970	457,438	55,222	181,946	-	-		-
Commingled Funds (see note)										
SSGA STIF	62,966,308	8%	-	-	62,966,308	-	-	-	-	-
PIMCO High Yield	50,827	0%	-	-	-	-	50,827	-	-	-
PIMCO Institutional Class	467,586	0%	-	-	-	467,586	-	-	-	-
PIMCO Emerging Markets	579,985	0%	-	-	-	-	579,985	-	-	-
PIMCO Emerging Markets Local Currency	1,157,378	0%	-	-	-	1,157,378	-	-	-	-
Currency	26,934,768	3%	-	-	-	-	-	-	-	26,934,768
Total	$ 824,964,724	100%	$ 691,046,966	$ 14,144,268	$ 86,258,644	$ 7,639,902	$ 2,044,253	$ 2,482,062	$ 496,091	$ 20,852,238
Percentage of total fixed income	100%		84%	2%	10%	1%	0%	0%	0%	3%

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 true 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	$ -	$ -	$ 242	$ 242
Australian Dollar	(209,145)	154,148,726	5,185,327	159,124,908
Brazilian Real	8,693,897	61,202,866	252,176	70,148,939
Canadian Dollar	-	193,682,754	8,399,379	202,082,133
Chilean Peso	-	-	44	44
Colombian Peso	2,128,597	-	-	2,128,597
Czech Koruna	-	20,077,031	(3,373)	20,073,658
Danish Krone	331,865	27,798,999	426,499	28,557,363
Egyptian Pound	-	6,610,704	280,591	6,891,295
Euro Currency	952,146	1,397,509,166	6,890,739	1,405,352,051
Hong Kong Dollar	-	170,547,532	3,058,056	173,605,588
Hungarian Forint	-	16,990,743	6,577	16,997,320
Indian Rupee	-	20,376,083	220,906	20,596,989
Indonesian Rupiah	-	13,252,369	163,376	13,415,745
Israeli Shekel	-	15,449,125	5,056	15,454,181
Japanese Yen	-	675,786,849	6,010,150	681,796,999
Malaysian Ringgit	-	2,990,837	9,700	3,000,537
Mexican Peso (New)	(33,770)	21,286,068	6,211	21,258,509
New Bulgaria Lev	-	7,983,723	549,640	8,533,363
New Russian Ruble	-	498,457	-	498,457
New Taiwan Dollar	-	49,204,425	1,562,204	50,766,629
New Zealand Dollar	-	5,188,442	87,616	5,276,058
Norwegian Krone	-	37,353,168	3,006,231	40,359,399
Pakistan Rupee	-	5,898,642	24,726	5,923,368
Philippine Peso	-	-	3,642	3,642
Polish Zloty	(289,510)	18,259,480	9,695	17,979,665
Pound Sterling	(55,786,727)	714,233,260	6,667,506	665,114,039
Romanian Leu	-	2,058,537	-	2,058,537
Singapore Dollar	-	26,241,191	198,185	26,439,376
South African Rand	(960,075)	28,976,057	507,453	28,523,435
South Korean Won	-	79,464,017	95,608	79,559,625
Swedish Krona	-	57,279,728	3,258,379	60,538,107
Swiss Franc	-	306,333,204	2,336,092	308,669,296
Thailand Baht	-	18,277,264	4,269	18,281,533
Turkish Lira	-	13,723,088	1,523	13,724,611
Ukraine Hryvnia	-	6,088,717	-	6,088,717
Yuan Renminbi	-	-	(444)	(444)
	$ (45,172,722)	$ 4,174,771,252	$ 49,223,981	$ 4,178,822,511

PEERS

Currency	Debt	Equity	Currency/ Short Term	Total
Argentine Peso	$ -	$ -	$ 243	$ 243
Australian Dollar	(12,236)	14,558,743	487,093	15,033,600
Brazilian Real	741,652	5,582,094	10,507	6,334,253
Canadian Dollar	-	18,656,880	838,068	19,494,948
Colombian Peso	180,587	-	-	180,587
Czech Koruna	-	1,961,794	(319)	1,961,475
Danish Krone	35,561	2,871,051	54,068	2,960,680
Egyptian Pound	-	577,329	8,582	585,911
Euro Currency	(61,991)	134,555,420	(336,154)	134,157,275
Hong Kong Dollar	-	15,794,883	461,413	16,256,296
Hungarian Forint	-	1,587,927	2,968	1,590,895
Indian Rupee	-	1,855,982	15,571	1,871,553
Indonesian Rupiah	-	1,202,324	14,773	1,217,097
Israeli Shekel	-	1,082,213	93	1,082,306
Japanese Yen	-	66,862,490	673,248	67,535,738
Malaysian Ringgit	-	272,159	242	272,401
Mexican Peso (New)	(3,522)	1,949,710	(10,605)	1,935,583
New Bulgaria Lev	-	714,430	51,394	765,824
New Russian Ruble	-	-	(383)	(383)
New Taiwan Dollar	-	4,651,664	155,678	4,807,342
New Zealand Dollar	-	602,041	6,424	608,465
Norwegian Krone	-	3,729,816	414,931	4,144,747
Pakistan Rupee	-	624,811	7,963	632,774
Philippine Peso	-	-	319	319
Polish Zloty	(26,724)	1,663,009	2,004	1,638,289
Pound Sterling	(5,064,139)	70,248,779	1,027,995	66,212,635
Romanian Leu	-	192,843	(2)	192,841
Singapore Dollar	-	2,639,056	28,289	2,667,345
South African Rand	(83,712)	2,699,007	119,779	2,735,074
South Korean Won	-	7,513,754	12,062	7,525,816
Sudanese Pound	-	-	1,492	1,492
Swedish Krona	-	6,151,700	1,890,066	8,041,766
Swiss Franc	-	30,530,366	260,587	30,790,953
Thailand Baht	-	1,643,592	2,137	1,645,729
Turkish Lira	-	1,162,109	126	1,162,235
Ukraine Hryvnia	-	570,235	-	570,235
Uruguayan Peso	35,562	-	-	35,562
Yuan Renminbi	-	-	4,473	4,473
	$(4,258,962)	$ 404,708,211	$ 6,205,125	$ 406,654,374

Derivatives – Derivatives are generally defined as investment instruments whose cash flows or fair values are derived from the value of some other asset or index. The Systems are parties to derivatives which have off-balance sheet risk. These derivative instruments are used in the normal course of business to generate earnings and reduce exposure to fluctuations in market conditions. The Systems are exposed to various types of credit, market, and legal risk related to these investments. Investment staff monitors these types of investments with extreme care and is not aware of any undue risks at this time. Derivatives are reported at fair value on the Statements of Plan Net Assets.

International security managers are authorized to engage in forward contracts to exchange different currencies at a specified date and rate. These forward contracts involve elements of custodial and market risk in excess of the amount recognized in the Statements of Plan Net Assets. The forward exchange contracts activity (purchases and sales) during fiscal years 2008 and 2007 are shown below.

2008	Purchase Value	Fair Value
PSRS	$ 2,052,600,128	$ 2,055,076,797
PEERS	194,358,473	194,586,925

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

The "Net Appreciation (Depreciation) in Fair Value of Investments" found on the Statements of Changes in Plan Net Assets includes for PSRS a net gain on forward contracts and currency disposal of $16,989,753 during 2007-2008 and a net gain of $8,100,307 during 2006-2007. PEERS had a net loss of $278,095 during 2007-2008 and a net gain of $1,386,351 during 2006-2007.

The Systems could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. The Systems' investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. The Systems anticipate that the counterparties will be able to satisfy their obligations under the contracts.

Certain managers are authorized to enter into contractual commitments involving other financial instruments with off-balance-sheet risk. During the year, the Systems held futures, options, forwards and swaps. These derivatives are used to minimize the expenses and volatility of the portfolio and to gain exposure to certain assets without having to actually own the asset.

The following derivatives were held by the Systems at June 30, 2008:

Type	PSRS Notional Value	PEERS Notional Value
Equity futures	$ 186,376,438	$ 18,529,373
Treasury futures	39,252,031	(1,753,820)
Currency futures	330,581,376	46,417,936
Cash futures	115,793,430	11,383,433
Total	$ 672,003,275	$ 74,576,922

Type	PSRS Notional Value	PEERS Notional Value
Interest rate swaps	$ 388,924,985	$ 39,180,044
Credit default swaps	396,945,692	37,274,837
Total return swaps	526,591,187	45,905,361
Total	$ 1,312,461,864	$ 122,360,242

Type	Number of Contracts	PSRS Notional Value	Number of Contracts	PEERS Notional Value
Fixed income purchased call options	510,600,000	$ 510,600,000	43,000,000	$ 43,000,000
Treasury futures written call options	220	220,000	22	22,000
Treasury futures written put options	220	220,000	22	22,000
Total		$ 511,040,000		$ 43,044,000

The derivative financial instruments discussed involve, to varying degrees, elements of market risk to the extent of future market movements in excess of the amounts recognized in the Statements of Plan Net Assets. Market risk arises from the potential unfavorable change in the value of the underlying instruments. The contract or notional amounts of these instruments reflect the extent of the Systems' involvement in each class of financial instrument; however, these amounts do not represent the exposure to market loss.

***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 Systems 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 weighted average duration of such investment pool as of June 30, 2008 was 41.84 days and an average final maturity of 395.61 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, 2008 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 $7,976,845,428 and $7,789,400,384 at June 30, 2008 and $5,090,660,025 and $4,898,844,667 at June 30, 2007. Net security lending income was $55,818,026 for the 2007-2008 fiscal year and $12,631,289 for the 2006-2007 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 $814,470,081 and $796,673,318 at June 30, 2008 and $465,515,757 and $450,515,316 at June 30, 2007. Net security lending income was $5,831,530 for the 2007-2008 fiscal year and $1,167,681 for the 2006-2007 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 Systems' position in the pooled fund is not the same as the value of the fund shares. The Systems had no involuntary participation in an external investment pool through this fund and no income from one fund was assigned to another fund by the custodial bank during either fiscal year.

Note 5 – Additional Deposits Program

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

This annuity is in addition to the defined benefit allowance provided by the System. Contributions to the program are tax-sheltered. As of September 1, 1996 new deposits to the program were limited to members currently with deposits in the program. No additional deposits were made during 2007-2008. The only member with deposits and interest left in the program retired effective July 1, 2007 and has begun receiving monthly annuity payments.

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 – Schedule of Funded Status and Funding Progress

The funded status of the Systems as of June 30, 2008, the most recent actuarial valuation date, is as follows:

(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)
PSRS	6/30/2008	$ 28,751,241	$ 34,490,452	$ 5,739,211	83.4%	$ 4,209,417	136.3%
PEERS	6/30/2008	$ 2,703,762	$ 3,278,602	$ 574,840	82.5%	$ 1,377,506	41.7%

The schedule of funding progress, presented as required supplementary information (RSI) following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest valuations follows:

Valuation date	June 30, 2008
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 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 28.45% for fiscal year 2009. 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 13.29% for fiscal year 2009. The annual statutory increase in the total contribution rate may not exceed .5% of pay. Contribution rates will be established by actuarial valuation.

Note 7 – 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 12.5% of their annual covered salary during 2007-2008 and 12.0% during 2006-2007. PSRS, as the employer, was required to match that amount. 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. Employer contributions to PSRS totaled $30,510 for the 2007-2008 fiscal year and $32,322 for the 2006-2007. The amounts for these years are equal to the required contributions.

PEERS members were required to contribute 6.0% of their annual covered salary during 2007-2008 and 5.75% during 2006-2007. PSRS, as the employer, was required to match that amount. 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. Employer contributions to PEERS totaled $379,796 for the 2007-2008 fiscal year and $335,772 for the 2006-2007. 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 $79,665 for the 2007-2008 fiscal year and $83,773 for the 2006-2007 fiscal year. Employer-paid contributions totaled $56,500 for the 2007-2008 fiscal year and $48,250 for the 2006-2007 fiscal year. Employee contributions totaled $189,381 for the 2007-2008 fiscal year and $185,099 for the 2006-2007 fiscal year. Maintenance of individual member accounts and custody of assets have been contracted to a third party administrator and investment custodian. Total contributions are sent directly to the third party administrator by the employer. Employees can self-direct investments of their contributions and their respective share of matching contributions in a number of investment options. Because the System does not hold the plan's assets and does not have significant administrative responsibilities, the plan's assets and changes in net assets are not reported in the Systems' financial statements.

Note 8 – Other Post Employment Benefit Plans

Post Employment Staff Retiree Healthcare Plan

Plan Description and Funding Policy – The Public School Retirement System of Missouri Staff Retiree Healthcare Program (SRHP) is a single-employer defined benefit other post employment benefit (OPEB) plan administered by PSRS. SRHP provides a healthcare premium implicit rate subsidy to eligible staff retirees and their dependents provided they pay 100% of the blended healthcare premium. The blended healthcare premium is based on all active and retired employees. Retiree healthcare benefits are funded on a pay as you go basis, with premiums determined annually. The PSRS Board of Trustees determines the funding of benefits and any benefit amendments. There is no continuing obligation to provide benefits beyond each calendar year. SRHP does not issue a stand alone public financial report.

Annual OPEB Cost and Net OPEB Obligation – PSRS' annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement 45. GASB Statement 45 was implemented prospectively with an initial transition liability of zero. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The June 30, 2008 actuarial valuation was the first valuation for the SRHP. PSRS' annual OPEB cost, the amount actually contributed to the plan, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for fiscal year 2008 are as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC) [1]	Employer Contributions	% of AOC Contributed	Net OPEB Obligation	Annual Required Contribution (ARC) [1]	% of ARC Contributed
6/30/2008	$ 218,075	$ 34,785	16.0%	$ 183,290	$ 218,075	16.0%

[1] June 30, 2008 was the first actuarial valuation, resulting in no interest on the Net OPEB obligation or adjustment to the ARC; therefore, the AOC and ARC are equal.

Funded Status and Funding Progress – SRHP's funded status and funding progress are summarized below:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Payroll [(b-a)/c]
6/30/2008	$ -	$2,746,128	$2,746,128	0.0%	$5,832,445	47.1%

In the June 30, 2008 actuarial valuation, the following assumptions and method were used:

Actuarial cost method	Entry Age Normal
Actuarial value of assets	No Assets (pay-as-you-go)
Amortization method	Level Percent, Open
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.5% per year
Wage inflation	4.5% per year
Healthcare trend	10% per year graded down to 4.5% per year ultimate trend in 0.5% increments

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Method and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the efforts of short-term volatility in actuarially accrued liabilities and the actuarial value of assets, consistent with the long-term perspectives of the calculations.

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 $27,230 for four employees (three retirees and one termination) during 2008 and $24,217 for four employees (two retirees and two terminations) during 2007. The cost was charged 60% to PSRS and 40% to PEERS.

Note 9 – Risk Management

The retirement 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 10 – Commitments and Contingencies

PSRS was committed to the future purchase of investments at a cost of $3,141,968,142 on June 30, 2008 and to the future purchase of $5,093,730,593 in investments on June 30, 2007. PEERS had investment commitments of $284,291,457 on June 30, 2008 and $416,705,802 on June 30, 2007.

PSRS had total capital commitments to real estate, private equity and other alternative investments of $5.4 billion as of June 30, 2008. Of these amounts $2.3 billion remained unfunded as of June 30, 2008. PEERS had total capital commitments to real estate, private equity and other alternative investments of $467.9 million as of June 30, 2008. Of these amounts $200.4 million remained unfunded as of June 30, 2008. The unfunded commitments are not recorded in the Statements of Plan Net Assets.

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, 2008, $1,576,708 had been paid pursuant to this contract.

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

Note 11 – Subsequent Events

Subsequent to fiscal year end the global investment markets have been experiencing unprecedented, adverse events. Such events include an expanded global credit crisis, liquidity constraints in the markets and the continued write down of mortgage related assets. These events resulted in the failure of several large domestic and foreign financial institutions. Investment returns have been negatively impacted in certain asset classes due to such events. However, PSRS and PEERS are large institutional investors with the ability to create diversified portfolios over long periods of time. Over the long-term, we believe the Systems' investments will continue to provide consistent and meaningful investment returns. Management is continually assessing recent economic events and adjusting risk mitigation strategies as deemed necessary.

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)
6/30/2003	$ 20,047,982[1]	$ 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[3]	4,832,072	82.7	3,540,649	136.5
6/30/2006	24,801,644	30,037,130[3]	5,235,486	82.6	3,775,752	138.7
6/30/2007	27,049,004	32,396,723[4]	5,347,719	83.5	3,980,698	134.3
6/30/2008	28,751,241	34,490,452[3]	5,739,211	83.4	4,209,417	136.3

[1]Actuarial value of assets was marked to market as June 30, 2003.

[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, 2005, 2006 or 2008.

[4]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)
6/30/2003	$ 1,677,770[1]	$ 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[3]	402,928	83.3	1,055,204	38.2
6/30/2006	2,218,638	2,756,833[3]	538,195	80.5	1,190,994	45.2
6/30/2007	2,481,562	2,982,813[4]	501,251	83.2	1,275,199	39.3
6/30/2008	2,703,762	3,278,602[3]	574,840	82.5	1,377,506	41.7

[1]Actuarial value of assets was marked to market as June 30, 2003.

[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, 2005, 2006 or 2008.

[4]The extension of the 25-and-Out and 2.55% provisions to 2013 were included in the AAL for 2007.

Required Supplementary Information

PUBLIC SCHOOL RETIREMENT SYSTEM

Year Ended June 30	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed
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
2008	656,347,298	521,241,501	79.4

PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM

Year Ended June 30	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed
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
2008	90,727,016	77,988,839	86.0

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, 2008
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	8.0%
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 28.45% for fiscal year 2009. 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 13.29% for fiscal year 2009. The annual statutory increase in the total contribution rate may not exceed .5% of pay. Contribution rates will be established by actuarial valuation.

Required Supplementary Information

STAFF RETIREE HEALTH PLAN - DEFINED BENEFIT OPEB PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Payroll ((b-a)/c)
6/30/2008[1]	$ -	$2,746,128	$2,746,128	0.0%	$5,832,445	47.1%

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:

Actuarial cost method	Entry Age Normal
Actuarial value of assets	No Assets (pay-as-you-go)
Amortization method	Level Percent Open
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.5% per year
Wage inflation	4.5% per year
Healthcare trend	10.0% per year graded down to 4.5% per year ultimate trend in 0.5% increments

[1]The June 30, 2008 actuarial valuation was the first valuation for the Staff Retiree Health Plan - Defined Benefit OPEB Plan.

For the year ended June 30, 2008

	PSRS	PEERS	Combined Totals
Personal services	$ 4,178,385	$ 2,783,715	$ 6,962,100
Professional services			
Actuarial services	89,380	71,837	161,217
Financial audit services	30,000	20,000	50,000
Technology consulting	275,369	183,580	458,949
Fiduciary audit services	165,000	110,000	275,000
Insurance consulting	3,600	2,400	6,000
Legislative consulting	24,750	16,500	41,250
Other consultants	81,563	55,871	137,434
Legal services	30,974	20,718	51,692
Total professional services	700,636	480,906	1,181,542
Communications			
Information and publicity	576,630	415,909	992,539
Postage	56,081	38,430	94,511
Staff field	27,123	14,204	41,327
Telephone	49,133	32,755	81,888
Total communications	708,967	501,298	1,210,265
Miscellaneous			
Building and utilities	104,953	69,969	174,922
Insurance	74,440	49,627	124,067
Office	434,325	286,771	721,096
Staff development	173,498	129,861	303,359
Miscellaneous	117,713	51,709	169,422
Total miscellaneous	904,929	587,937	1,492,866
Charge for use of capital assets	-	326,778	326,778
Depreciation expense	1,549,034	-	1,549,034
Total administrative expenses	$ 8,041,951	$ 4,680,634	$ 12,722,585

For the year ended June 30, 2008

	PSRS	PEERS	Combined Totals
Investment management expenses			
U.S. equity	$ 18,037,109	$ 1,601,529	$ 19,638,638
Global equity	21,688,016	2,024,879	23,712,895
Public debt	8,617,197	676,164	9,293,361
Real estate	1,053,789	105,008	1,158,797
Private equity	9,665,717	727,527	10,393,244
Total investment management expenses	59,061,828	5,135,107	64,196,935
Investment consultant fees	2,925,818	248,161	3,173,979
Custodial bank fees	3,657,551	318,048	3,975,599
Investment staff expenses	915,967	609,380	1,525,347
Commission recapture income	(542,606)	(66,551)	(609,157)
Total investment income expenses	$ 66,018,558	$ 6,244,145	$ 72,262,703
Security lending expenses			
Agent fees	$ 9,941,219	$ 1,035,359	$ 10,976,578
Broker rebates	162,756,640	18,037,436	180,794,076
Total security lending expenses	$ 172,697,859	$ 19,072,795	$ 191,770,654

For the year ended June 30, 2008

	PSRS	PEERS	Combined Totals
Technology consulting	$ 275,369	$ 183,580	$ 458,949
Fiduciary audit services	165,000	110,000	275,000
Actuarial services	89,380	71,837	161,217
Other consulting	81,563	55,871	137,434
Legal expenses	30,974	20,718	51,692
Financial audit services	30,000	20,000	50,000
Legislative consulting	24,750	16,500	41,250
Insurance consulting	3,600	2,400	6,000
Total fees	$ 700,636	$ 480,906	$ 1,181,542

INVESTMENT SECTION

Park Hill School District

Pictured at left is the original Graden Elementary School, a one-room school house, built in 1935.

Pictured at right is the current Graden Elementary School.

Pictured above is a rendering of the future Graden Elementary School. The front entrance will have a new look and the school will have more space.

Growing schools for growing minds

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

December 1, 2008

To the Members of the Board:

Fiscal year 2008 was marked by volatility in all financial markets due to housing market declines, losses on subprime mortgages, credit market distress, record highs in oil prices and the slowing of the economy. As large institutional investors, PSRS' and PEERS' investment returns were directly impacted by the instability in the financial markets as all global stock markets declined during the fiscal year.

In the Summer of 2008, as the fiscal year came to a close, volatility in the markets increased. What started as a recession at the beginning of the year intensified into a financial meltdown in September and October of 2008. The United States is officially in the midst of the tenth bear stock market (a market decline of greater than 20%) since World War II. However, more unsettling is the fact that the United States is rapidly closing in on the worst calendar year for stocks since 1931. The U.S. stock market was down 39% for the calendar year as of November 30, 2008 while virtually all non-U.S. stock markets were down more than 50%. The volatility in the equity markets during the Fall of 2008 will be felt in the Systems' portfolios in the next fiscal year.

The Total Fund return for the fiscal year ended June 30, 2008 was -4.6% for both PSRS and PEERS, ahead of the policy benchmark return of -4.9%. The absolute returns in both U.S. equity and global equity were negative at -12.7% and -8.8%, respectively. 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. Allocations to private equity, real estate and hedge funds all produced much stronger returns than the public equity markets for the fiscal year.

The Board and investment staff made a strategic decision during the fiscal year to sell corporate bonds and purchase Treasury bonds. As the global credit crisis intensified throughout the year, the allocation to Treasury bonds provided tremendous liquidity, safety and positive returns for the Systems.

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

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

December 11, 2008

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, 2008.

Fiscal year 2008 resulted in negative absolute returns for the Retirement Systems as both PSRS and PEERS earned a return of -4.6%. The negative returns followed a four-year cumulative return for each System of just over 56%. Despite the downturn in performance recently, the combined Systems once again ended the year as one of the 50 largest defined benefit plans in the United States.

The primary purpose of this annual letter is 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, the credit crisis that began to unfold last year escalated into a major stock market decline in the months following the close of the PSRS and PEERS most recent fiscal year. Thus, it is worthwhile to spend a portion of this letter on the current financial environment.

Fiscal Year 2008 Review

As discussed in previous letters in this publication, the Systems have increased exposure (in a deliberate manner) over the last several years to alternative investments. However, the Systems have **not** meaningfully increased the total portfolio risk or the exposure to derivative instruments. In fact, the investment staff and the Board made a significant decision in December 2007 to **lower** the credit risk of the portfolio. In my annual letter last year I stated that, "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 a result of this view, approximately 25% of the entire PSRS/PEERS portfolio was transitioned to U.S. Treasury bonds in January 2008. Treasury bonds are the safest and most liquid assets in the world today. As of November 30, 2008, the Systems had over $7 billion invested in high quality bonds including U.S. Treasury securities. As a direct result of this movement of assets from corporate bonds to Treasury bonds, the Systems' level of assets is almost $1 billion greater than without the transition.

A well-diversified asset mix provided the Systems with much needed downside protection in the last fiscal year as traditional investments, such as U.S. stocks, declined by almost 13%. For example, the PSRS/PEERS' private equity portfolio (investments in private companies) increased 8.6% this past year while the PSRS/PEERS real estate investments returned almost 7%. As mentioned previously, the allocation to U.S. bonds provided much needed safety and liquidity, but also returned 6.7%. Finally, PSRS/PEERS initiated a small allocation to hedge funds last year and those investments (as a group) produced a net return of just above 0.0%. In total, the Systems' investment return of -4.6% exceeded the policy benchmark of -4.9%. The investment expenses for fiscal year 2008 were 0.24%, or 24 cents for every $100 managed.

The total annualized fund performance for the five-year period ending June 30, 2008 was 8.4% for both PSRS and PEERS. This long-term return exceeded both the policy benchmark of 8.2% and the actuarial

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www.psrs-peers.org

assumption of 8.0%. The 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.

A Fall Fall

The U.S. stock market (as measured by the S&P 500 Index) has fallen just over 29% since the end of fiscal year 2008 (the period from July 1, 2008 through November 30, 2008). Virtually all of the stock market loss occurred in September, October and November – one of the worst three-month periods in U.S. stock market history. Thus, the title of this section: a Fall fall.

Sharp drops in global stock markets have resulted in significant losses for all investors, including PSRS/PEERS. Although the volatility in the current investment environment and the scope of the markets' decline may be unprecedented, PSRS/PEERS has survived extreme market conditions in the past. For example, through this fiscal year, the Systems' investment returns have been positive in 21 of the last 25 years. This period includes the market crash of 1987, the 1990-91 recession, the bursting of the dot-com bubble, and the Enron and WorldCom crisis. Each time the market has declined, disciplined and diversified investors, such as PSRS/PEERS, have been rewarded over the long-term for their patience and prudence.

PSRS/PEERS will almost assuredly experience negative investment returns again in fiscal year 2009. The losses most likely will occur despite significant exposure to safe assets, such as U.S. Treasuries, that provided some stability over the last 18 months. Regardless of the market environment, the investment staff at PSRS/PEERS remains focused on investing the Systems' assets in a manner that should achieve at least an 8% rate of return over a long-time horizon. Thus, as the markets begin to stabilize in the future, the investment staff will analyze opportunities to redeploy the Systems' assets in attractive, higher return investments.

Long-term Commitment

Until there is more clarity in the credit markets, there will be difficult times ahead for all investors. However, as stated above, the investment environment will ultimately offer opportunities for patient, long-term investors such as PSRS/PEERS. As a large institutional investor, PSRS/PEERS has the ability to invest over a 30-year time horizon because the Systems have significant assets to cover current liabilities. Therefore, even if the stock market declines further, we continue to evaluate the current environment as it offers attractive opportunities to buy stocks at fundamentally sound prices. Over an extended market cycle, we believe this ability to buy inexpensive assets across various markets will provide consistent and meaningful investment returns for the Systems.

We want to emphasize to all of our members that PSRS and PEERS remain financially sound and well-positioned to continue paying promised benefits to all participants. As always, the Board and professional staff are committed to managing the Systems' assets in a prudent manner that will ensure the viability of your pension.

Sincerely,

Craig A. Husting

Craig A. Husting, CFA
Chief Investment Officer

As of June 30, 2008

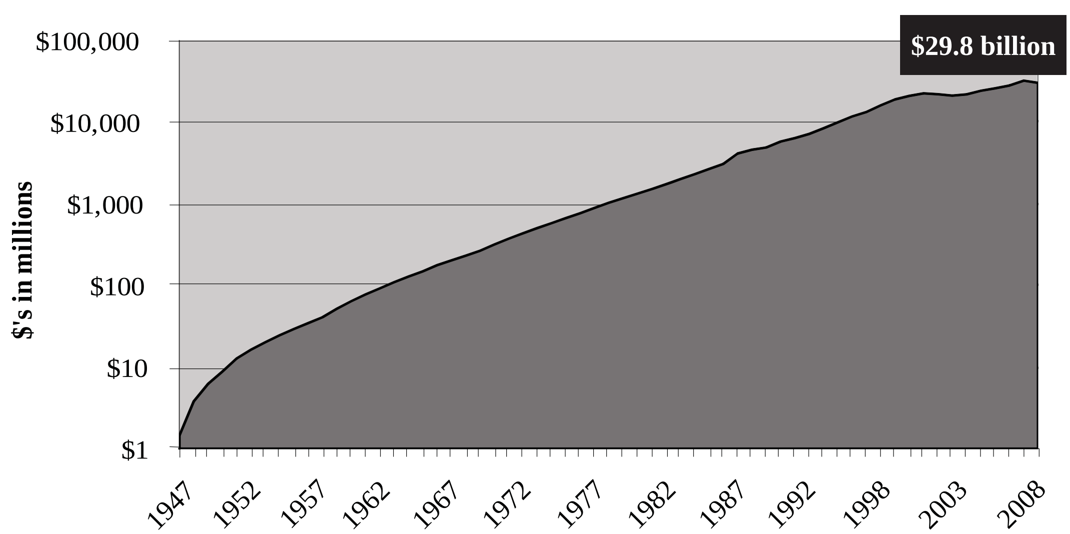
The Board of Trustees of the Public School and Public Education Employee Retirement Systems of Missouri (PSRS/PEERS) is charged with the responsibility for investing the assets of the Systems in a manner consistent with the fiduciary standards set forth in the 'prudent person' rule. To that end, the 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 assets decreased to $29.8 billion as of June 30, 2008 from $31.8 billion at the beginning of the fiscal year, a change of approximately $2 billion. This decrease resulted from the poor environment in the U.S. and international equity markets primarily due to the credit crisis. The long-term growth in assets since the inception of PSRS in 1946 and PEERS in 1965 is shown in the graph below.

61 YEARS OF GROWTH

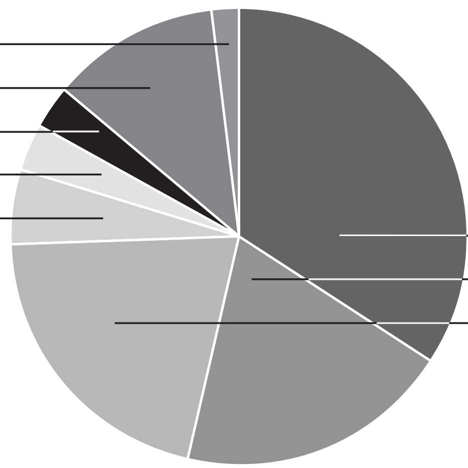


As of June 30, 2008

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 serves as a placeholder for 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, 2008



Asset Type	PSRS Market Value	PEERS Market Value	Combined Funds	% of Total	Long-Term Target Allocation
U.S. Public Equity	$ 9,341,436,483	$ 868,081,572	$ 10,209,518,055	34.2%	34.0%
Global Public Equity	5,305,255,134	500,882,311	5,806,137,445	19.5%	19.0%
Public Debt	5,696,960,293	539,129,175	6,236,089,468	20.9%	25.0%
Real Estate	1,413,925,902	125,545,141	1,539,471,043	5.2%	7.5%
Private Equity	967,107,834	78,307,227	1,045,415,061	3.5%	7.5%
Absolute Return Pool	827,649,609	71,450,213	899,099,822	3.0%	7.0%
Implementation Pool	3,220,108,143	303,852,159	3,523,960,302	11.8%	0.0%
Cash & Equivalents*	495,920,858	71,568,384	567,489,242	1.9%	0.0%
Total Investments**	**$ 27,268,364,256**	**$ 2,558,816,182**	**$ 29,827,180,438**	**100.0%**	**100.0%**

** All manager-held cash is reflected as Cash & Equivalents. Managers may 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, 2008.*

Periods Ended June 30, 2008

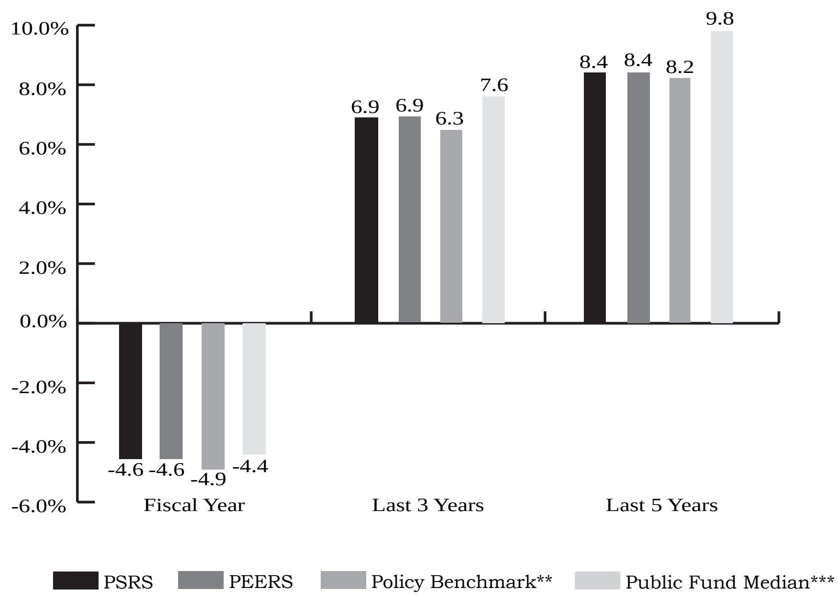
Total Fund Investment Returns*

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 4.75% per year. The real rate of return is the rate by which the long-term total return exceeds the inflation rate. The one- and three-year total returns for PSRS and PEERS were below the long-term investment objective of 8.0% due to the negative global equity market environment resulting from the ongoing credit crisis, while the five-year total returns exceeded the long-term objective. The Systems' total returns for the three time periods were below the public fund median returns largely due to asset allocation differences. PSRS/PEERS' performance exceeded the policy benchmark returns for all three time periods through the utilization of active investment management. The policy benchmark provides an indication of the returns that 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, 2008

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	-4.6%	6.9%	8.4%
PEERS	-4.6%	6.9%	8.4%
Policy Benchmark **	-4.9%	6.3%	8.2%
Public Fund Median ***	-4.4%	7.6%	9.8%



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

** *As of June 30, 2008, the Policy Benchmark was comprised of 41.5% Russell 3000 Index, 24.5% Lehman U.S. Treasury Blend, 18.0% MSCI All Country World ex-U.S. Free Index, 5.0% Lehman U.S. TIPS 1-10yr Index, 4.5% MSCI All Country World Free Index, 3.5% NCREIF Property Index, 2.0% Absolute Return of 8% 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.*

As of June 30, 2008

Market Value
As of June 30, 2008, the combined PSRS/PEERS domestic public equity assets had a market value of approximately $10.4 billion, representing 34.9% 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, 2008 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, 2008 are shown in the table below the characteristics.

Characteristics	June 30, 2008 Combined Systems	June 30, 2008 Russell 3000 Index
Number of securities	1,920	2,987
Dividend yield	1.7%	2.1%
Price-to-earnings ratio	17.6	18.1
Average market capitalization	$ 66.6 billion	$ 72.2 billion
Price-to-book ratio	4.1	3.8

Top 10 Largest Holdings* June 30, 2008	Combined Market Value	% of Total U.S. Public Equity
Apple Inc	$ 103,422,497	1.0%
Exxon Mobil Corp	102,087,324	1.0%
Google Inc	101,116,333	1.0%
Chevron Corp	68,334,472	0.7%
AT&T Inc	61,344,036	0.6%
Qualcomm Inc	54,190,767	0.5%
Hewlett-Packard Co	52,574,930	0.5%
Microsoft Corp	52,392,823	0.5%
General Electric Co	51,720,416	0.5%
Genentech Inc	50,655,964	0.5%
TOTAL	**$ 697,839,562**	**6.8%**

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

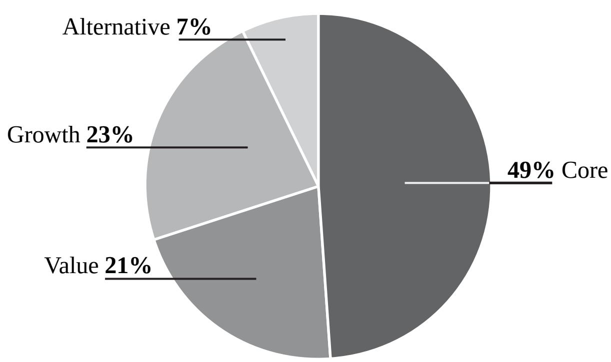
As of June 30, 2008

U.S. Public Equity Structure

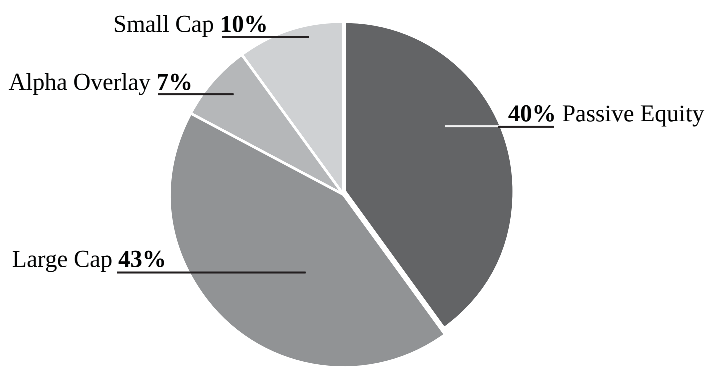
As of June 30, 2008, 39.8% of the PSRS/PEERS domestic public equity composite was passively managed. The remainder of the portfolio was actively managed and diversified across a broad array of capitalization ranges and investment styles, including the Small Cap Alpha Pool (S-CAP) and the Alpha Overlay composite (formerly the Equity Manager Alpha Pool). Both programs represent multi-manager pools of assets managed within the overall PSRS/PEERS domestic public equity structure. The S-CAP Program encompasses all small capitalization assets and began on July 1, 2005. The Alpha Overlay composite focuses on managers offering higher 'alpha' generating strategies and includes alternative equity mandates (hedge funds).

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.

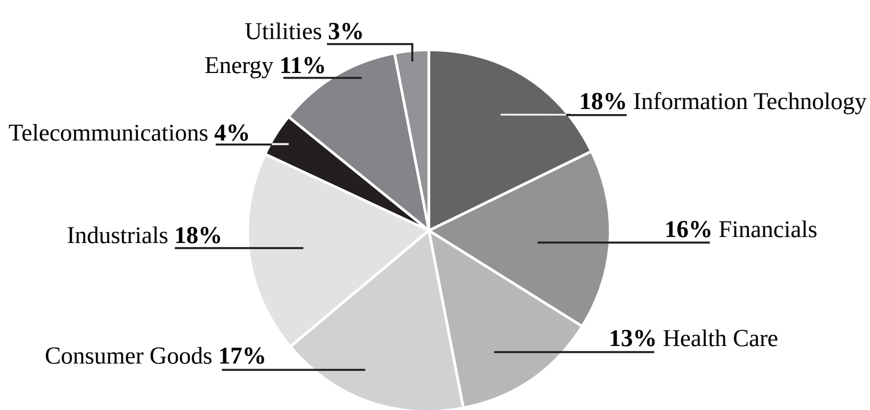
STYLE ALLOCATION
June 30, 2008



COMPOSITE ALLOCATION
June 30, 2008



The following pie chart shows the allocation to market sectors within the domestic equity portion of the PSRS/PEERS portfolio as of June 30, 2008.



As of June 30, 2008

U.S. Public Equity Investment Advisors
The following firms were under contract with PSRS/PEERS as of June 30, 2008 for management of U.S. public equity securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2008	% of Total Market Value
AllianceBernstein Institutional	Active Large Cap Growth	$ 726,665,690	2.4%
Analytic Investors	Structured Large Cap 120/20 Core	151,001,212	0.5%
Analytic Investors	Active Large Cap Value	271,037,278	0.9%
Analytic Investors	U.S. Low Volatility Equity	142,317,995	0.5%
AQR Capital Management	Large Cap 140/40 Core	120,478,646	0.4%
Aronson + Johnson + Ortiz	Active Large Cap 130/30 Value	93,213,402	0.3%
Aronson + Johnson + Ortiz	Active Large Cap Value	560,887,273	1.9%
Delaware Investments	Active Large Cap Growth	472,608,949	1.6%
Martingale Asset Management	Active Large Cap 130/30 Growth	338,237,785	1.1%
Renaissance Institutional Management	U.S. Long/Short	209,809,550	0.7%
SSgA - Russell 1000 Index Fund	Passive Russell 1000 Index	1,164,040,616	3.9%
SSgA - S&P 500 Index Fund	Passive S&P 500 Index	2,957,727,431	9.9%
UBS Global Asset Management	Active Large Cap Value	513,620,755	1.7%
Westwood Management	Active Large Cap Value	476,364,032	1.6%
Zevenbergen Capital	Active All Cap Growth	403,471,602	1.4%
Alpha Overlay: Algert Coldiron Investors	Multi-Strategy Market Neutral	88,599,037	0.3%
Alpha Overlay: AllianceBernstein Institutional	Global Market Neutral	72,680,700	0.3%
Alpha Overlay: Analytic Investors	Japan Market Neutral	74,878,716	0.3%
Alpha Overlay: AQR Capital Management	Multi-Strategy	41,425,313	0.1%
Alpha Overlay: Bridgewater Associates	Multi-Strategy	140,261,773	0.5%
Alpha Overlay: Davidson Kempner	Multi-Strategy	44,990,550	0.1%
Alpha Overlay: NISA Investment Advisors	Beta Overlay	30,293,611	0.1%
Alpha Overlay: UBS O'Conner	Global Market Neutral	86,561,343	0.3%
Alpha Overlay: Zevenbergen Capital	Active All Cap Growth	115,281,892	0.4%
Alpha Overlay Subtotal		**694,972,935**	**2.4%**
S-CAP: AQR Capital Management	Active Small Cap Core	131,536,297	0.4%
S-CAP: Chartwell Investment Partners	Active Small Cap Growth	104,083,845	0.3%
S-CAP: Chartwell Investment Partners	Active Small Cap Value	105,877,008	0.4%
S-CAP: Next Century Growth Investors	Active Small Cap Growth	166,900,280	0.6%
S-CAP: Next Century Growth Investors	Active Micro Cap Growth	10,578,535	0.1%
S-CAP: Nicholas - Applegate	Active Micro Cap Growth	84,745,540	0.3%
S-CAP: Systematic Financial Mgmt.	Active Small Cap Value	97,466,251	0.3%
S-CAP: Thomson, Horstmann & Bryant	Active Small Cap Core	357,375,029	1.3%
Small Cap Alpha Pool (S-CAP) Subtotal		**1,058,562,785**	**3.7%**
U.S. Public Equity Transition Assets	Core	1,012,922	0.0%
Total		**$ 10,356,030,858**	**34.9%**

** Includes manager cash.*

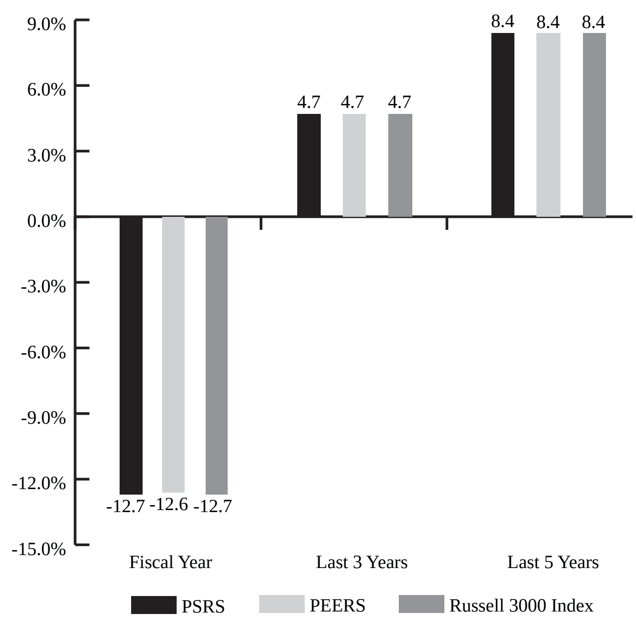
Periods ended June 30, 2008

U.S. Public Equity Investment Returns
The U.S. equity market experienced negative returns during fiscal year 2008 due to the ongoing global credit crisis. Financial, consumer staples and consumer discretionary stocks recorded the largest losses during the year, which overwhelmed gains in the oil, other energy and materials portion of the stock market. Portfolios concentrated in small capitalization stocks tended to underperform portfolios holding larger capitalization stocks in fiscal year 2008 with growth-style large-cap portfolios outperforming value-oriented large-cap funds by a substantial margin.

The total returns on the PSRS and PEERS U.S. public equity portfolios were -12.7% and -12.6%, respectively, compared to the benchmark return of -12.7% for the fiscal year ended June 30, 2008. As shown in the table and graph below, the PSRS annualized U.S. equity composite returns equaled the benchmark performance, while PEERS' annualized U.S. equity composite returns outperformed the benchmark by 10 basis points. For the three-year and five-year time periods, the U.S. public equity composite performance equaled benchmark performance.

U.S. PUBLIC EQUITY INVESTMENT RETURNS
June 30, 2008

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	-12.7%	4.7%	8.4%
PEERS	-12.6	4.7	8.4
Russell 3000 Index	-12.7	4.7	8.4



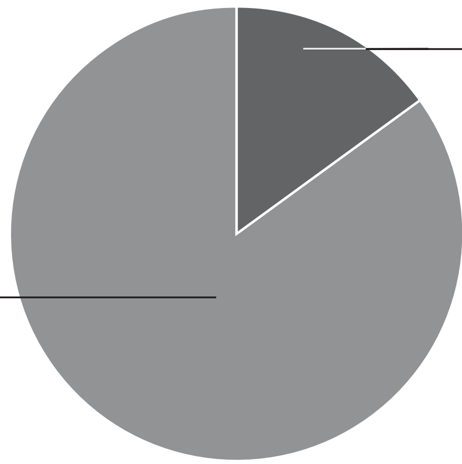
As of June 30, 2008

Market Value

As of June 30, 2008, the combined PSRS/PEERS global equity assets managed by external investment advisors had a market value of approximately $6.1 billion, representing 20.3% 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, 2008.



Top 10 Largest Holdings* June 30, 2008	Combined Market Value	% of Total Global Public Equity
Nestle SA	$ 80,437,856	1.4%
E.ON AG	67,006,880	1.2%
Vodaphone Group	63,656,033	1.1%
Total SA	62,536,924	1.1%
Roche Holdings AG	55,136,957	0.9%
BP Plc	49,774,919	0.8%
ENI SpA	48,668,346	0.8%
BHP Billiton Ltd	46,485,435	0.8%
Gazprom OAO	45,480,095	0.8%
BASF SE	45,110,220	0.8%
Total	**$ 564,293,665**	**9.7%**

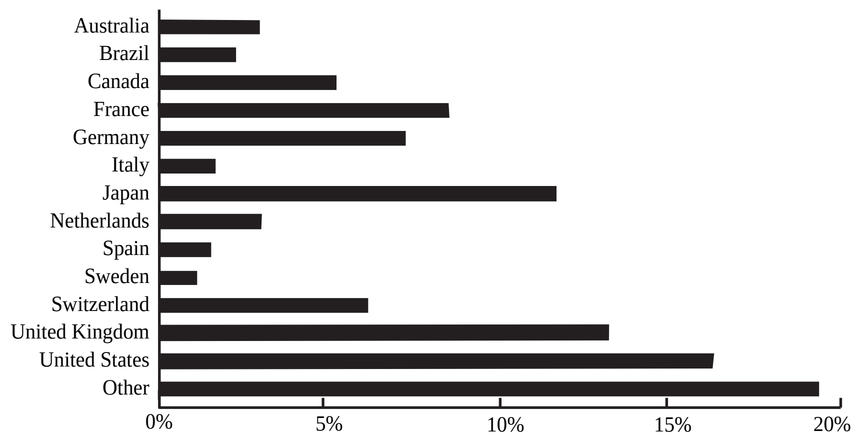
**Includes only actively managed separate accounts.*
A complete list of portfolio holdings is available upon request.

As of June 30, 2008

Global Public Equity Structure

As of June 30, 2008, the PSRS/PEERS global equity portfolios were 10.2% passively managed. The remaining 89.8% of the portfolio was 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, 2008



Global Public Equity Investment Advisors

The following firms were under contract with PSRS/PEERS as of June 30, 2008 for management of global equity securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2008	% of Total Market Value
AllianceBernstein Institutional Mgmt.	Active International Value	$ 357,589,863	1.2%
AllianceBernstein Institutional Mgmt.	Active Global	514,685,092	1.7%
AQR Capital Management	Active International Core	734,207,727	2.5%
Arrowstreet Capital	Active Global	309,333,679	1.0%
Arrowstreet Capital	Active Global 130/30	310,746,115	1.1%
Artio Global Investors	Active International Core	683,823,016	2.3%
INVESCO Global Asset Management	Active International Value	562,798,274	1.9%
Legg Mason International Equities	Active Emerging Markets	400,684,528	1.3%
McKinley Capital Management	Active International Growth	655,389,792	2.2%
MFS Investment Management	Active International Core	665,503,478	2.2%
SSgA - MSCI ACWI ex-US Index	Passive International Core	617,917,737	2.1%
T. Rowe Price	Active International Growth	237,941,047	0.8%
Global Equity Transition Assets	Core	1,684,469	0.0%
Total		**$ 6,052,304,817**	**20.3%**

**Includes manager cash.*

Periods ended June 30, 2008

Global Public Equity Investment Returns

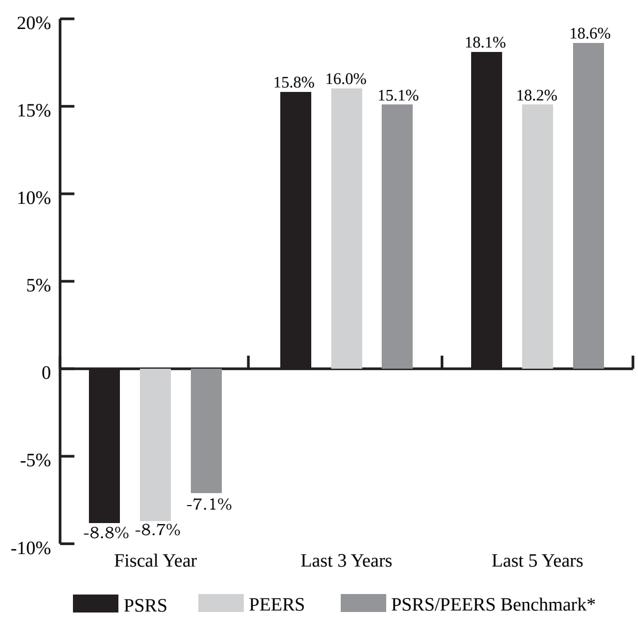
The global equity market experienced negative returns during fiscal year 2008, due to the ongoing global credit crisis. Much like in the U.S. equity markets, the energy and materials sectors advanced, while most financial and consumer stocks declined sharply. The total returns for the PSRS and PEERS global equity portfolios were -8.8% and -8.7%, respectively, compared to the benchmark return of -7.1% for the fiscal year ended June 30, 2008. Three-year global equity composite returns outperformed the benchmark, while five-year composite returns under-performed the benchmark.

Emerging markets led all developed equity markets with a positive return of 5% for the fiscal year. All other broad market indices for both the U.S. and global equity markets experienced negative performance for fiscal year 2008.

GLOBAL PUBLIC EQUITY INVESTMENT RETURNS

June 30, 2008

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	-8.8%	15.8%	18.1%
PEERS	-8.7	16.0	18.2
PSRS/PEERS Benchmark*	-7.1	15.1	18.6



** The PSRS/PEERS global equity benchmark was comprised of 76.0% MSCI All Country World ex-U.S. Free Index and 24.0% MSCI All Country World Free Index as of June 30, 2008.*

As of June 30, 2008

Market Value
As of June 30, 2008, the combined PSRS/PEERS public debt assets managed by external investment advisors had a market value of approximately $6.3 billion, representing 21.1% of total assets.

Fixed Income Statistics
The following table displays the statistical characteristics of the PSRS/PEERS bond portfolio as of June 30, 2008 with comparisons shown to the Lehman Intermediate U.S. Treasury Index*. Additionally, the top 10 public debt holdings as of June 30, 2008 are shown in the table below the characteristics.

Characteristics	June 30, 2008 Combined Systems	June 30, 2008 Lehman Intermediate U.S. Treasury Index
Number of Securities	59	107
Average Coupon	4.0%	4.3%
Yield to Maturity	3.5%	3.2%
Average Maturity (Years)	5.6	4.2
Duration (Years)	4.3	3.7

Top 10 Largest Holdings** June 30, 2008	Combined Market Value	% of Total Public Debt
United States Treasury Note, 4.875%, 8/15/16	$ 406,109,680	6.5%
United States Treasury Note, 2.25%, 1/31/10	387,508,289	6.2%
United States Treasury Note, 3.375%. 11/30/12	352,309,182	5.7%
United States Treasury Note, 4.625%, 8/31/11	319,195,100	5.1%
United States Treasury Note, 3.25%, 12/31/09	280,331,774	4.5%
United States Treasury Note, 2.875%, 1/31/13	273,409,658	4.4%
United States Treasury Note, 3.875%, 2/15/13	240,878,822	3.9%
United States Treasury Note, 4.125%, 8/31/12	236,434,499	3.8%
United States Treasury Note, 8.75%, 5/15/17	232,928,898	3.7%
United States Treasury Note, 5.125%, 6/30/11	219,258,900	3.5%
Total	**$ 2,948,364,802**	**47.3%**

** The PSRS/PEERS public debt composite benchmark consisted of 72.0% Lehman Intermediate U.S. Treasury Index, 20.0% Lehman U.S. TIPS 1-10 Year Index and 8.0% Lehman Long U.S. Treasury Index as of June 30, 2008.*
*** Includes only actively managed separate accounts.*
A complete list of portfolio holdings is available upon request.

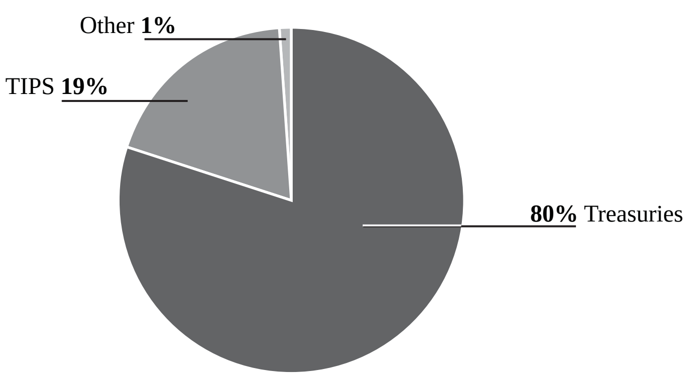
As of June 30, 2008

Public Debt Structure

As of June 30, 2008, almost 100% of the PSRS/PEERS public debt portfolio was actively managed by NISA Investment Advisors. Due to the belief that the credit crisis would increase during 2008, the PSRS/PEERS Board of Trustees approved a restructuring of the public debt portfolio at their December 2007 meeting. Such restructuring involved transitioning the public debt portfolio from a core Lehman Aggregate Public Debt portfolio to a U.S. Treasuries and TIPS portfolio.

The restructured portfolio's strategic targets include an 80% allocation to U.S. Treasuries and a 20% allocation to U.S. TIPS. This restructuring provided significant downside protection as the credit crisis evolved throughout the fiscal year. The pie chart below depicts the public debt composite by showing the current sector and composite allocations for the PSRS/PEERS public debt portfolio.

SECTOR AND COMPOSITE ALLOCATION
June 30, 2008



Public Debt Investment Advisor

The following firm was under contract with PSRS/PEERS as of June 30, 2008 for management of public debt securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2008	% of Total Market Value
NISA Investment Advisors	U.S. Treasuries	$ 5,079,908,339	17.0%
NISA Investment Advisors	U.S. TIPS	1,170,566,255	3.9%
Public Debt Transition Assets	Core	62,979,259	0.2%
Total		**$ 6,313,453,853**	**21.1%**

**Includes manager cash.*

Periods Ended June 30, 2008

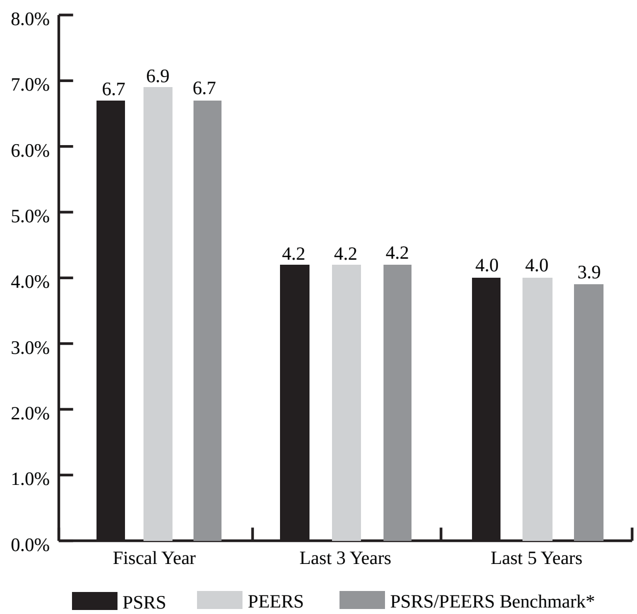
Public Debt Investment Returns

The total annualized returns on the PSRS and PEERS public debt portfolios for the fiscal year were 6.7% and 6.9%, respectively. PSRS' performance equaled the Systems' Public Debt benchmark, while PEERS outperformed the benchmark by 20 basis points. The annualized total return on the PSRS and PEERS public debt portfolios for the three-year time period equaled the performance of the Systems' Public Debt Benchmark, while the annualized total return for the five-year time period exceed the benchmark by 10 basis points.

PUBLIC DEBT INVESTMENT RETURNS

June 30, 2008

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	6.7%	4.2%	4.0%
PEERS	6.9	4.2	4.0
PSRS/PEERS Benchmark*	6.7	4.2	3.9



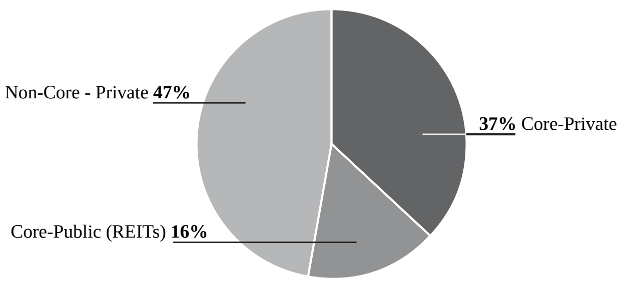
** The PSRS/PEERS Public Debt Benchmark was comprised of 72.0% Lehman Intermediate U.S. Treasury Index, 20.0% Lehman U.S. TIPS 1-10 Year Index and 8.0% Lehman Long U.S. Treasury Index as of June 30, 2008.*

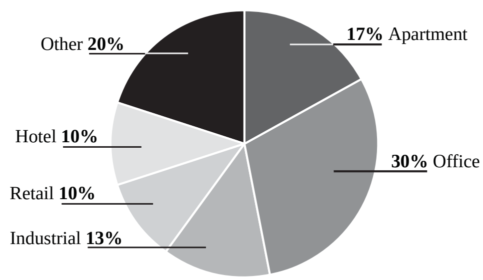
As of June 30, 2008

Market Value
As of June 30, 2008, the combined PSRS/PEERS real estate assets committed* for investment were $2.3 billion. The market value of funds that had been drawn down and actually invested as of June 30, 2008 was approximately $1.5 billion, representing 5.2% of total assets. PSRS/PEERS real estate investment commitments* that have not yet been funded were approximately $860 million as of June 30, 2008.

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 property types. 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 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.*

As of June 30, 2008

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, 2008.

Investment Advisor	Investment Style	Combined Market Value* As of June 30, 2008	% of Total Market Value
AMB Alliance III	Non-Core - Private	$ 69,366,753	0.2%
AMB Japan Fund I	Non-Core - Private	19,613,786	0.1%
AEW Core Property Fund	Core - Private	36,729,759	0.1%
Blackstone R.E. Partners V	Non-Core - Private	39,364,080	0.1%
Blackstone R.E. Partners VI	Non-Core - Private	35,548,823	0.1%
Capmark Structured R.E. Partners	Non-Core - Private	12,856,875	0.0%
Carlyle Europe Real Estate Partners III	Non-Core - Private	15,998,713	0.1%
Carlyle Realty V	Non-Core - Private	34,919,373	0.1%
CBRE Fund IV	Non-Core - Private	26,220,998	0.1%
CBRE Partners US Value 5	Non-Core - Private	4,415,746	0.0%
CB Richard Ellis Investors	Core - Public (International REITs)	55,632,056	0.2%
CIM Fund III	Non-Core - Private	1,120,344	0.0%
CIM Urban REIT	Non-Core - Private	19,475,030	0.1%
Colony Investors VIII	Non-Core - Private	30,779,809	0.1%
CPI Capital Partners Europe	Non-Core - Private	26,422,405	0.1%
Dune Real Estate Fund I	Non-Core - Private	17,403,918	0.1%
Forum Asian Realty Income II	Non-Core - Private	26,248,646	0.1%
Guggenheim Structured R.E. II	Non-Core - Private	26,573,575	0.1%
Guggenheim Structured R.E. III	Non-Core - Private	24,133,902	0.1%
Heitman Value Partners	Non-Core - Private	24,273,885	0.1%
Heitman Value Partners II	Non-Core - Private	15,277,525	0.1%
JPMorgan Strategic Property Fund	Core - Private	174,211,091	0.6%
LaSalle Asia Opportunity Fund II	Non-Core - Private	20,344,617	0.1%
LaSalle Asia Opportunity Fund III	Non-Core - Private	3,835,464	0.0%
LaSalle Income & Growth IV	Non-Core - Private	25,758,081	0.1%
LaSalle Japan Logistics Fund II	Non-Core - Private	2,769,039	0.0%
Lone Star V	Non-Core - Private	19,985,819	0.1%
Lone Star VI	Non-Core - Private	10,591,924	0.0%
MSREF V International	Non-Core - Private	23,294,056	0.1%
Morgan Stanley Prime Property Fund	Core - Private	149,331,442	0.5%
Noble Hospitality Fund	Non-Core - Private	9,200,071	0.0%
Principal Enhanced Property Fund	Core - Private	50,387,271	0.2%
Prudential PRISA Fund	Core - Private	162,646,843	0.5%
Prudential PRISA II Fund	Non-Core - Private	41,627,140	0.1%
RREEF America REIT III	Non-Core - Private	68,639,305	0.2%
Starwood Hospitality Fund	Non-Core - Private	22,786,960	0.1%
Urdang Securities Management	Core - Public (U.S. REITs)	186,885,786	0.6%
Westbrook R.E. Fund VII	Non-Core - Private	5,314,438	0.0%
Total		**$ 1,539,985,348**	**5.2%**

** Includes manager cash and reflects valuations reported by the Systems' custodian, State Street Bank & Trust. Market values reflect March 31, 2008 valuations that are cash flow adjusted through June 30, 2008.*

Periods ended June 30, 2008

Real Estate Investment Returns

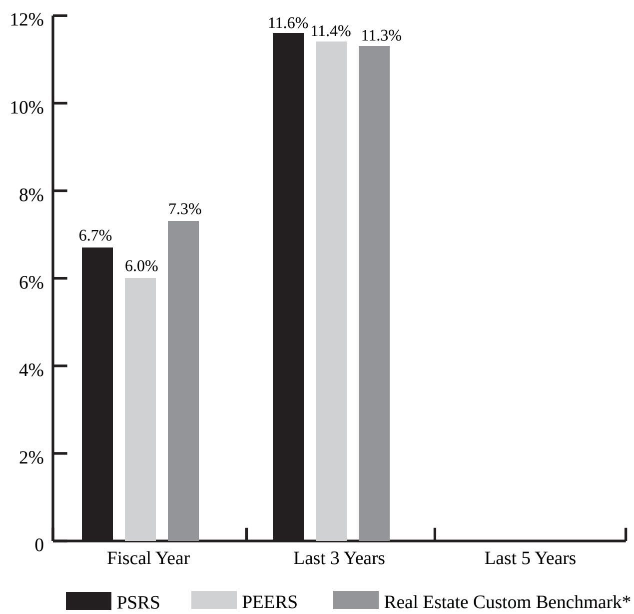
Fiscal year 2008 represented the third year that PSRS and PEERS had meaningful assets invested in the real estate asset class. The Systems have benefited from the strong real estate market through that time period. However, the real estate market weakened in the latter part of fiscal year 2008 and performance going forward is expected to decline. 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 lost 13.6% for the fiscal year while private real estate provided a positive total return of 9.2%. The total returns for the PSRS and PEERS real estate portfolios were 6.7% and 6.0%, respectively, compared to the Systems' benchmark return of 7.3% for the fiscal year ended June 30, 2008. Three-year real estate composite returns outperformed the benchmark.

REAL ESTATE INVESTMENT RETURNS

June 30, 2008

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	6.7%	11.6%	N/A
PEERS	6.0	11.4	N/A
Real Estate Custom Benchmark*	7.3	11.3	N/A



** The Custom Benchmark utilized by the Retirement Systems consists of 77.8% NCREIF Property Index and 22.2% FTSE NAREIT Equity Index as of June 30, 2008.*

As of June 30, 2008

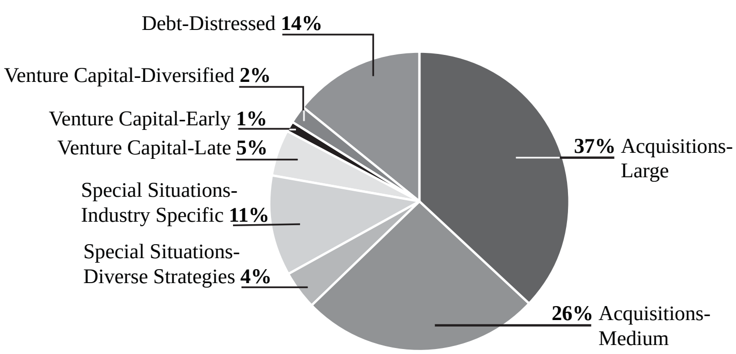
Market Value

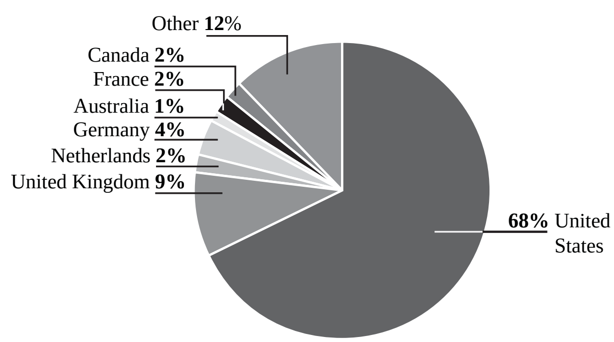
As of June 30, 2008, the combined PSRS/PEERS private equity assets committed* for investment were $2.5 billion. The market value of funds that have been drawn down and actually invested as of June 30, 2008 was approximately $1.0 billion, representing 3.5% of total assets. PSRS/PEERS private equity investment commitments* that have not yet been funded were approximately $1.5 billion as of June 30, 2008.

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 target allocation to the private equity asset class as of June 30, 2008 was 7.5%. The PSRS/PEERS Board of Trustees approved an increase to 10.5% for the target allocation in October 2008. 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, 2008 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.*

As of June 30, 2008

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, 2008.

Investment Advisor	Investment Style	Combined Market Value* As of June 30, 2008	% of Total Market Value
Blackstone Capital Partners V	Acquisition - Large	$ 13,513,199	0.0%
Carlyle Europe Partners III	Acquisition - Medium	9,577,421	0.0%
Carlyle Partners IV	Acquisition - Large	24,357,416	0.1%
Carlyle Partners V	Acquisition - Large	7,722,410	0.0%
Centerbridge Capital Partners	Acquisition & Debt	7,026,467	0.0%
CVC European Equity Partners IV	Acquisition - Large	24,020,087	0.1%
CVC European Equity Tandem Fund	Acquisition - Large	4,980,337	0.0%
Exponent Partners II	Acquisition - Medium	8,761,481	0.0%
First Reserve Fund XI	Acquisition - Energy	23,660,137	0.1%
Genstar Capital Partners V	Acquisition - Medium	2,278,044	0.0%
GTCR Fund IX	Acquisition - Medium	6,934,741	0.0%
Hellman & Friedman Capital Partners VI	Acquisition - Large	18,054,522	0.1%
Kelso Investment Associated VIII	Acquisition - Medium	667,231	0.0%
KKR 2006 Fund	Acquisition - Large	25,379,469	0.1%
KRG Fund IV	Acquisition - Medium	1,183,244	0.0%
Lexington Capital Partners VI-B	Secondary Fund	78,512,789	0.3%
Madison Dearborn VI	Acquisition - Large	4,019,320	0.0%
Montagu III	Acquisition - Medium	14,320,375	0.0%
Nordic VII	Acquisition - Medium	3,266,137	0.0%
OCM Principal Opportunities Fund IV	Debt - Distressed	21,679,081	0.1%
OCM Opportunities Fund VII	Debt - Distressed	26,302,197	0.1%
OCM Opportunities Fund VIIb	Debt - Distressed	750,000	0.0%
Onex Partners II	Acquisition - Medium	17,685,010	0.1%
Pantheon Global Secondary Fund III	Secondary Fund	86,801,838	0.3%
Pathway Capital Management	Fund-of-Funds (A)	331,403,820	1.1%
Pathway Capital Management	Fund-of-Funds (B)	92,946,814	0.3%
Pathway Capital Management	Fund-of-Funds (C)	49,366,416	0.2%
Paul Capital Partners IX	Secondary Fund	17,574,782	0.1%
Permira IV	Acquisition - Large	10,281,887	0.0%
Providence Equity Partners VI	Acquisition - Media	13,694,147	0.0%
The Resolute Fund II	Acquisition - Medium	4,038,365	0.0%
Silver Lake Partners III	Acquisition - Technology	3,330,645	0.0%
TCV VI	Venture Capital	14,486,638	0.1%
Thoma Cressey Fund VIII	Acquisition - Medium	17,330,454	0.1%
TPG Partners V	Acquisition - Large	19,708,468	0.1%
TPG Partners VI	Acquisition - Large	1,367,453	0.0%
Wayzata Opportunities Fund	Debt - Distressed	17,541,433	0.1%
Wayzata Opportunities Fund II	Debt - Distressed	9,273,311	0.0%
Wind Point Partners VI	Acquisition - Medium	11,617,375	0.0%
Total		**$ 1,045,415,061**	**3.5%**

** Market values as reported by the Systems' custodian, State Street Bank & Trust, that reflect March 31, 2008 valuations cash flow adjusted through June 30, 2008.*

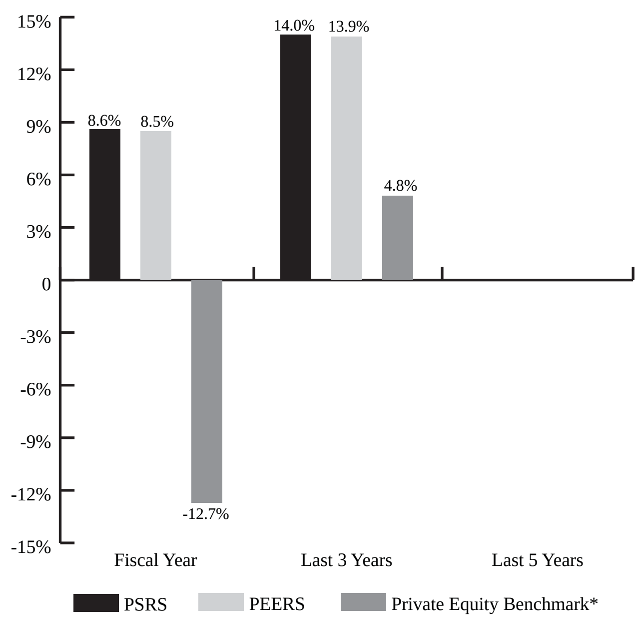
Periods ended June 30, 2008

Private Equity Investment Returns
Fiscal year 2008 represented the fourth year that PSRS and PEERS had meaningful assets invested in the private equity asset class. During the beginning of fiscal year 2008 private equity funds experienced record volumes of buyout activity; however by the end of the fiscal year they were experiencing a significantly slower investment environment due to difficult financing.

The table and chart below show the Systems' private equity performance relative to its private equity benchmark*. For the fiscal year ended June 30, 2008, the PSRS and PEERS private equity composite outperformed the benchmark by 2,130 and 2,120 basis points, respectively, and for the three-year period, exceeded the benchmark return by 920 and 910 basis points, respectively.

PRIVATE EQUITY INVESTMENT RETURNS
June 30, 2008

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	8.6%	14.0%	N/A
PEERS	8.5	13.9	N/A
Private Equity Benchmark*	-12.7	4.8	N/A



** As of June 30, 2008, the benchmark utilized by the Retirement Systems for the private equity composite was the Russell 3000 Index.*

As of June 30, 2008

Market Value
As of June 30, 2008, the combined PSRS/PEERS absolute return assets committed* for investment were $1.0 billion. The market value of funds that had been drawn down and actually invested as of June 30, 2008 was approximately $900 million, representing 3.0% of total assets. PSRS/PEERS absolute return investment commitments* that have not yet been funded were approximately $172 million.

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 ranges: (1) 0 to 100% in traditional investments such as public equity and debt, (2) 0 to 50% in non-traditional investments such as hedge funds, and (3) 0 to 75% in private investments.

The primary objective of this composite is to achieve a net-of-fees return in excess of 8.0% 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.

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, 2008.

Investment Advisor	Investment Style	Combined Market Value* As of June 30, 2008	% of Total Market Value
Alinda Infrastructure Fund I	Infrastructure	$ 36,724,492	0.1%
AQR Absolute Return Fund	Multi-Strategy-Relative Value	41,425,313	0.1%
Avenue Capital Group Fund V	Debt-Distressed	37,767,014	0.1%
Bridgewater All Weather	Multi-Strategy	59,525,358	0.2%
Bridgewater Pure Alpha II	Multi-Strategy	82,396,613	0.3%
Davidson Kempner	Multi-Strategy-Event Driven	54,990,550	0.2%
Encap Fund VII	Acquisition-Energy	3,816,966	0.0%
Golden Tree Asset Management	Relative Value-Credit	69,395,680	0.2%
Highbridge Asia	Multi-Strategy-Diversified	59,175,935	0.2%
Indigo Capital V	Debt-Mezzanine	9,353,029	0.0%
Macquarie Infrastructure Partners	Infrastructure	35,265,089	0.1%
Och-Ziff Domestic Partners	Multi-Strategy-Diversified	80,765,840	0.3%
Och-Ziff European Domestic Partners	Multi-Strategy-Diversified	20,382,580	0.1%
Pathway Capital Management	Private Fund-of-Funds	36,947,583	0.1%
Renaissance	U.S. Long/Short	46,055,755	0.2%
Stark Investments	Multi-Strategy-Relative Value	107,580,100	0.4%
UBS O'Connor	Multi-Strategy-Relative Value	30,000,000	0.1%
York Capital	Multi-Strategy-Event Driven	87,531,925	0.3%
Total		**$ 899,099,822**	**3.0%**

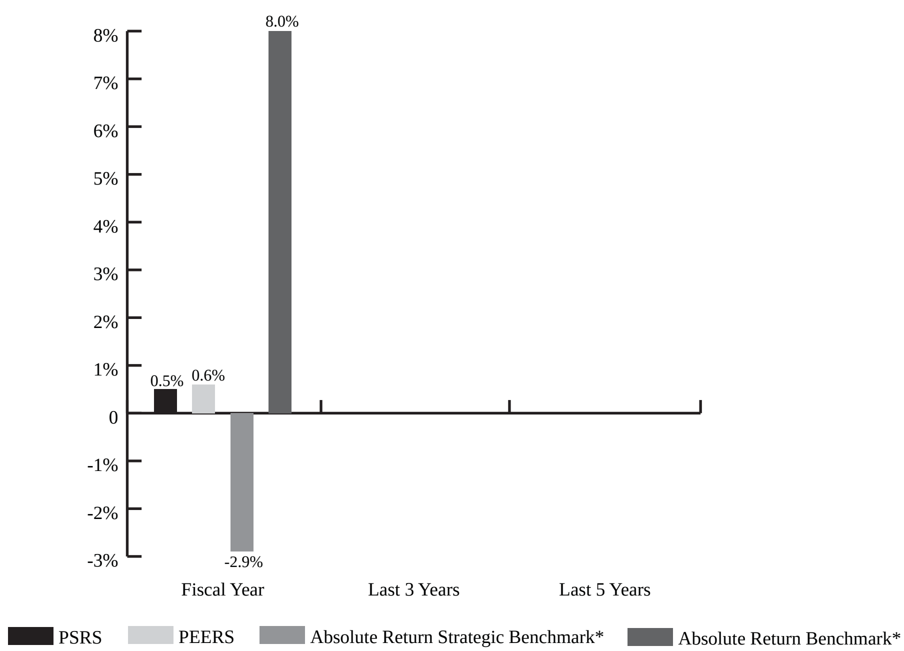
** Committed capital reflects the total amount of capital that the Systems are legally obligated to supply to the partnerships and funds as the capital is needed to invest in underlying holdings. Market value reflects capital that has actually been drawn and invested by the partnerships and funds.*
*** Includes manager cash and reflects valuations reported by the Systems' custodian, State Street Bank & Trust. Market values of private holdings reflect March 31, 2008 valuations that are cash flow adjusted through June 30, 2008. Public holdings reflect market values as of June 30, 2008.*

As of June 30, 2008

Absolute Return Pool Investment Returns
The total annualized returns on the PSRS and PEERS absolute return pool portfolios for the fiscal year were 0.5% and 0.6%, respectively. PSRS' and PEERS' performance was significantly below the Systems' Absolute Return Benchmark by policy but above the short-term Strategic Benchmark*. The Absolute Return Pool is in the early stages of development, which results in a significant J-Curve Effect** for the private assets held within the strategy. The J-Curve Effect contributed to the underperformance relative to the Policy benchmark, which is common in the early stages of such investments.

ABSOLUTE RETURN INVESTMENT RETURNS
June 30, 2008

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	0.5%	N/A	N/A
PEERS	0.6	N/A	N/A
Absolute Return Strategic Benchmark*	-2.9	N/A	N/A
Absolute Return Benchmark*	8.0	N/A	N/A



** As of June 30, 2008, the long-term policy benchmark utilized by the Retirement Systems for the absolute return composite was an Annual Absolute Return of 8.0%. A short-term strategic benchmark for the Absolute Return Pool that allows for volatility was comprised of 50.0% MSCI All Country World Free Index, 30.0% Lehman Aggregate Bond Index and 20.0% Merrill Lynch High Yield Master II Index.*

*** The J-Curve Effect results from the common practice of paying management fees and start up costs out of the initial capital calls, causing negative returns in the early years of investment.*

As of June 30, 2008

Market Value
As of June 30, 2008, the combined PSRS/PEERS implementation assets had a market value of approximately $3.6 billion, representing 12.0% 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 funding of this composite has been completed and assets are being transitioned to private investments.

Implementation Pool Investment Advisors
The following investment advisors were under contract with PSRS/PEERS as of June 30, 2008 for management of the assets in the Implementation Pool.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2008	% of Total Market Value
Analytic Investors	Global Low Volatility Equity	$ 340,046,323	1.1%
AQR Capital Management	Diversified Beta Fund	205,321,410	0.7%
BlackRock Financial Management	Active Mortgages	1,241,981,862	4.2%
Pacific Investment Management Company	Core Plus	649,356,324	2.2%
Pacific Investment Management Company	LIBOR Plus	391,802,415	1.3%
State Street Global Advisors	Passive MSCI EAFE Index	200,681,295	0.7%
State Street Global Advisors	Passive S&P 500 Index	275,484,532	0.9%
Westwood Management	Master Limited Partnerships	271,076,262	0.9%
Total		**$ 3,575,750,423**	**12.0%**

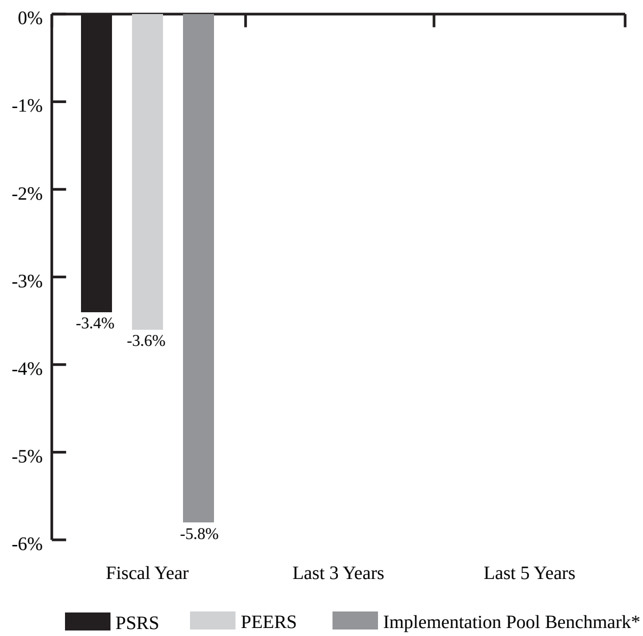
** Includes manager cash.*

As of June 30, 2008

Implementation Pool Investment Returns
The total annualized returns on the PSRS and PEERS implementation pool portfolios for the fiscal year were -3.4% and -3.6%, respectively. PSRS and PEERS outperformed the Systems' Implementation Pool Benchmark* by 240 and 220 basis points, respectively.

IMPLEMENTATION POOL INVESTMENT RETURNS
June 30, 2008

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	-3.4%	N/A	N/A
PEERS	-3.6	N/A	N/A
Implementation Pool Benchmark*	-5.8	N/A	N/A



* *The Custom Benchmark utilized by the Retirement Systems consists of 50.0% MSCI All Country World Index, 45.0% Lehman Intermediate U.S. Treasury Index and 5.0% Lehman Long U.S. Treasury Index as of June 30, 2008.*

For the Fiscal Year Ended June 30, 2008

PSRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost Per Share
GOLDMAN SACHS + CO	41,952,779	$ 1,465,065,593	$ 429,515	$ 0.01
INSTINET LLC	21,429,562	746,112,546	390,487	0.02
LEHMAN BROTHERS INC	18,831,762	576,410,596	252,836	0.01
CREDIT SUISSE SECURITIES LLC	10,462,521	456,611,980	235,390	0.02
LIQUIDNET INC	8,787,119	234,007,535	220,584	0.03
BEAR STEARNS + CO INC	6,868,539	278,037,418	212,745	0.03
MERRILL LYNCH, PIERCE, FENNER + SMITH	9,847,641	335,693,637	190,732	0.02
BROADCORT CAPITAL	5,158,375	134,950,095	189,435	0.04
BANC/AMERICA SECURITIES LLC	31,105,540	1,152,068,413	187,119	0.01
JP MORGAN SECURITIES INC	10,568,803	310,493,188	179,817	0.02
MORGAN STANLEY CO INC	17,349,764	517,176,078	175,567	0.01
CITIGROUP GLOBAL MARKETS INC	6,205,570	309,451,648	166,918	0.03
UBS SECURITIES LLC	6,371,324	288,794,772	166,902	0.03
INVESTMENT TECHNOLOGY GROUP INC	8,667,393	275,957,677	148,625	0.02
JEFFERIES AND COMPANY INC	6,285,884	182,168,054	147,143	0.02
Other (<$145,000)	88,924,686	2,985,312,751	2,406,117	0.03
Total	**298,817,262**	**$ 10,248,311,981**	**$ 5,699,932**	**$ 0.02**

PEERS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost Per Share
BROADCORT CAPITAL	903,650	$ 22,352,815	$ 36,475	$ 0.04
GOLDMAN SACHS + CO	3,560,695	120,893,566	35,155	0.01
INSTINET LLC	1,738,156	61,713,129	30,493	0.02
CREDIT SUISSE SECURITIES LLC	1,043,428	44,934,254	24,052	0.02
BEAR STEARNS + CO INC	680,950	27,539,879	21,371	0.03
LEHMAN BROTHERS INC	1,522,667	48,820,277	20,128	0.01
LIQUIDNET INC	729,477	19,555,828	17,389	0.02
MERRILL LYNCH, PIERCE, FENNER + SMITH	827,920	27,771,365	16,619	0.02
JP MORGAN SECURITIES INC	702,921	28,404,177	16,362	0.02
UBS SECURITIES LLC	607,689	27,965,560	16,075	0.03
CITIGROUP GLOBAL MARKETS INC	589,573	29,041,879	15,918	0.03
BANC/AMERICA SECURITIES LLC	2,541,429	96,819,117	15,548	0.01
MORGAN STANLEY CO INC	1,519,177	43,503,646	15,121	0.01
JEFFERIES AND COMPANY INC	571,547	17,577,356	14,003	0.02
Other (<$14,000)	8,522,177	287,815,326	225,594	0.03
Total	**26,061,456**	**$ 904,708,174**	**$ 520,303**	**$ 0.02**

For the Fiscal Year Ended June 30, 2008

PSRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost (basis points)
MERRILL LYNCH INTERNATIONAL	132,120,022	$ 803,939,020	$ 879,629	10.9
MORGAN STANLEY CO INC	69,115,803	955,744,236	663,755	6.9
PERSHING LLC	19,761,125	394,184,017	643,117	16.3
CREDIT SUISSE SECURITIES LLC	48,407,684	633,260,709	574,747	9.1
JP MORGAN SECURITIES INC	104,032,250	512,161,948	570,753	11.1
CITIGROUP GLOBAL MARKETS INC	39,042,246	450,217,876	489,730	10.9
UBS SECURITIES LLC	48,359,404	366,687,019	453,821	12.4
DEUTSCHE BANK SECURITIES INC	60,549,028	490,927,412	372,163	7.6
LEHMAN BROTHERS INC	38,659,884	590,076,362	334,509	5.7
BEAR STEARNS SECURITIES CORP	15,153,745	343,386,950	313,410	9.1
GOLDMAN SACHS + CO	81,990,793	481,553,630	279,368	5.8
INSTINET LLC	20,266,986	432,375,675	207,740	4.8
SOCIETE GENERALE	6,412,537	213,161,969	135,305	6.3
MARQUARIE	32,128,137	65,800,596	125,968	19.1
CREDIT LYONNAIS SECURITIES	37,745,464	81,937,914	115,418	14.1
Other (<$115,000)	394,288,865	1,906,832,603	2,052,925	10.8
Total	**1,148,033,973**	**$ 8,722,247,936**	**$ 8,212,358**	**9.4**

PEERS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost (basis points)
MERRILL LYNCH INTERNATIONAL	8,156,770	$ 72,768,905	$ 82,695	11.4
MORGAN STANLEY CO INC	6,814,799	91,451,336	63,045	6.9
PERSHING LLC	1,741,281	36,049,450	57,562	16.0
CREDIT SUISSE SECURITIES LLC	4,243,030	58,581,637	53,576	9.1
JP MORGAN SECURITIES INC	3,040,796	46,412,943	52,776	11.4
CITIGROUP GLOBAL MARKETS INC	3,557,509	37,705,892	42,683	11.3
UBS SECURITIES LLC	4,366,327	32,415,261	41,211	12.7
DEUTSCHE BANK SECURITIES INC	6,055,515	46,665,982	34,568	7.4
LEHMAN BROTHERS INC	4,045,011	58,577,674	33,498	5.7
BEAR STEARNS + CO INC	1,331,593	30,362,922	28,063	9.2
GOLDMAN SACHS + CO	7,493,649	42,777,736	26,172	6.1
INSTINET LLC	1,919,253	40,299,795	19,470	4.8
MARQUARIE	3,104,241	6,649,376	12,376	18.6
SOCIETE GENERALE	681,329	19,751,702	12,287	6.2
Other (<$11,000)	39,382,291	180,180,677	196,843	10.9
Total	**95,933,394**	**$ 800,651,288**	**$ 756,825**	**9.5**

As of June 30, 2008

Total Market Value	PSRS/PEERS Combined Funds - FY 2008	Percent of Total Market Value FY 2008	FY 2007	FY 2006
U.S. Public Equity	$ 10,209,518,055	34.2%	36.9%	38.5%
Global Public Equity	5,806,137,445	19.5	21.6	20.4
Public Debt	6,236,089,468	20.9	23.7	34.7
Real Estate	1,539,471,043	5.2	3.9	3.0
Private Equity	1,045,415,061	3.5	1.4	0.5
Absolute Return Pool	899,099,822	3.0	0.5	0.0
Implementation Pool	3,523,960,302	11.8	9.4	0.0
Cash and Equivalents	567,489,242	1.9	2.6	2.9
Total	**$ 29,827,180,438**	**100.0%**	**100.0%**	**100.0%**

Reconciliation with financial statements	
Total from above	*$ 29,827,180,438*
Accrued payable for investments purchased	*3,426,259,599*
Accrued income payable	*48,659,326*
Accrued receivable for investments sold	*(3,247,121,063)*
Accrued income receivable	*(188,137,138)*
Securities lending receivable	*7,665,678*
Short-term investments designated for benefits	*(41,198,185)*
Statement of Plan Net Assets	*$ 29,833,308,655*

For the year ended June 30, 2008

Investment Managers	PSRS	PEERS	Total
Investment Management Fees			
BlackRock Financial Management - Core	$ 613,640	$ 53,360	$ 667,000
NISA Investment Advisors - Core	908,274	78,966	987,240
NISA Investment Advisors - TIPS	888,187	78,614	966,801
Seix Investment Advisors	633,964	53,751	687,715
Wellington Management Company	1,039,736	90,412	1,130,148
Public Debt Fees	4,083,801	355,103	4,438,904
Alliance Capital Management	1,490,036	135,064	1,625,100
Analytic Investors, LLC - Core	188,777	15,309	204,086
Analytic Investors, LLC - Value	308,261	26,805	335,066
Analytic Investors, LLC - US Low Vol	230,117	19,942	250,059
AQR Capital Management -140/40	493,508	42,909	536,417
Aronson & Johnson & Ortiz	1,236,403	119,223	1,355,626
Aronson & Johnson & Ortiz -130/30	145,885	11,791	157,676
Delaware Investment Advisors	1,700,256	148,334	1,848,590
Goldman Sachs Asset Management	286,275	28,184	314,459
Legg Mason Capital Management	291,179	27,365	318,544
New Amsterdam Partners, LLC	10,010	870	10,880
Martingale Asset Management	1,600,312	139,156	1,739,468
State Street Global Advisors - Enhanced S&P 500 Index	433,199	51,666	484,865
State Street Global Advisors - Russell 1000 Index Fund	56,610	6,187	62,797
State Street Global Advisors - S&P 500 Index Fund	296,168	26,669	322,837
UBS Global Asset Management	1,229,261	114,543	1,343,804
Westwood Management	1,138,770	95,346	1,234,116
Zevenbergen Capital	713,722	63,445	777,167
U.S. Public Equity Fees	11,848,749	1,072,808	12,921,557
Alliance Bernstein Institutional Mgmt. - Global	2,438,915	225,663	2,664,578
Alliance Bernstein Institutional Mgmt. - Value	1,462,254	135,975	1,598,229
AQR Capital Management	2,917,016	265,357	3,182,373
Arrowstreet Capital	2,133,211	188,865	2,322,076
Arrowstreet Capital 130/30	119,385	10,725	130,110
INVESCO Global Asset Management	1,623,038	175,398	1,798,436
Julius Baer Investment Management	2,832,474	262,546	3,095,020
Legg Mason International Equities	1,221,669	107,693	1,329,362
McKinley Capital Management	2,703,730	244,405	2,948,135
MFS Institutional Advisors	2,383,000	222,136	2,605,136
State Street Global Advisors-ACWI EX. US GIMI PROV	246,024	21,414	267,438
T. Rowe Price International, Inc.	172,326	14,996	187,322
Global Public Equity Fees	20,253,042	1,875,173	22,128,215
AQR Capital Management	657,675	55,903	713,578
Chartwell Investment Partners -Growth	692,925	59,715	752,640
Chartwell Investment Partners -Value	383,846	33,114	416,960
Nicholas-Applegate Capital Management	728,817	62,817	791,634
Next Century Growth Investors Micro Cap	70,329	6,110	76,439
Next Century Growth Investors - Small Cap	1,286,326	113,082	1,399,408
Systematic Financial Management	572,358	44,624	616,982
Thomson, Horstmann & Bryant	818,284	68,264	886,548
S-Cap Fees	5,210,560	443,629	5,654,189
Analytic Investors, LLC - Global Low Vol	765,735	66,379	832,114
BlackRock Financial Management - Mortgages	828,438	72,039	900,477
Pacific Investment Management Co - Core	3,184,828	203,620	3,388,448
Pacific Investment Management Co - Libor Plus	520,131	45,402	565,533
Westwood MLPs	426,875	37,126	464,001
State Street Global Advisors - EAFE Lite	59,936	5,212	65,148
State Street Global Advisors - Passive Russell 2000	38,415	28,381	66,796
State Street Global Advisors - Passive S&P 500	33,283	3,392	36,675
Implementation Pool Fees	5,857,641	461,551	6,319,192

(continued on page 85)

For the year ended June 30, 2008

Investment Managers *(continued from page 84)*	PSRS	PEERS	Total
Investment Management Fees			
Alpha Overlay Fees	1,088,530	94,300	1,182,830
Real Estate Fees	1,053,789	105,008	1,158,797
Private Equity Fees	9,665,717	727,527	10,393,244
Commission Recapture Income	(542,606)	(66,551)	(609,157)
Investment Management Expense	58,519,223	5,068,548	63,587,771
Custodial Services			
State Street Bank & Trust Co.	3,657,551	318,048	3,975,599
Investment Consultants			
Townsend	414,000	36,000	450,000
Albourne America, LLC	245,333	21,333	266,666
Pathway Consulting	1,383,375	104,125	1,487,500
Pathway Absolute Return Consulting	455,700	34,300	490,000
Frank Russell Co.	393,472	34,215	427,687
Russell/Mellon Analytical Services	33,937	18,188	52,125
Investment Consultant Fees	2,925,817	248,161	3,173,978
Staff Investment Expenses	915,967	609,388	1,525,355
Total Investment Expenses	$ 66,018,558	$ 6,244,145	$ 72,262,703

Note: An additional $30.1 million in private equity fees, $25.2 million in real estate fees, $15.0 million in alpha overlay fees and $15.3 in equity fees within the absolute return strategy were recorded as adjustments to the net value of the investments. Such adjustments included both investment management fees and any applicable incentive fees.

ACTUARIAL SECTION

Republic R-III School District

Pictured at left is building which housed Republic High School until 1963.

Pictured at right is the current Republic High School.

Pictured above is a rendering of the future Republic High School. The High School is scheduled to be completed in 2010.

Growing schools for growing minds

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
20 North Clark Street
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Chicago, IL 60602-5111
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November 14, 2008

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, 2008. 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, 2006 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.

Gabriel, Roeder, Smith & Company

Alex Rivera, F.S.A., M.A.A.A.	Amy Williams, A.S.A., M.A.A.A.
Alex Rivera	Amy Williams
Senior Consultant	Consultant

AW: mf

Gabriel, Roeder, Smith & Company

PSRS
As of June 30, 2008

	AMOUNT
(1) Present value of future benefits for:	
Active members	$ 24,846,982,602
Service retirees	17,699,283,399
Disability retirees	147,643,059
Tax-sheltered annuitants	952,184
Survivors	643,891,990
Death benefits	56,781,471
Inactive members	444,932,952
Total	43,480,467,657
(2) Present value of future normal costs	8,990,015,488
(3) Actuarial accrued liability ((1)-(2))	34,490,452,169
(4) Actuarial value of assets	28,751,241,194
(5) Unfunded actuarial accrued liability ((3)-(4))	$ 5,739,210,975

PEERS
As of June 30, 2008

	AMOUNT
(1) Present value of future benefits for:	
Active members	$ 3,122,515,675
Service retirees	1,147,875,296
Disability retirees	21,312,291
Survivors	45,848,045
Inactive members	108,048,630
Total	4,445,599,937
(2) Present value of future normal costs	1,166,997,891
(3) Actuarial accrued liability ((1)-(2))	3,278,602,046
(4) Actuarial value of assets	2,703,762,383
(5) Unfunded actuarial accrued liability ((3)-(4))	$ 574,839,663

PSRS
As of June 30, 2008

	PERCENTAGE OF PAYROLL
(1) Total FY 2009 contribution rate, member and employer	26.00%
(2) Normal cost rate	21.71
(3) Approximate rate available for unfunded actuarial accrued liability ((1) - (2))	4.29
(4) Number of years required to amortize unfunded actuarial accrued liability	Never*
(5) Benchmark FY 2009 contribution rate - normal cost plus a rate to fund the UAAL over 30 years	28.45%

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

PEERS
As of June 30, 2008

	PERCENTAGE OF PAYROLL
(1) Total FY 2009 contribution rate, member and employer	12.50%
(2) Normal cost rate	11.23
(3) Approximate rate available for unfunded actuarial accrued liability ((1) - (2))	1.27
(4) Number of years required to amortize unfunded actuarial accrued liability	Never*
(5) Benchmark FY 2009 contribution rate - normal cost plus a rate to fund the UAAL over 30 years	13.29%

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

PSRS
As of June 30, 2008
(Dollar amounts in thousands)

(1) Unfunded actuarial liability as of July 1, 2007		$ 5,347,718
(2) Normal cost for 2008 plan year		844,578
(3) Contribution expected to be received during year (30-year rate)		(1,177,589)
(4) Interest to year end at 8.00% on (1), (2) & (3)		414,753
(5) Expected unfunded actuarial liability as of June 30, 2008		5,429,460
(6) Contribution shortfall		144,374
(7) Actuarial (gain)/loss during the year		
a. From investment	$ (19,789)	
b. From actuarial liabilities	185,166	
c. Total		165,377
(8) Actual unfunded actuarial liability as of June 30, 2008		$ 5,739,211

PEERS
As of June 30, 2008

(1) Unfunded actuarial liability as of July 1, 2007		$ 501,250,385
(2) Normal cost for 2008 plan year		131,475,462
(3) Contribution expected to be received during year (30-year rate)		(168,715,855)
(4) Interest to year end at 8.00% on (1), (2) & (3).		38,639,072
(5) Expected unfunded actuarial liability as of June 30, 2008		502,649,064
(6) Contribution shortfall		13,313,680
(7) Actuarial (gain)/loss during the year		
a. From investment	$ 2,414,578	
b. From actuarial liabilities	56,462,341	
c. Total		58,876,919
(8) Unfunded actuarial accrued liability as of June 30, 2008		$ 574,839,663

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
0	190
2	85
4	62
10	23
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)

	Years of Service			
Age	<25	25	30	31+
<55	N/A	40	350	300
55	25	450	350	300
60	200	200	350	300
65	300	300	350	300
70+	1,000	1,000	1,000	1,000

ASSET VALUATION -	Based on five-year average of adjusted market value returns (1994).
PAYROLL INCREASE -	Total covered payroll of the entire membership is assumed to increase 5.0% per year (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 (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 6/30/06).
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 going forward.

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
0	300
2	150
4	100
10	48
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)

	Years of Service		
Age	**<25**	**25**	**30+**
<50	N/A	50	150
55	50	270	170
60	160	160	160
65	260	260	260
70	200	200	200
70+	1,000	1,000	1,000

ASSET VALUATION - Based on five-year average of adjusted market values (1994).

PAYROLL INCREASE - Total covered payroll of the entire membership is assumed to increase 5.0% per year (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 - 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 6/30/06).

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 going forward.

PSRS

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
6/30/1999	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
6/30/2008	78,436	4,209,417	53,667	4.0	42.2	11.1

PEERS

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
6/30/1999	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
6/30/2008	50,865	1,377,506	27,082	4.7	46.8	7.3

PSRS
(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)
6/30/1999	$ 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
6/30/2008	6,174,718	18,548,552	9,767,182	28,751,241	100.00	100.00	41.2

PEERS
(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)
6/30/1999	$ 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
6/30/2008	650,970	1,215,036	1,412,596	2,703,762	100.00	100.00	59.3

ACTUARIAL SECTION

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

	Added to Rolls		Removed from Rolls		Rolls End of Year			% Increase	
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	Average Annual Allowances	in Annual Allowance	in Average Annual Allowance
2007-2008									
Service retirees	2,596	$ 91,611,816	808	$ 21,214,344	38,045	$ 1,374,367,260	$ 36,125	8.08%	3.01%
Disability retirees	45	1,122,528	37	855,696	691	15,707,856	22,732	3.95	2.74
Beneficiaries	289	6,258,996	175	2,635,176	3,002	66,412,560	22,123	8.06	3.96
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

	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
2007-2008									
Service retirees	1,256	$ 11,273,184	569	$ 2,322,624	16,696	$ 105,856,860	$ 6,340	10.49%	5.93%
Disability retirees	46	214,596	21	91,332	514	2,176,536	4,235	8.26	3.02
Beneficiaries	99	423,360	62	211,236	1,078	4,586,436	4,255	6.91	3.25
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

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 12.5% (13.0% effective July 1, 2008) 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 who have contributions on deposit with PSRS but are 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, 2008 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 rate of 12.5% (13.0% effective July 1, 2008) 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 7/1/2001and 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.

COST-OF-LIVING ADJUSTMENTS – 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.

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 – 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.

Members working in covered employment are considered *active* members. Such members contribute 6.0% (6.25% effective July 1, 2008) 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 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, 2008. 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).

Members who have contributions on deposit with PEERS but are not currently working in covered employment are considered *inactive* members.

EMPLOYER PARTICIPATION – The employers served by PEERS withhold members' contributions from salary payments and match employee contributions at a current rate of 6.0% (6.25% effective July 1, 2008) 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.

SURVIVOR BENEFITS – 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.

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.

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.

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.

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.

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. 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.

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

Clever R-V School District

Pictured at left is the original Clever High School, built in 1929. It now houses upper elementary students, grades 4 and 5.

Pictured above is the construction site where concrete was being poured for the new Clever High School in July 2007. To the right is the steel framework on the east side of the building.

Pictured above is the front of Clever High School while under construction. At left is the completed facade of the new Clever High School, dedicated in August 2008.

Growing schools for growing minds

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 1,788 from 36,257 at June 30, 2007 to 38,045 at June 30, 2008. The number of PEERS service retirees increased by 687 from 16,009 at June 30, 2007 to 16,696 at June 30, 2008.

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 eight from 683 at June 30, 2007 to 691 at June 30, 2008. The number of PEERS disability retirees increased by 25 from 489 at June 30, 2007 to 514 at June 30, 2008.

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 charts on page 110 detail 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 118 show a comparison of the assets and liabilities of the Systems over time. At June 30, 2008, PSRS was 83.4% funded and PEERS was 82.5%. These percentages have remained relatively constant for the past four fiscal years.

Changes in Net Assets
The charts on page 111 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.

PSRS

Amount of Monthly Benefit	Service Retirement	Disability Retirement	Beneficiary Recipients: Disability	Survivors	Beneficiary	Term Certain	Total
<$1,000	3,088	55	73	605	375	3	4,199
$1,000 - $1,999	6,171	367	50	-	740	2	7,330
$2,000 - $2,999	10,304	216	9	-	560	5	11,094
$3,000 - $3,999	9,890	47	3	-	347	5	10,292
$4,000 - $4,999	5,579	5	-	-	141	4	5,729
$5,000 - $5,999	1,984	1	-	-	63	-	2,048
$6,000+	1,029	-	-	-	17	-	1,046
Total	**38,045**	**691**	**135**	**605**	**2,243**	**19**	**41,738**

PEERS

Amount of Monthly Benefit	Service Retirement	Disability Retirement	Beneficiary Recipients: Disability	Survivors	Beneficiary	Term Certain	Total
<$500	10,625	390	117	-	740	13	11,885
$500 - $599	3,825	116	9	-	137	4	4,091
$1,000 - $1,999	1,823	8	2	-	48	4	1,885
$2,000 - $2,999	326	-	-	-	4	-	330
$3,000 - $3,999	67	-	-	-	-	-	67
$4,000+	30	-	-	-	-	-	30
Total	**16,696**	**514**	**128**	**-**	**929**	**21**	**18,288**

(Dollar amounts in thousands)

PSRS

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Additions by source										
Member contributions	$ 302,183	$ 319,579	$ 335,275	$ 356,685	$ 378,434	$ 405,614	$ 432,500	$ 502,980	$ 514,163	$ 572,810
Employer contributions	287,699	304,944	324,526	340,000	355,979	359,763	389,416	429,579	472,217	521,242
Investment income	1,795,732	1,455,003	(407,172)	(582,958)	873,340	2,402,566	1,958,622	2,235,836	4,125,164	(1,385,701)
Other income	273	274	810	2761	351	488	476	264	280	370
Total additions by source	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	(291,279)
Deductions by type										
Monthly benefits										
Service retirement	504,517	601,718	706,647	810,898	877,538	958,181	1,057,430	1,152,217	1,254,164	1,363,571
Service retirement - PLSO	-	-	-	-	-	9,176	32,479	40,177	52,122	59,793
Disability	8,717	9,762	10,719	11,621	11,901	12,720	13,613	14,297	14,982	15,599
Beneficiary	21,385	27,501	32,525	37,916	41,011	44,663	49,056	54,148	59,295	64,011
Lump-sum refunds										
Death	2,215	5,603	6,170	6,872	6,781	7,173	6,131	7,188	6,801	7,058
Withdrawal/transfers	28,829	30,495	28,877	24,907	21,693	28,845	28,215	29,206	37,209	39,243
Administrative expenses/other	3,140	3,712	4,009	4,486	4,675	5,274	5,614	6,754	7,113	8,074
Total deductions by type	568,803	678,791	788,947	896,700	963,599	1,066,032	1,192,538	1,303,987	1,431,686	1,557,349
Changes in plan net assets	$ 1,817,084	$ 1,401,009	($ 535,508)	($ 780,212)	$ 644,505	$ 2,102,399	$ 1,588,476	$ 1,864,672	$ 3,680,138	$(1,848,628)

PEERS

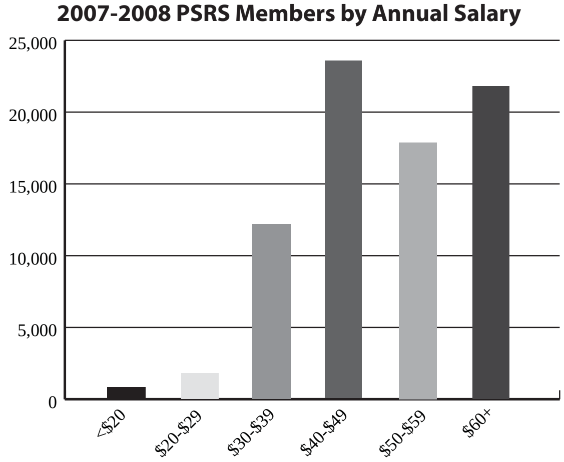
	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Additions by source										
Member contributions	$ 30,372	$ 34,499	$ 37,934	$ 46,217	$ 48,994	$ 50,625	$ 55,699	$ 68,018	$ 73,071	$ 81,370
Employer contributions	30,013	34,186	37,500	45,773	48,933	49,977	53,110	61,746	69,235	77,989
Investment income	137,142	113,954	(29,647)	(46,732)	73,188	198,389	170,921	197,629	373,198	(130,619)
Other income	17	14	73	26	16	10	9	3	0	0
Total additions by source	197,544	182,653	45,860	45,284	171,131	299,001	279,739	327,396	515,504	28,741
Deductions by type										
Monthly benefits										
Service retirement	32,547	39,071	46,093	56,305	63,333	69,899	77,333	84,664	93,716	104,352
Service Retirement - PLSO	-	-	-	-	-	520	1,527	2,487	3,454	3,133
Disability	746	945	1,122	1,304	1,448	1,503	1,686	1,840	1,968	2,125
Beneficiary	1,225	1,514	1,823	2,262	2,618	2,949	3,360	3,670	4,044	4,454
Lump-sum Refunds										
Death	527	409	432	425	475	593	647	542	816	675
Withdrawal/transfers	6,768	9,493	8,769	7,441	7,559	9,827	11,245	11,502	12,883	14,833
Administrative expenses/other	1,605	1,920	2,246	2,575	2,946	3,210	3,564	4,358	4,427	4,682
Total deductions by type	43,418	53,352	60,485	70,312	78,379	88,501	99,362	109,063	121,308	134,254
Changes in plan net assets	$ 154,126	$ 129,301	($ 14,625)	($ 25,028)	$ 92,752	$ 210,500	$ 180,377	$ 218,333	$ 394,196	$(105,514)

PSRS Summary of Changes in Membership During 2007-2008

		Male	Female	Total
Membership, July 1, 2007		19,619	69,109	88,728
New members added		1,476	5,000	6,476
Less:	Service retirements	646	1,935	2,581
	Disability retirements	3	41	44
	Withdrawals	554	1,655	2,209
	Deaths	22	33	55
	Memberships terminated	67	206	273
	Other	6	20	26
		1,298	3,890	5,188
Net change in membership 2007-2008		178	1,110	1,288
Membership June 30, 2008		19,797	70,219	90,016

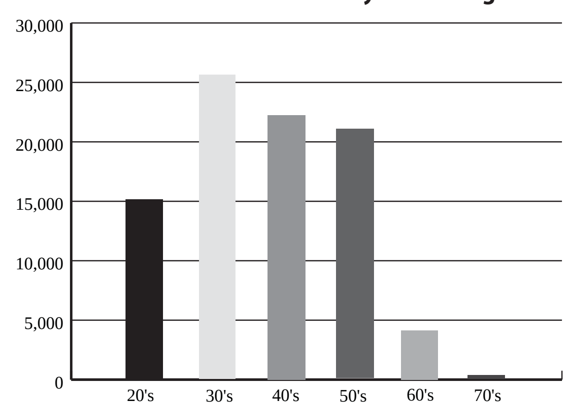
Note: Nine members eligible for retirement died during the year. These are reflected as deaths on this schedule, but as new retirees on page 114.

2007-2008 PSRS Members by Annual Salary

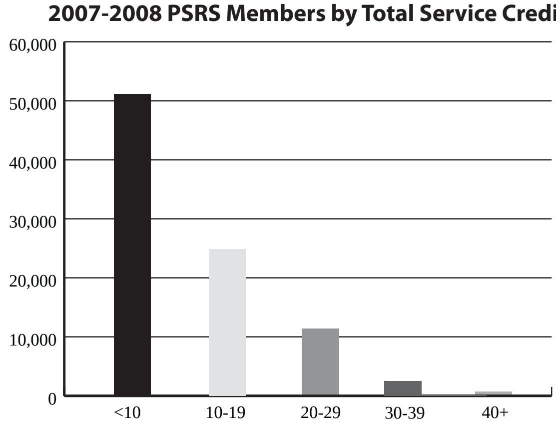


(Dollar amounts in thousands)

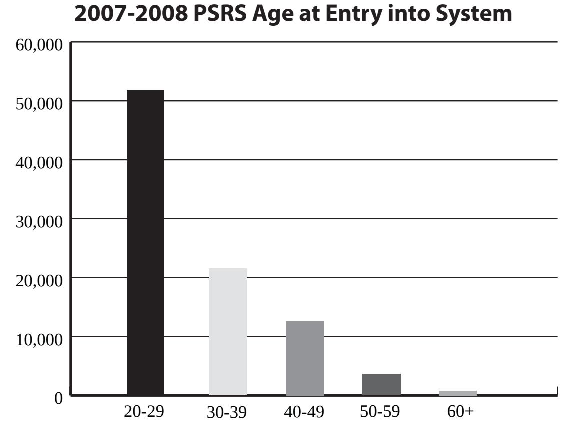
2007-2008 PSRS Members by Current Age



2007-2008 PSRS Members by Total Service Credit



2007-2008 PSRS Age at Entry into System

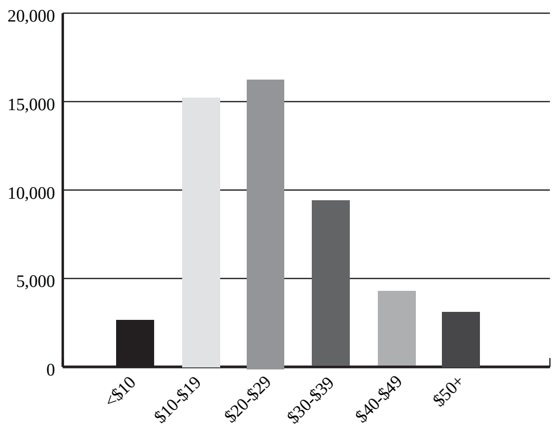


PEERS Summary of Changes in Membership During 2007-2008

		Male	Female	Total
Membership, July 1, 2007		16,204	50,491	66,695
New members added		2,463	6,098	8,561
Less:	Service retirements	347	895	1,242
	Disability retirements	13	33	46
	Withdrawals	1,413	3,739	5,152
	Deaths	100	79	179
	Memberships terminated	345	708	1,053
	Other	43	53	96
		2,261	5,507	7,768
Net change in membership 2007-2008		202	591	793
Membership June 30, 2008		16,406	51,082	67,488

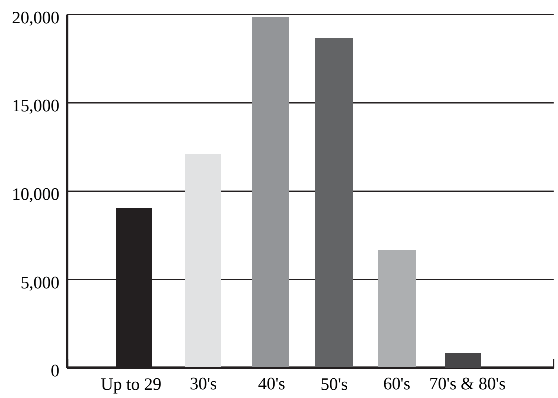
Note: Three members eligible for retirement died during the year. These are reflected as deaths on this schedule, but as new retirees on page 115.

2007-2008 PEERS Members by Annual Salary

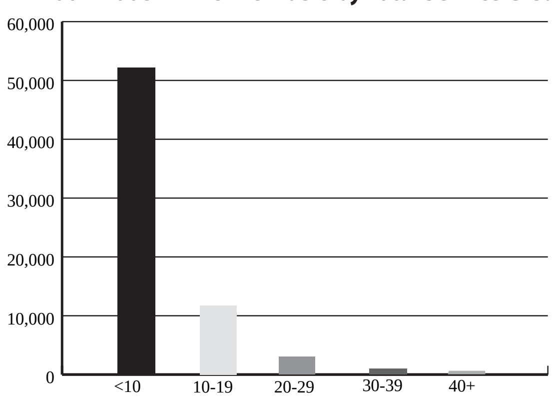


(Dollar amounts in thousands)

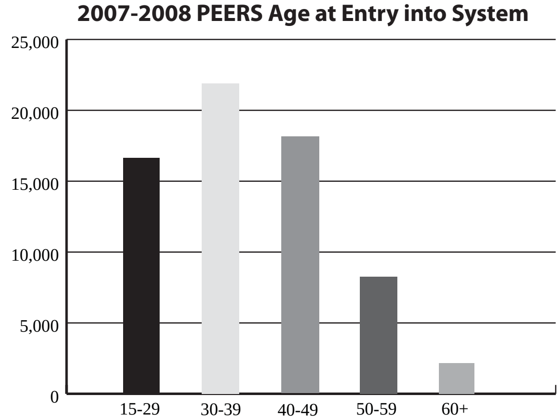
2007-2008 PEERS Members by Current Age



2007-2008 PEERS Members by Total Service Credit

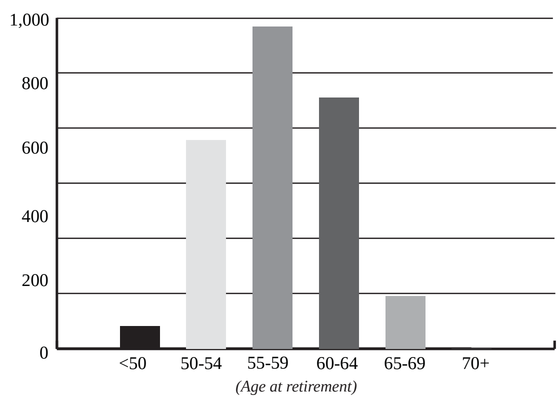


2007-2008 PEERS Age at Entry into System

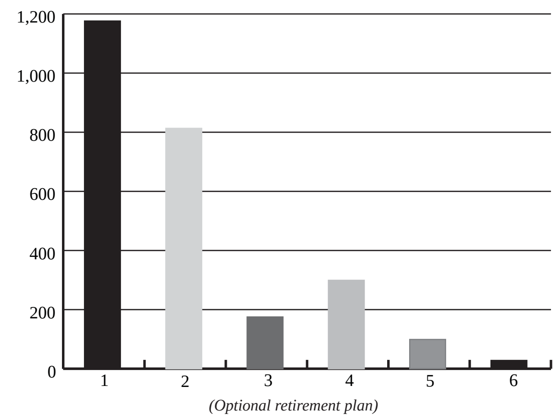


	Service Retirees	Disability Retirees	Beneficiaries
Retirees July 1, 2007	36,257	683	2,888
Added during the year	2,590	44	287
Died during the year	(784)	(36)	(121)
Other	(18)	0	(52)
Retirees June 30, 2008	38,045	691	3,002

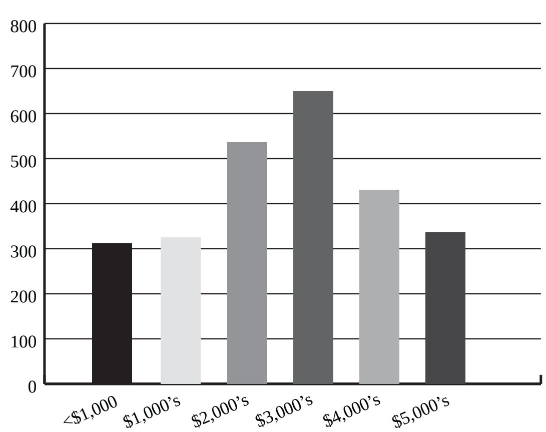
2007-2008 New Service Retirees by Age at Retirement



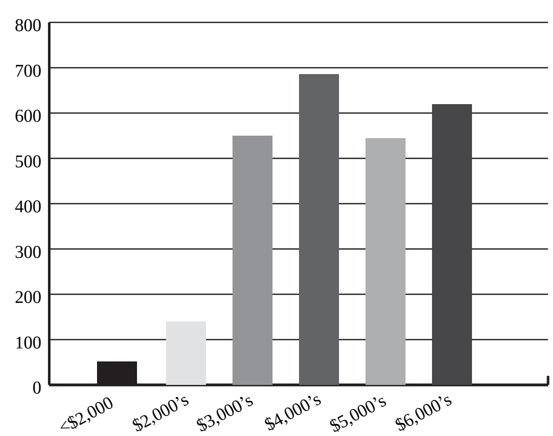
2007-2008 New Service Retirees by Retirement Plan Option



2007-2008 New Service Retirees by Single Life Benefit Amount

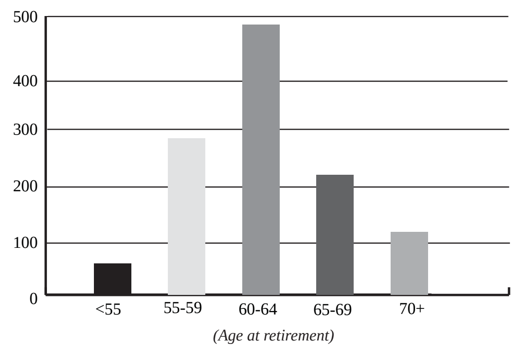


2007-2008 New Service Retirees by Final Average Monthly Salary

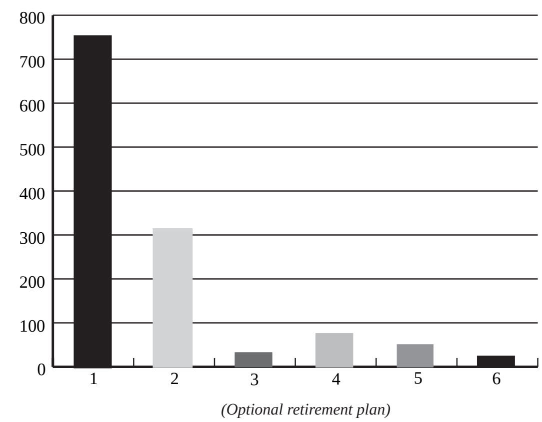


	Service Retirees	Disability Retirees	Beneficiaries
Retirees July 1, 2007	16,009	489	1,041
Added during the year	1,245	46	99
Died during the year	(542)	(21)	(57)
Other	(16)	0	(5)
Retirees June 30, 2008	16,696	514	1,078

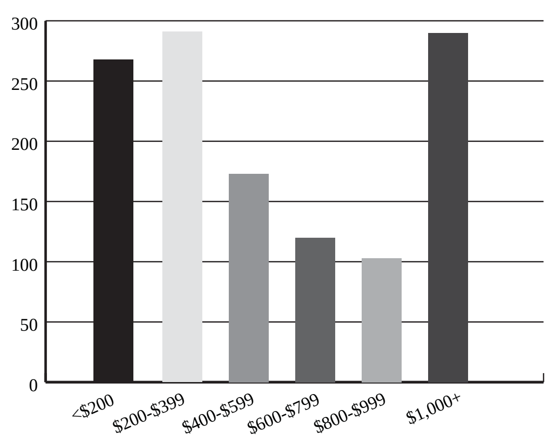
2007-2008 New Service Retirees by Age at Retirement



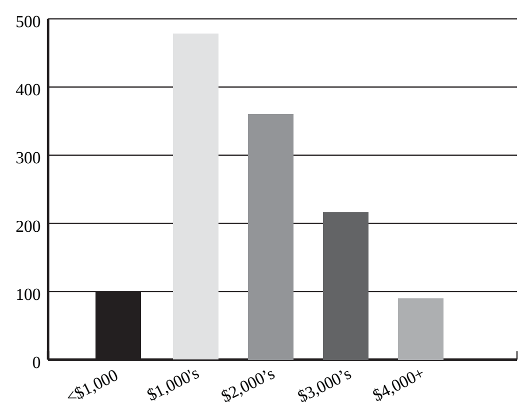
2007-2008 New Service Retirees by Retirement Plan Option



2007-2008 New Service Retirees by Single Life Benefit Amount



2007-2008 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+**
2007-2008								
Average monthly benefit	$ 612	$ 1,079	$ 1,876	$ 2,765	$ 3,453	$ 4,410	$ 6,124	$ 6,515
Average final average salary	$ 3,741	$ 3,792	$ 4,548	$ 4,935	$ 5,159	$ 5,494	$ 6,607	$ 6,515
Number of retirees	226	197	200	406	646	798	105	12
2006-2007								
Average monthly benefit	$ 614	$ 1,010	$ 1,772	$ 2,748	$ 3,283	$ 4,322	$ 6,145	$ 5,826
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

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.

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+
2007-2008						
Average monthly benefit	$ 187	$ 382	$ 655	$ 966	$ 1,274	$ 1,605
Average final average salary	$ 1,741	$ 2,070	$ 2,451	$ 2,724	$ 2,930	$ 2,969
Number of retirees	363	262	142	229	155	94
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

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

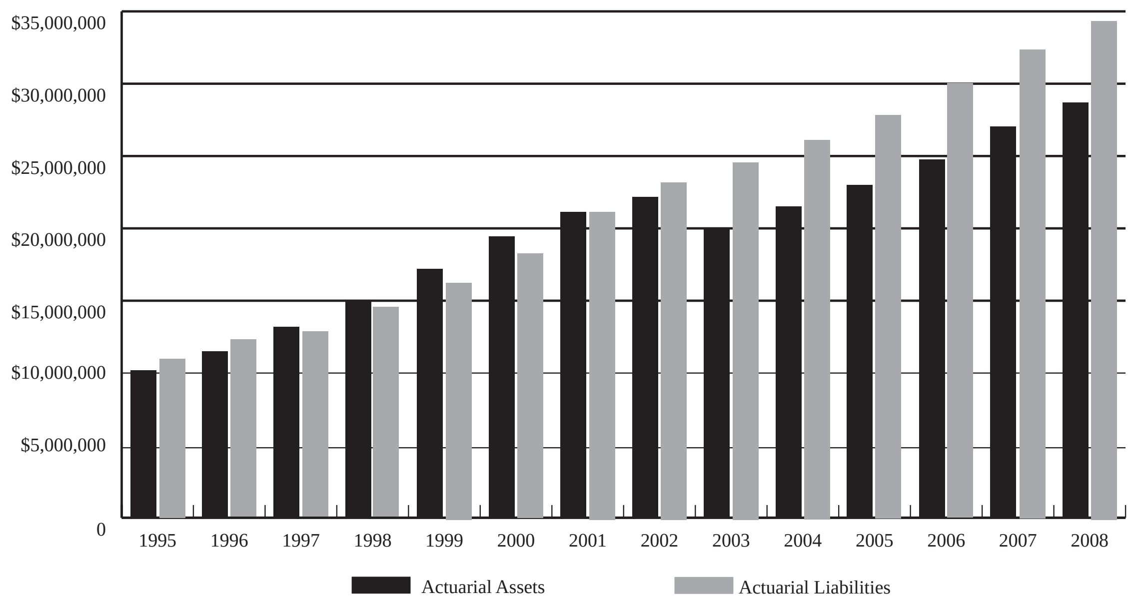
(1) Column to the left covers those with 10 to 19.9 years of service.

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

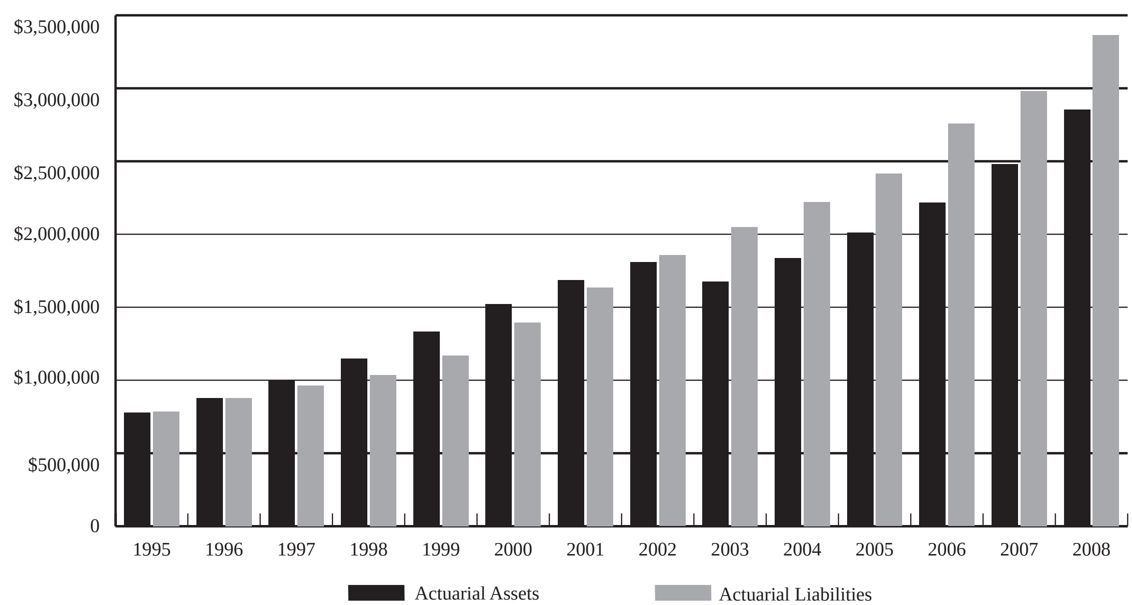
Comparisons of Actuarial Assets and Total Actuarial Liabilities

STATISTICAL SECTION

PSRS
(Dollar amounts in thousands)

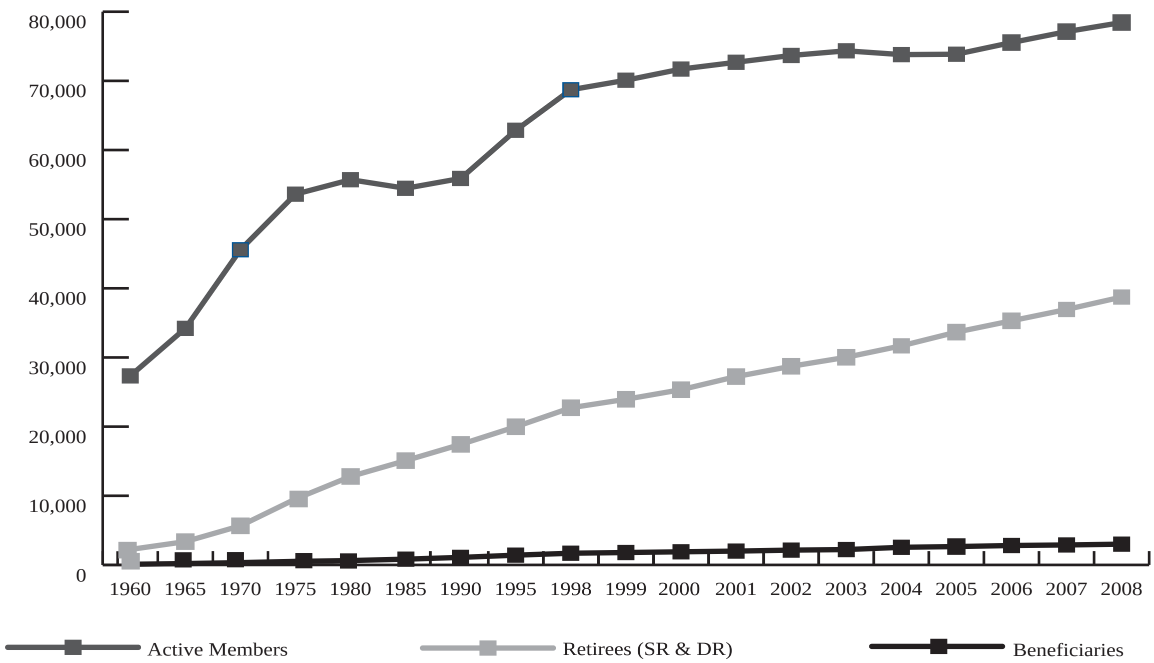


PEERS
(Dollar amounts in thousands)

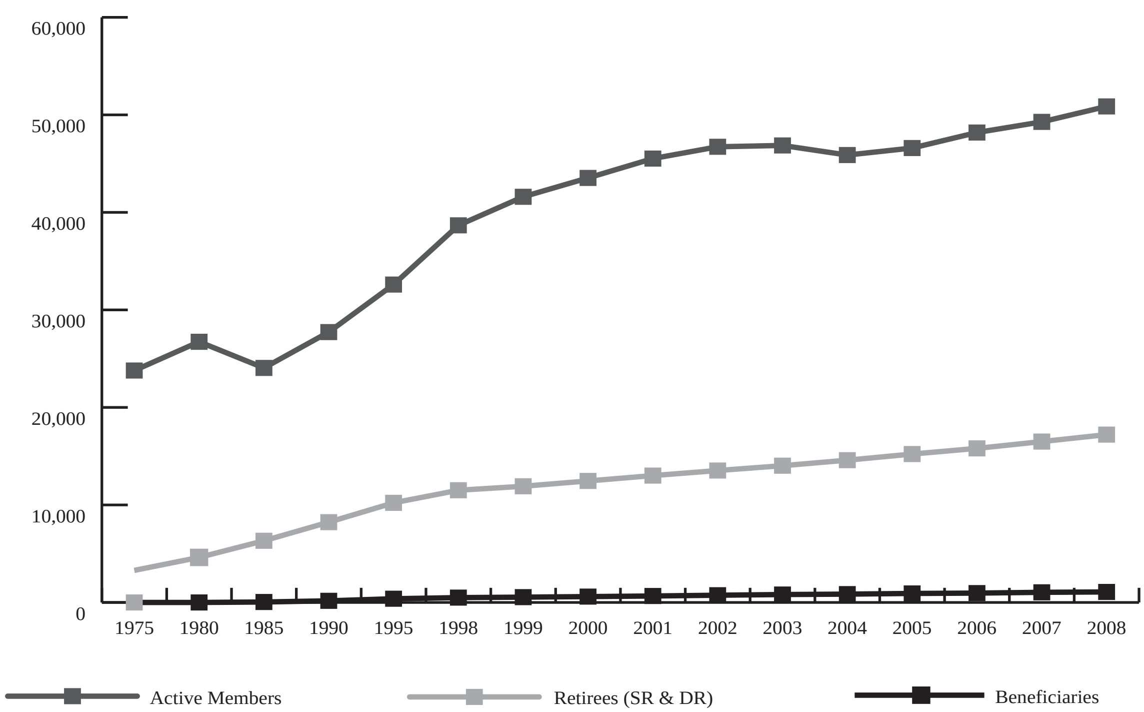


Note: Assets were marked to market as of June 30, 2003.

PSRS


80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
1960 1965 1970 1975 1980 1985 1990 1995 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008
Active Members
Retirees (SR & DR)
Beneficiaries

PEERS


60,000
50,000
40,000
30,000
20,000
10,000
0
1975 1980 1985 1990 1995 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008
Active Members
Retirees (SR & DR)
Beneficiaries

PSRS Schedule of Covered Employees for the 10 Years Ended June 30, 2008

District	2008 Covered Employees	2008 Percentage of Total
Special School District - St. Louis	2,913	4%
Springfield R-XII Schools	2,037	3%
Rockwood R-VI Schools	1,773	2%
Columbia Public Schools	1,626	2%
Parkway C-2 Schools	1,589	2%
North Kansas City Schools	1,517	2%
Hazelwood R-I Schools	1,639	2%
Francis Howell R-III Schools	1,468	2%
Ft. Zumwalt R-II Schools	1,395	2%
Lee's Summit R-VII Schools	1,337	2%
All Others	62,964	76%
Total - 543 Employers	80,258	100%

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

District	2005 Covered Employees	2005 Percentage of Total	2004 Covered Employees	2004 Percentage of Total
Special School District - St. Louis	2,771	4%	2,799	4%
Springfield R-XII Schools	1,914	3%	1,902	2%
Rockwood R-VI Schools	1,690	2%	1,768	2%
Columbia Public Schools	1,490	2%	1,500	2%
Parkway C-2 Schools	1,575	2%	1,700	2%
North Kansas City Schools	1,430	2%	1,494	2%
Hazelwood R-I Schools	1,486	2%	1,451	2%
Francis Howell R-III Schools	1,397	2%	1,464	2%
Ft. Zumwalt R-II Schools	1,270	2%	1,259	2%
Lee's Summit R-VII Schools	1,179	2%	1,178	2%
All Others	59,427	77%	60,407	78%
Total - 545 Employers	75,629	100%	76,922	100%

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

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

District	1999 Covered Employees	1999 Percentage of Total
Special School District - St. Louis	2,316	3%
Springfield R-XII Schools	2,002	3%
Rockwood R-VI Schools	1,523	2%
Columbia Public Schools	1,376	2%
Parkway C-2 Schools	1,725	2%
North Kansas City Schools	1,334	2%
Hazelwood R-I Schools	1,370	2%
Francis Howell R-III Schools	1,512	2%
Ft. Zumwalt R-II Schools	987	1%
Lee's Summit R-VII Schools	993	1%
All Others	56,887	80%
Total - 545 Employers	72,025	100%

PEERS Schedule of Covered Employees for the 10 Years Ended June 30, 2008

District	2008 Covered Employees	2008 Percentage of Total
Special School District - St. Louis	2,619	5%
Springfield R-XII Schools	1,464	3%
Rockwood R-VI Schools	1,241	2%
Lee's Summit R-VII Schools	1,203	2%
North Kansas City Schools	1,213	2%
Parkway C-2 Schools	1,106	2%
Ft. Zumwalt R-II Schools	1,131	2%
Columbia Public Schools	1,026	2%
Independence Public Schools	1,058	2%
Hazelwood R-I Schools	1,017	2%
All Others	39,715	75%
Total - 536 Employers	52,793	100%

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

District	2005 Covered Employees	2005 Percentage of Total	2004 Covered Employees	2004 Percentage of Total
Special School District - St. Louis	2,467	5%	2,129	4%
Springfield R-XII Schools	1,328	3%	1,333	3%
Rockwood R-VI Schools	1,213	2%	1,230	3%
Lee's Summit R-VII Schools	1,072	2%	984	2%
North Kansas City Schools	1,117	2%	1,132	2%
Parkway C-2 Schools	1,070	2%	1,145	2%
Ft. Zumwalt R-II Schools	968	2%	952	2%
Columbia Public Schools	957	2%	942	2%
Independence Public Schools	910	2%	939	2%
Hazelwood R-I Schools	912	2%	907	2%
All Others	36,634	76%	36,473	76%
Total - 536 Employers	48,648	100%	48,166	100%

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

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

	1999	
District	**Covered Employees**	**Percentage of Total**
Special School District - St. Louis	1,792	4%
Springfield R-XII Schools	1,254	3%
Rockwood R-VI Schools	1,071	3%
Lee's Summit R-VII Schools	672	2%
North Kansas City Schools	897	2%
Parkway C-2 Schools	1,080	3%
Ft. Zumwalt R-II Schools	515	1%
Columbia Public Schools	830	2%
Independence Public Schools	843	2%
Hazelwood R-I Schools	834	2%
All Others	30,947	76%
Total - 536 Employers	40,735	100%

FOR MORE INFORMATION ON
THE PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI AND/OR
THE PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF
MISSOURI, WRITE OR CALL:

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Toll Free: (800) 392-6848
Fax: (573) 634-5375
Email: member_services@psrsmo.org

Web site: **www.psrs-peers**.*org*

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Web site: **www.psrs-peers**.*org*

Comprehensive Annual Financial Report for the Year Ended June 30, 2008

The Board of Trustees, Management and Staff of the Public School and Public Education Employee Retirement Systems of Missouri would like to express our sincere thanks to all member districts who submitted photographs for inclusion in this Annual Report.

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