

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2010



Source of retirement security for Missouri public school employees since 1946.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2010

M. Steve Yoakum, Executive Director

Prepared by:

PSRS/PEERS Staff

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www.psr-peers.org



Source of retirement security for Missouri public school employees since 1946.

MISSION STATEMENT

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

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

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

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

MISSION STATEMENT PRINCIPLES

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

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BOARD OF TRUSTEES



Dr. Aaron Zalis, Chair
Elected PSRS Member



Wayne Wheeler, Vice Chair
Appointed Retired Member



Donald Cupps, J.D.
Appointed Member



Yvonne Heath
Elected PSRS Member



Jason Hoffman
Elected PEERS Member



Scott Hunt
Appointed Member



Susan McClintic
Elected PSRS Member

TRANSMITTAL LETTER



December 17, 2010

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

We are pleased to present the *Comprehensive Annual Financial Report (CAFR)* 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, 2010. 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, 2010.

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 U.S. generally accepted accounting principles (GAAP) within the guidelines established by the Governmental Accounting Standards Board (GASB). A system of internal controls is in place to help monitor and safeguard assets and promote efficient operations. As in all internal control environments, there are known, inherent limitations. The Systems' internal controls have been designed to reduce, though not eliminate, such inherent risks. An independent certified public accounting firm selected by the Board of Trustees performs a financial audit each year. In addition, the Systems employ an internal auditor who performs operational reviews to ensure that the internal controls are functioning effectively.

Please refer to the Management's Discussion and Analysis on pages 20 through 25 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 13.0% for the Public School Retirement System (PSRS) and 12.7% for the Public Education Employee Retirement System (PEERS). The investment returns exceeded both the total plan policy benchmark of 11.3% and the actuarial assumption of 8.0%. Thus, the PSRS/PEERS internal investment staff and external investment managers added value above the policy benchmark of over \$325 million for the year, net of all fees and expenses. In comparison to other public funds, the PSRS and PEERS investment returns for fiscal year 2010 were above the median. The Systems generated the investment returns while taking less risk than 70% of the universe of public funds.

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

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

TRANSMITTAL LETTER

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 monitor and update the strategy annually to maximize risk-adjusted returns. During 2010, the staff continued to work towards implementation of several longer-term asset classes such as hedged assets and private assets.

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

Funding Status and Valuation Results

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 pre-funded percentage. As of June 30, 2010, PSRS was 77.7% pre-funded, while PEERS was 79.1% pre-funded. This is a slight decrease from the June 30, 2009 pre-funded ratios of 79.9% for PSRS and 80.7% 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 2010 return above 8% was recognized as of June 30, 2010.

Each year, as part of the annual actuarial valuation, an annual required contribution (ARC) rate is calculated which is sufficient to fund the normal costs of the plans plus amortize the unfunded actuarial accrued liabilities over a 30-year period. The Board of Trustees then sets the contribution rates in accordance with the 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 ARC rates as determined by the actuary. For fiscal year 2012, PEERS will be collecting the ARC rate determined by the actuary and did not require the full 0.5% increase allowed by statute. The ARC rates determined by the actuary and the rates set by the Board of Trustees are detailed below for fiscal years 2010 through 2012.

	PSRS	PEERS
2010 ARC	28.45%	13.29%
2010 Maximum Rate per State Statute	27.00%	13.00%
2010 Rate set by Board	27.00%	13.00%
2011 ARC	30.11%	13.26%
2011 Maximum Rate per State Statute	28.00%	13.50%
2011 Rate set by Board	28.00%	13.26%
2012 ARC	31.34%	13.72%
2012 Maximum Rate per State Statute	29.00%	13.76%
2012 Rate set by Board	29.00%	13.72%

Legislative Changes During 2009-2010

No legislation was passed in 2009-2010 that directly affected 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, 2009. 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

TRANSMITTAL LETTER

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

PSRS and PEERS each received the Public Pension Standards Award in 2010 in recognition of meeting professional standards for plan administration as set forth in the Public Pension Standards of the PPCC. PEERS also received an award in recognition of meeting professional standards for plan funding. These awards are 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

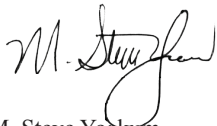
Certain professional services are provided to the Systems by retained consultants. The required opinion letters from two of those consultants, PricewaterhouseCoopers, LLC, actuaries, and Williams Keepers LLC, independent certified public accountants, are contained elsewhere in this report.

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

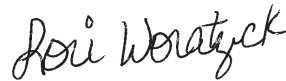
Acknowledgements

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Public School and Education
Employee Retirement Systems
of Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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

PSRS PUBLIC PENSION STANDARDS AWARD



Public Pension Coordinating Council

***Recognition Award for Administration
2010***

Presented to

Public School Retirement System of Missouri

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

Presented by the Public Pension Coordinating Council, a confederation of

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

A handwritten signature in black ink that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

PEERS PUBLIC PENSION STANDARDS AWARD



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2010***

Presented to

***Public Education Employee 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)

A handwritten signature in black ink, appearing to read 'Alan H. Winkle'.

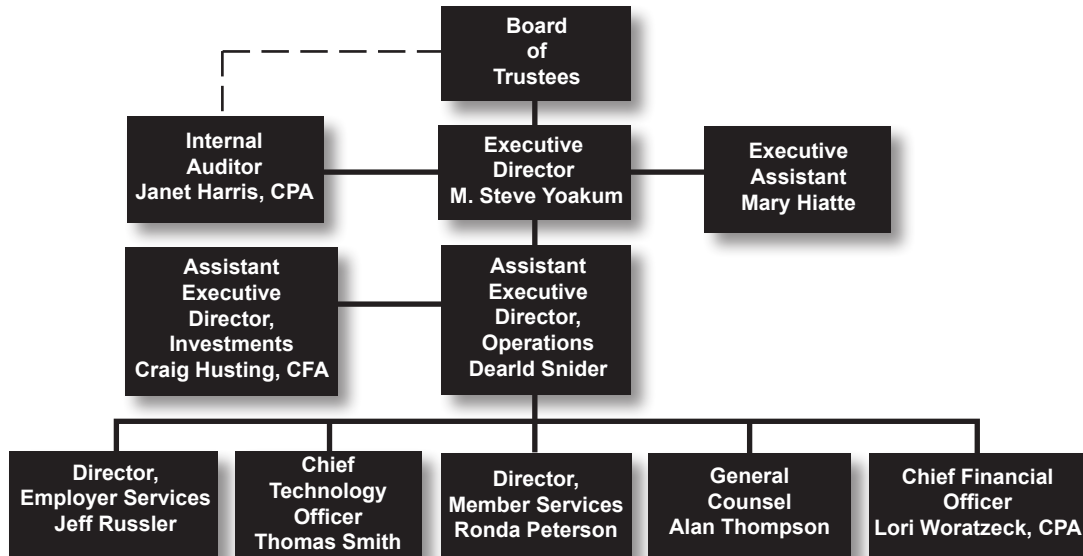
Alan H. Winkle
Program Administrator

ADMINISTRATIVE ORGANIZATION

June 30, 2010



From left to right: Thomas Smith, Lori Woratzeck, Paul Shadwick, Janet Harris, Craig Husting, Steve Yoakum, Dearld Snider, Ronda Peterson, Alan Thompson, Mary Hiatte and Jeff Russler.



PROFESSIONAL SERVICES

June 30, 2010

ACTUARIES

PricewaterhouseCoopers, LLC
Actuaries and Consultants
Sheldon Gamzon, FSA, MAAA
Brandon Robertson, ASA, MAAA
Chicago, Illinois

AUDITOR

Williams Keepers, LLC
Heidi A. Chick, CPA
Amanda Gaither, CPA
Columbia, Missouri

TECHNOLOGY CONSULTANTS

Contingency Now
Dan Esser
Sherman Oaks, California

Hanshew Consulting
Jon Hanshew
Oakland, California

Huber & Associates
James Huber
Jefferson City, Missouri

L.R. Wechsler, Ltd.
Ben Lott
William Morrow
Fairfax, Virginia

Linea Solutions
Akio Tagawa
Los Angeles, California

Mitten Software, Inc.
Jim Morgan
Long Lake, Minnesota

Rose International
Terri Elder
Jefferson City, Missouri

Sagitec Solutions, LLC
Rod Sheppard
John Finnegan
Roseville, Minnesota

TowerWall, Inc.
Michelle Drolet
Holliston, Massachusetts

Towner Communication Systems
Mark Towner
Jefferson City, Missouri

INSURANCE CONSULTANTS

Charlesworth & Associates
Bob Charlesworth
Overland Park, Kansas

Wallstreet Insurance Group
Lee Wilbers
Jefferson City, Missouri

OTHER CONSULTANTS

Cortex
Dr. John Por
Toronto, Ontario

LEGAL COUNSEL

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

Thompson Coburn, LLP
Allen Allred
St. Louis, Missouri

LEGISLATIVE CONSULTANT

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

MEDICAL ADVISOR

Andrew Matera, M.D.
Columbia, Missouri

Investment Management, Custodial and Consulting fees can be found in the Schedule of Investment Expenses on Pages 90 and 91. Additional information on Investment Managers can also be found in the Investment Section of this report.

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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, 2010, 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 audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 audits provide 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, 2010, and the changes in plan net assets for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 20 through 25 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 22, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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, 2010. 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, 2010 were \$26.2 billion. The net assets increased by \$2.5 billion from June 30, 2009. This increase was directly related to investment market recoveries experienced during the fiscal year. The Systems' portfolios were well positioned to take advantage of the positive market shifts, which resulted in a significant increase in the fair value of investments.

The overall investment return was 13.0% for the Public School Retirement System (PSRS) and 12.7% for the Public Education Employee Retirement System (PEERS). The Systems' investment asset allocation and strategic initiatives provided returns that significantly exceeded our assumed rate of return of 8%. Additionally, the overall investment return of the Systems significantly outperformed the Systems' benchmark returns and the median return of large institutional pension funds. The Systems' internal investment staff and external investment managers added value above the policy benchmark in each major asset category.

The Systems' funding objective is to meet long-term benefit obligations through the accumulation of contributions and investment income. This funding is to 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, 2010, the funded ratios were 77.7% for PSRS and 79.1% for PEERS. As of June 30, 2009, the funded ratios were 79.9% for PSRS and 80.7% for PEERS. To arrive at the actuarial value of assets as of June 30, 2010 and 2009, 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 2010 were comprised of contribution revenue of \$1.4 billion and investment gains of \$3.0 billion, compared to contribution revenue of \$1.3 billion and investment losses of \$5.8 billion for fiscal year 2009.

Expenses increased 4.9% over the prior year from \$1.86 billion to \$1.95 billion. Service retirement benefits increased by \$102.8 million from \$1.6 billion in fiscal year 2009 to \$1.7

billion in fiscal year 2010. Another \$55.1 million was paid to retirees electing the Partial Lump Sum Option (PLSO). This cost decreased by \$22.6 million from the \$77.7 million paid during fiscal year 2009. 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 Single Life (Option 1) 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 26) 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 27) 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 28 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

contributions of employers and the actual contributions made by employers.

The Schedule of Funding Progress (page 48) includes 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.

The Schedule of Employer Contributions (page 48) presents historical trend information about the annual required contributions of the employer and the actual employer contributions made for the defined benefit OPEB plan.

The Schedule of Percentage of Other Post Employment Benefit (OPEB) Cost Contributed (page 48) presents historical trend information about the annual OPEB costs and the actual contributions made for the defined benefit OPEB plan.

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 Services (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 Statement of Changes in Plan Net Assets.

Financial Analysis of the Public School Retirement System

The Public School Retirement System (PSRS) is a mandatory cost-sharing multiple employer retirement system for full-time certificated employees and certain part-time employees of participating employers. PSRS members were required to contribute 13.5% of their annual covered salary during 2010. 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, 2010 were \$27.6 billion and were mostly comprised of cash, investments, and contributions due from employers. Total assets increased by \$2.4 billion or 9.5% from the prior year due to investment gains.

Liabilities

Total liabilities as of June 30, 2010, were \$3.9 billion and were mostly comprised of payables from the purchase of investments and obligations under security lending arrangements. Total liabilities increased by \$0.2 billion from the prior year.

Net Assets

System assets exceeded liabilities at June 30, 2010, by \$23.8 billion. This was up from 2009 net assets of \$21.6 billion by \$2.2 billion. This increase was a result of investment earnings that totaled \$2.7 billion for the year offset by benefit payments and other expenses which exceeded contribution revenue by \$0.5 billion. This trend is a natural progression in a mature defined benefit plan.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	2010	2009	Change
Cash & investments	\$ 25,018,498	\$ 22,564,548	\$ 2,453,950
Receivables	2,575,364	2,640,432	(65,068)
Other	13,354	12,442	912
Total assets	27,607,216	25,217,422	2,389,794
Total liabilities	3,851,475	3,628,245	223,230
Plan net assets	\$ 23,755,741	\$ 21,589,177	\$ 2,166,564

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

	2010	2009	Change
Additions			
Member contributions	\$ 636,633	\$ 599,582	\$ 37,051
Employer contributions	594,326	563,454	30,872
Investment income (loss)	2,723,032	(5,301,374)	8,024,406
Other	867	627	240
Total additions (reductions)	3,954,858	(4,137,711)	8,092,569
Deductions			
Monthly benefits	1,729,704	1,651,608	78,096
Refunds of contributions	48,160	46,408	1,752
Administrative expenses	10,026	10,122	(96)
Other	404	13	391
Total deductions	1,788,294	1,708,151	80,143
Change in plan net assets	\$ 2,166,564	\$ (5,845,862)	\$ 8,012,426

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$67.9 million to \$1.2 billion. This was a 5.8% increase over the prior year. Retirement contributions were calculated at 13.5% of retirement salary for each member during fiscal year 2010. The employer matched this amount. Contribution rate increases accounted for 3.8% 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 \$6.6 million or 16.3%. The remainder of the increase in contributions is attributed to increased salaries and health care benefits.

The net investment gain was \$2.7 billion as compared to a net investment loss of \$5.3 billion in 2009. 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 2010 were \$1.8 billion, an increase of 4.7% over fiscal year 2009.

Benefit expenses increased by \$78.1 million. This was a result of cost-of-living increases applied to the benefits of current retirees and the addition of 2,433 new service and disability retirees. There were no changes to the benefit formula during 2010. Refunds of contributions increased by \$1.8 million to \$48.2 million.

Administrative expenses decreased by \$0.1 million to \$10.0 million. This was a 1.0% decrease, which is attributable to a variety of factors including: increased depreciation expense related to newly completed information technology projects that was offset by not providing a merit or COLA salary increase for staff members, decreases in external legal fees, printing and postage costs and computer consultants. The cost of these items was charged 61% to PSRS and 39% to PEERS, unless the expense was determined to be of direct benefit to only one system. In such instance, the allocation of expense was 100% to the benefited system. 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 6.5% of their annual covered salary during 2010. The employer was required to match that amount. PEERS members also contribute to Social Security.

Assets

Total assets of PEERS as of June 30, 2010 were \$2.8 billion and were mostly comprised of cash, investments, and contributions due from employers. Total assets increased by \$0.3 billion or 13.6% from the prior year primarily due to investment gains.

Liabilities

Total liabilities as of June 30, 2010 were \$0.4 billion and were mostly comprised of payables from the purchase of investments and obligations under security lending arrangements. Total liabilities increased by \$46.5 million.

Net Assets

PEERS assets exceeded liabilities at the close of fiscal year 2010 by \$2.4 billion. This was up from 2009 net assets by \$0.3 billion. This increase was primarily the result of investment earnings that totaled \$0.3 billion during the year. Because PEERS is a much younger plan than PSRS, contribution revenues exceeded benefit payments and other expenses by \$29.6 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	2010	2009	Change
Cash & investments	\$ 2,554,127	\$ 2,231,072	\$ 323,055
Receivables	267,504	253,462	14,042
Other	121	-	121
Total assets	2,821,752	2,484,534	337,218
Total liabilities	417,328	370,861	46,467
Plan net assets	\$ 2,404,424	\$ 2,113,673	\$ 290,751

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

	2010	2009	Change
Additions			
Member contributions	\$ 95,924	\$ 89,427	\$ 6,497
Employer contributions	91,479	85,916	5,563
Investment income (loss)	261,135	(489,552)	750,687
Total additions (reductions)	448,538	(314,209)	762,747
Deductions			
Monthly benefits	135,796	126,667	9,129
Refunds of contributions	16,711	15,673	1,038
Administrative expenses	5,280	5,431	(151)
Other	-	9	(9)
Total deductions	157,787	147,780	10,007
Change in plan net assets	\$ 290,751	\$ (461,989)	\$ 752,740

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues – Additions to Plan Net Assets

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through investment earnings. Total contribution revenue for the year increased by \$12.0 million to \$187.4 million. This was a 6.9% increase over the prior year. Retirement contributions were calculated at 6.5% of retirement salary for each member during fiscal year 2010. The employer matched this amount. Contribution rate increases accounted for 4.0% 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 \$1.2 million or 32.4%. The remainder of the increase in contributions is attributed to increased salaries and health care benefits.

The net investment gain was \$261.1 million as compared to a net investment loss of \$490.0 million in 2009. 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 2010 were \$157.8 million, an increase of 6.8% over fiscal year 2009.

Benefit expenses increased by \$9.1 million. This was a result of cost-of-living increases applied to the benefits of current retirees and the addition of 1,451 new service and disability retirees. There were no changes to the benefit formula during 2010. Refunds of contributions increased by \$1.0 million to \$16.7 million.

Administrative expenses decreased by \$0.2 million to \$5.3 million. This was a 2.8% decrease. This decrease is attributable to a variety of factors including: increased depreciation expense related to newly completed information technology projects that was offset by not providing a merit or COLA salary increase for staff members, decreases in printing and postage costs and computer consultants. The cost of these items was charged 61% to PSRS and 39% to PEERS, unless the expense was determined to be of direct benefit to only one system. In such instance, the allocation of expense was 100% to the benefited system. 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. Our investment earnings significantly exceeded the 8% rate of return assumption in 2010. The long term return of the Systems remains above the 8% assumed rate of return. The current 25-year return of the Systems is 8.6%. The current fiscal year 2012 contribution rate recommended for PSRS is 29.0%, which is limited by state statute. The recommended rate is below the annual required contribution rate of 31.34%. The current contribution rate recommended for PEERS for fiscal year 2012 is equal to the annual required contribution rate of 13.72%. 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.

STATEMENTS OF PLAN NET ASSETS

As of June 30, 2010 with comparative totals for June 30, 2009

	PSRS	PEERS	Combined Totals	
			June 30, 2010	June 30, 2009
ASSETS				
Cash	\$ 66,485,830	\$ 12,840,334	\$ 79,326,164	\$ 38,224,633
Receivables				
Contributions	165,734,636	16,179,558	181,914,194	179,999,624
Accrued interest and dividends	200,889,746	21,890,085	222,779,831	231,444,816
Investment sales	2,207,873,715	229,410,169	2,437,283,884	2,481,686,021
Due from PEERS	676,848	-	676,848	525,465
Other	189,392	24,570	213,962	238,293
Total receivables	2,575,364,337	267,504,382	2,842,868,719	2,893,894,219
Investments, at fair value				
Public debt	7,144,678,106	771,033,871	7,915,711,977	7,642,916,083
U.S. equities	8,456,528,910	848,730,945	9,305,259,855	8,482,609,517
Global equities	4,314,486,979	444,315,826	4,758,802,805	4,258,756,564
Short-term investments	882,167,155	90,439,870	972,607,025	635,285,195
Private equity	1,678,834,134	137,909,311	1,816,743,445	1,207,593,446
Real estate	1,065,734,881	92,259,139	1,157,994,020	1,192,071,442
Total investments	23,542,430,165	2,384,688,962	25,927,119,127	23,419,232,247
Invested securities lending collateral	1,409,582,003	156,597,922	1,566,179,925	1,338,163,681
Prepaid expenses	1,678,511	120,658	1,799,169	138,328
Capital assets, net of accumulated depreciation	11,675,147	-	11,675,147	12,303,602
Total assets	27,607,215,993	2,821,752,258	30,428,968,251	27,701,956,710
LIABILITIES				
Accounts payable	13,872,161	1,656,117	15,528,278	14,617,324
Interest payable	153,321	96,870	250,191	417,389
Securities lending collateral	1,468,636,423	163,155,491	1,631,791,914	1,429,537,245
Investment purchases	2,367,710,681	251,058,867	2,618,769,548	2,552,435,326
Due to PSRS	-	676,848	676,848	525,465
Net other post-employment benefit obligation	327,660	218,440	546,100	363,000
Compensated absences	774,277	464,995	1,239,272	1,209,927
Total liabilities	3,851,474,523	417,327,628	4,268,802,151	3,999,105,676
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 23,755,741,470	\$ 2,404,424,630	\$ 26,160,166,100	\$ 23,702,851,034

See accompanying Notes to the Financial Statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS

For the year ended June 30, 2010 with comparative totals for June 30, 2009

	PSRS	PEERS	Combined Totals Year Ended	
			June 30, 2010	June 30, 2009
ADDITIONS (REDUCTIONS)				
Contributions				
Employer	\$ 594,326,122	\$ 91,478,725	\$ 685,804,847	\$ 649,370,049
Member	636,632,688	95,924,251	732,556,939	689,009,535
Total contributions	1,230,958,810	187,402,976	1,418,361,786	1,338,379,584
Investment income (loss)				
<i>From investing activities:</i>				
Net appreciation (depreciation) in fair value of investments	2,199,925,246	210,729,935	2,410,655,181	(6,126,766,786)
Interest from investments	252,787,216	26,634,629	279,421,845	169,164,656
Interest from bank deposits	46,681	2,998	49,679	105,693
Dividends	442,214,479	42,386,720	484,601,199	276,702,773
Total investment income (loss)	2,894,973,622	279,754,282	3,174,727,904	(5,680,793,664)
Less investment expenses	203,601,558	20,869,125	224,470,683	106,401,984
Net income (loss) from investing activities	2,691,372,064	258,885,157	2,950,257,221	(5,787,195,648)
<i>From security lending activities:</i>				
Security lending gross income	9,963,189	957,555	10,920,744	152,605,440
Net appreciation (depreciation) in fair value of security lending collateral pool	24,228,720	1,532,854	25,761,574	(91,373,564)
Less security lending activity expenses:				
Agent fees	696,362	66,802	763,164	9,225,192
Broker rebates	1,835,671	173,322	2,008,993	55,737,565
Total security lending expenses	2,532,033	240,124	2,772,157	64,962,757
Net income (loss) from security lending activity	31,659,876	2,250,285	33,910,161	(3,730,881)
Total net investment income (loss)	2,723,031,940	261,135,442	2,984,167,382	(5,790,926,529)
Other income				
PEERS capital asset charge	837,550	-	837,550	619,614
Miscellaneous income	29,474	284	29,758	8,427
Total other income	867,024	284	867,308	628,041
Total additions (reductions)	3,954,857,774	448,538,702	4,403,396,476	(4,451,918,904)
DEDUCTIONS				
Monthly benefits	1,729,704,028	135,796,464	1,865,500,492	1,778,274,393
Refunds of contributions	48,159,590	16,710,950	64,870,540	62,081,357
Administrative expenses	10,026,129	5,280,239	15,306,368	15,553,163
Other expenses	403,960	50	404,010	22,204
Total deductions	1,788,293,707	157,787,703	1,946,081,410	1,855,931,117
Net increase (decrease)	2,166,564,067	290,750,999	2,457,315,066	(6,307,850,021)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
Beginning of year	21,589,177,403	2,113,673,631	23,702,851,034	30,010,701,055
End of year	\$ 23,755,741,470	\$ 2,404,424,630	\$ 26,160,166,100	\$ 23,702,851,034

See accompanying Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2010 with comparative information for June 30, 2009

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 managed simultaneously 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 Single-Life (Option 1) 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 13.5% of their annual covered salary during 2009-2010 and 13.0% during 2008-2009. 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:

	2010	2009
Retirees and beneficiaries receiving benefits	45,467	43,746
Inactive members entitled to but not yet receiving benefits	6,380	6,515
Active members: Vested	57,833	56,117
Non-vested	21,423	23,218
Total active members	79,256	79,335
Other inactive members	4,779	5,055
Total	135,882	134,651

Employers – PSRS had 539 and 541 contributing employers during fiscal years 2010 and 2009, respectively.

NOTES TO THE FINANCIAL STATEMENTS

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 Single-Life (Option 1) 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 6.5% of their annual covered salary during 2009-2010 and 6.25% during 2008-2009. 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:

	2010	2009
Retirees and beneficiaries receiving benefits	20,071	19,151
Inactive members entitled to but not yet receiving benefits	4,546	4,586
Active members: Vested	28,123	26,778
Non-Vested	22,240	24,200
Total active members	50,363	50,978
Other inactive members	10,809	11,952
Total	85,789	86,667

Employers – PEERS had 535 contributing employers during fiscal years 2010 and 2009.

NOTES TO THE FINANCIAL STATEMENTS

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 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 reimburses PSRS for the use of capital assets used by the two Systems on a proportional basis. The amount of this reimbursement was \$837,550 in 2010 and \$619,614 in 2009.

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, 2010. 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, 2009, from which the information was derived.

Reclassification – Certain reclassifications have been made to the 2009 totals to conform with the classifications for 2010.

NOTES TO THE FINANCIAL STATEMENTS

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

	2010	2009
<i>Designated for Members' Contributions (Member Reserves) –</i> Accumulation of active and terminated member contributions plus interest.	\$ 6,506,803,573	\$ 6,299,067,123
<i>Designated for the Payment of Benefits to Present Retirees –</i> Transfers from Member Reserves at retirement and an actuarially determined transfer from Operating Reserves to fund the System's obligation for benefit payments and cost-of-living adjustments to current retirees and beneficiary recipients.	20,531,266,025	19,744,324,094
<i>Designated for Additional Deposit Annuities –</i> Accumulation of the additional deposits over and above the contributions required by law. Defined contribution annuity payments are made to current retirees from this reserve.	745,173	804,757
<i>Designated for Operating Expenses/Benefits to Future Retirees (Operating Reserves/Deficit) –</i> Accumulation of employer contributions and investment income used to fund future benefit payments, interest on member accounts and administration and maintenance expenses of the System.	(3,283,073,301)	(4,455,018,571)
Net Assets Held In Trust For Pension Benefits	\$ 23,755,741,470	\$ 21,589,177,403

PEERS

	2010	2009
<i>Designated for Members' Contributions (Member Reserves) –</i> Accumulation of active and terminated member contributions plus interest.	\$ 743,146,346	\$ 693,962,321
<i>Designated for the Payment of Benefits to Present Retirees –</i> Transfers from Member Reserves at retirement and an actuarially determined transfer from Operating Reserves to fund the System's obligation for benefit payments and cost-of-living adjustments to current retirees and beneficiary recipients.	1,392,753,371	1,305,024,978
<i>Designated for Operating Expenses/Benefits to Future Retirees (Operating Reserves) –</i> Accumulation of employer contributions and investment income used to fund future benefit payments, interest on member accounts and administration and maintenance expenses of the System.	268,524,913	114,686,332
Net Assets Held In Trust For Pension Benefits	\$ 2,404,424,630	\$ 2,113,673,631

NOTES TO THE FINANCIAL STATEMENTS

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, 2010, the PSRS carrying amount of deposits at the depository bank was \$7,432,407 and the bank balance was \$10,205,014. Of the bank balance, \$10,205,014 was covered by federal depository insurance. In addition the deposits were also collateralized with securities held by a third-party institution in the System’s name. An additional \$5,852,099 was held in overnight repurchase agreements with a book value of \$5,852,099.

At June 30, 2010, the PEERS carrying amount of deposits at the depository bank was (\$277,856) 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, 2010 was \$2,247,576 with a book value of \$2,247,576.

The following Agency securities were pledged as collateral for overnight repurchase agreements as of June 30, 2010:

PSRS

Agency	Maturity Date	Market Value
GLPC	04/25/21	\$ 3,268,743
GLPC	10/25/18	2,583,356
Total		<u>\$ 5,852,099</u>

PEERS

Agency	Maturity Date	Market Value
FNMA	09/29/15	\$ 951,793
FNMA	01/28/14	1,022,039
FHLMC	12/30/13	386,629
Total		<u>\$ 2,360,461</u>

The following Agency securities were pledged as collateral for overnight deposits as of June 30, 2010:

PSRS

Agency	Maturity Date	Market Value
GLPC	10/25/18	\$ 1,036,766
GLPC	03/25/35	3,095,185
FFCB	04/29/11	1,960,058
FHMV	06/30/20	4,900,000
MOT	12/01/24	494,566
MOT	12/01/23	247,104
Total		<u>\$ 11,733,679</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

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, 2010, 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, 2010	<1 Year to Maturity	1 to 5 Years to Maturity	6 to 10 Years to Maturity	over 10 Years to Maturity
U.S. treasuries	\$ 4,482,098,129	\$ 152,063,753	\$ 2,460,423,080	\$ 1,489,636,296	\$ 379,975,000
Government guaranteed mortgages	36,527,544	36,527,544	-	-	-
Agencies	139,437,564	35,595,715	816,866	7,813,341	95,211,642
Collateralized mortgage obligations	164,007,874	-	-	3,455,304	160,552,570
Asset backed securities	65,505,951	11,309,203	16,429,142	5,719,434	32,048,172
Corporate bonds	1,179,367,978	(869,557,535)	888,740,196	1,096,242,760	63,942,557
Sovereign	52,029,378	-	10,899,299	33,036,997	8,093,082
Municipals	18,927,729	394,136	-	-	18,533,593
Commingled Funds (see note)					
SSGA STIF	826,377,722	826,377,722	-	-	-
PIMCO Real Return	34,106,657	34,106,657	-	-	-
PIMCO Emerging Markets	64,756,886	64,756,886	-	-	-
PIMCO Emerging Markets Local Currency	19,424,898	19,424,898	-	-	-
Currency	181,727,755	181,727,755	-	-	-
Total	\$ 7,264,296,065	\$ 492,726,734	\$ 3,377,308,583	\$ 2,635,904,132	\$ 758,356,616
Percentage of total fixed income	100%	8%	46%	36%	10%

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.

NOTES TO THE FINANCIAL STATEMENTS

PEERS

Security Type	Market Value at June 30, 2010	<1 Year to Maturity	1 to 5 Years to Maturity	6 to 10 Years to Maturity	over 10 Years to Maturity
U.S. treasuries	\$ 461,225,865	\$ 14,293,222	\$ 258,165,983	\$ 149,314,720	\$ 39,451,940
Government guaranteed mortgages	6,414,121	4,841,354	-	-	1,572,767
Agencies	30,481,032	5,845,901	2,218,733	1,161,034	21,255,364
Collateralized mortgage obligations	21,413,430	-	-	101,606	21,311,824
Asset backed securities	7,949,783	575	2,650,347	1,763,228	3,535,633
Corporate bonds	132,553,396	(80,817,161)	91,951,458	113,771,983	7,647,116
Sovereign	6,490,048	-	2,008,947	3,090,673	1,390,428
Municipals	2,931,421	-	198,384	501,789	2,231,248
Commingled Funds (see note)					
SSGA STIF	92,250,905	92,250,905	-	-	-
PIMCO High-Yield Institutional Investors	504,821	504,821	-	-	-
PIMCO Real Return	4,425,409	4,425,409	-	-	-
PIMCO Emerging Markets	7,195,210	7,195,210	-	-	-
PIMCO Emerging Markets Local Currency	2,602,660	2,602,660	-	-	-
Currency	19,006,182	19,006,182	-	-	-
Total	\$ 795,444,283	\$ 70,149,078	\$ 357,193,852	\$ 269,705,033	\$ 98,396,320
Percentage of total fixed income	100%	9%	45%	34%	12%

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.

NOTES TO THE FINANCIAL STATEMENTS

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 do not include security lending collateral held in a pooled investment fund. The Systems' debt investments by credit rating category as of June 30, 2010 are presented in the following tables.

PSRS

Security Type	Market Value at June 30, 2010	%	AAA	AA	A	BBB	BB	B	CCC	CC	Not Rated
U.S. treasuries	\$ 4,482,098,129	62%	\$ 4,482,098,129	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Government guaranteed mortgages	36,527,544	1%	36,527,544	-	-	-	-	-	-	-	-
Agencies	139,437,564	2%	139,437,564	-	-	-	-	-	-	-	-
Collateralized mortgage obligations	164,007,874	2%	73,888,373	5,528,559	35,503,325	1,917,091	2,424,507	21,288,368	20,867,151	2,590,500	-
Asset backed securities	65,505,951	1%	38,243,998	2,715,074	14,851,182	1,790,403	340,636	1,125,215	454,605	5,970,098	14,740
Corporate bonds	1,179,367,978	17%	554,470,901	115,745,132	359,956,305	796,791,222	118,398,787	158,244,769	3,594,024	-	(927,833,162)
Sovereign	52,029,378	1%	10,385,549	1,036,250	804,536	22,321,511	17,029,372	452,160	-	-	-
Municipals	18,927,729	0%	741,670	7,448,866	5,424,078	5,313,115	-	-	-	-	-
Commingled Funds (see note)											
SSGA STIF	826,377,722	11%	826,377,722	-	-	-	-	-	-	-	-
PIMCO Real Return	34,106,657	0%	34,106,657	-	-	-	-	-	-	-	-
PIMCO Emerging Markets	64,756,886	1%	-	-	64,756,886	-	-	-	-	-	-
PIMCO Emerging Markets Local Currency	19,424,898	0%	-	19,424,898	-	-	-	-	-	-	-
Currency	181,727,755	2%	-	-	-	-	-	-	-	-	181,727,755
Total	\$ 7,264,296,065	100%	\$ 6,196,278,107	\$ 151,898,779	\$ 481,296,312	\$ 828,133,342	\$ 138,193,302	\$ 181,110,512	\$ 24,915,780	\$ 8,560,598	\$ (746,090,667)
Percentage of total fixed income	100%		85%	2%	7%	12%	2%	2%	0%	0%	-10%

PEERS

Security Type	Market Value at June 30, 2010	%	AAA	AA	A	BBB	BB	B	CCC	CC	Not Rated
U.S. treasuries	\$ 461,225,865	58%	\$ 461,225,865	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Government guaranteed mortgages	6,414,121	1%	6,414,121	-	-	-	-	-	-	-	-
Agencies	30,481,032	4%	30,481,032	-	-	-	-	-	-	-	-
Collateralized mortgage obligations	21,413,430	3%	11,121,849	602,892	3,741,373	402,591	496,329	1,249,838	3,490,370	308,188	-
Asset backed securities	7,949,783	1%	5,767,671	273,708	510,547	266,875	29,234	-	11,469	792,773	297,506
Corporate bonds	132,553,396	17%	57,443,872	14,849,658	40,981,783	85,786,502	10,879,142	10,236,014	186,500	-	(87,810,075)
Sovereign	6,490,048	1%	1,168,197	456,062	100,567	2,505,023	2,260,199	-	-	-	-
Municipals	2,931,421	0%	602,384	1,049,022	787,517	492,498	-	-	-	-	-
Commingled Funds (see note)											
SSGA STIF	92,250,905	11%	92,250,905	-	-	-	-	-	-	-	-
PIMCO High Yield Institutional Investors	504,821	0%	-	-	-	-	-	504,821	-	-	-
PIMCO Real Return	4,425,409	1%	4,425,409	-	-	-	-	-	-	-	-
PIMCO Emerging Markets	7,195,210	1%	-	-	7,195,210	-	-	-	-	-	-
PIMCO Emerging Markets Local Currency	2,602,660	0%	-	2,602,660	-	-	-	-	-	-	-
Currency	19,006,182	2%	-	-	-	-	-	-	-	-	19,006,182
Total	\$ 795,444,283	100%	\$ 670,901,305	\$ 19,834,002	\$ 53,316,997	\$ 89,453,489	\$ 13,664,904	\$ 11,990,673	\$ 3,688,339	\$ 1,100,961	\$ (68,506,387)
Percentage of total fixed income	100%		84%	2%	7%	11%	2%	2%	1%	0%	-9%

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.

NOTES TO THE FINANCIAL STATEMENTS

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 as of June 30, 2010 is presented on the following tables.

PSRS

Currency	Debt	Equity	Currency/ Short Term	Total
Australian Dollar	\$ 202,322	\$ 84,070,018	\$ 610,474	\$ 84,882,814
Brazilian Real	5,996,937	42,482,749	951,793	49,431,479
Canadian Dollar	9,381,519	141,514,593	1,135,903	152,032,015
Colombian Peso	2,817,104	-	-	2,817,104
Czech Koruna	-	6,611,248	154,595	6,765,843
Danish Krone	-	36,950,029	561,658	37,511,687
Euro Currency	51,935,957	814,040,732	3,577,317	869,554,006
Hong Kong Dollar	-	153,937,068	1,358,295	155,295,363
Hungarian Forint	-	2,963,008	96,221	3,059,229
Indian Rupee	-	58,058,408	1,649,115	59,707,523
Indonesian Rupiah	-	18,829,555	168,245	18,997,800
Israeli Shekel	-	198,918	73,782	272,700
Japanese Yen	-	444,815,341	5,729,568	450,544,909
Malaysian Ringgit	-	1,370,559	31,567	1,402,126
Mexican Peso	306,870	8,842,175	126,611	9,275,656
New Bulgaria Lev	-	795,813	-	795,813
New Romanian Leu	-	-	21	21
New Taiwan Dollar	-	55,514,274	6,332,136	61,846,410
New Turkish Lira	-	7,839,118	73,545	7,912,663
New Zealand Dollar	-	730,430	52,408	782,838
Norwegian Krone	-	8,178,800	134,820	8,313,620
Pakistan Rupee	-	1,729,168	17,746	1,746,914
Philippine Peso	-	-	8,087	8,087
Polish Zloty	-	12,259,331	269,811	12,529,142
Pound Sterling	21,189,951	498,026,948	3,394,350	522,611,249
Singapore Dollar	-	22,374,249	128,757	22,503,006
South African Rand	-	39,776,438	67,134	39,843,572
South Korean Won	(8,970)	76,852,043	247,680	77,090,753
Swedish Krona	1,883,618	67,320,075	266,250	69,469,943
Swiss Franc	-	220,992,771	284,430	221,277,201
Thailand Baht	-	11,517,375	203,791	11,721,166
Turkish Lira	-	24,219,404	505,076	24,724,480
Ukraine Hryvnia	-	1,682,033	4,344	1,686,377
	<u>\$ 93,705,308</u>	<u>\$ 2,864,492,671</u>	<u>\$ 28,215,530</u>	<u>\$ 2,986,413,509</u>

NOTES TO THE FINANCIAL STATEMENTS

PEERS

Currency	Debt	Equity	Currency/ Short Term	Total
Australian Dollar	\$ 47,242	\$ 9,469,406	\$ 60,281	\$ 9,576,929
Brazilian Real	544,554	4,169,136	72,913	4,786,603
Canadian Dollar	1,400,777	15,636,930	229,329	17,267,036
Colombian Peso	238,999	-	-	238,999
Czech Koruna	-	690,732	16,786	707,518
Danish Krone	-	4,037,171	25,943	4,063,114
Euro Currency	1,546,992	83,672,288	435,342	85,654,622
Hong Kong Dollar	-	15,828,430	143,810	15,972,240
Hungarian Forint	-	313,683	10,176	323,859
Indian Rupee	-	5,932,677	241,591	6,174,268
Indonesian Rupiah	-	1,912,163	15,230	1,927,393
Israeli Shekel	-	90,627	8,427	99,054
Japanese Yen	-	46,910,555	422,888	47,333,443
Malaysian Ringgit	-	137,012	-	137,012
Mexican Peso	31,950	922,632	16,586	971,168
New Bulgaria Lev	-	74,417	-	74,417
New Russian Ruble	-	-	(287)	(287)
New Taiwan Dollar	-	5,497,420	546,619	6,044,039
New Turkish Lira	-	750,818	6,873	757,691
New Zealand Dollar	-	76,464	6,751	83,215
Norwegian Krone	-	797,168	9,850	807,018
Pakistan Rupee	-	120,838	14,120	134,958
Philippine Peso	-	-	1,368	1,368
Polish Zloty	-	1,253,596	26,790	1,280,386
Pound Sterling	335,725	51,839,762	279,971	52,455,458
Singapore Dollar	-	2,221,365	19,949	2,241,314
South African Rand	-	4,287,431	6,010	4,293,441
South Korean Won	-	7,812,024	110,171	7,922,195
Swedish Krona	-	7,044,475	22,791	7,067,266
Swiss Franc	-	22,946,915	26,599	22,973,514
Thailand Baht	-	1,330,472	28,505	1,358,977
Turkish Lira	-	2,522,007	6,389	2,528,396
Ukraine Hryvnia	-	118,070	394	118,464
	<u>\$ 4,146,239</u>	<u>\$ 298,416,684</u>	<u>\$ 2,812,165</u>	<u>\$ 305,375,088</u>

NOTES TO THE FINANCIAL STATEMENTS

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. All derivatives are

considered investments. Derivatives are reported at fair value on the Statements of Plan Net Assets based on quoted market prices when available. In the instances that quoted market prices are unavailable, pricing is obtained via independent pricing sources.

The fair value balances and notional amounts of derivative instruments outstanding as of June 30, 2010, classified by type, and the changed in fair value of such derivative instruments for the year ended June 30, 2010 are as follows.

PSRS

Investment Derivatives	Changes in Fair Value		Fair Value at June 30, 2010		Notional
	Classification	Amount	Classification	Amount	
Swaps					
Receive-fixed interest rate swap	Net appreciation (depreciation) in fair value of investments	\$ 3,514,595	Investments, at fair value	\$ 3,514,595	\$ 159,500,000
Pay-fixed interest rate swap	Net appreciation (depreciation) in fair value of investments	(26,363,422)	Investments, at fair value	(26,363,422)	288,700,000
Credit default swaps	Net appreciation (depreciation) in fair value of investments	2,776,201	Investments, at fair value	2,776,201	232,186,789
Total return swaps - equity	Net appreciation (depreciation) in fair value of investments	927,455,028	Investments, at fair value	927,455,028	527,205
Total return swaps - fixed income	Net appreciation (depreciation) in fair value of investments	(927,455,028)	Investments, at fair value	(927,455,028)	993,991,273
Total swaps		(20,072,626)		(20,072,626)	1,674,905,267
Futures					
Equity futures	Net appreciation (depreciation) in fair value of investments	-	Investments, at fair value	-	339,150,716
Treasury futures	Net appreciation (depreciation) in fair value of investments	-	Investments, at fair value	-	76,418,477
Currency futures	Net appreciation (depreciation) in fair value of investments	-	Investments, at fair value	-	95,456,785
Commodity futures	Net appreciation (depreciation) in fair value of investments	-	Investments, at fair value	-	26,911,440
Total futures		-		-	537,937,418
Options					
Equity written call options	Net appreciation (depreciation) in fair value of investments	26,317	Investments, at fair value	(268,420)	788,300
Equity written put options	Net appreciation (depreciation) in fair value of investments	(115,307)	Investments, at fair value	37,436	188,270
Currency written put options	Net appreciation (depreciation) in fair value of investments	(46,843)	Investments, at fair value	(76,351)	3,400,000
Treasury futures written call options	Net appreciation (depreciation) in fair value of investments	(32,032)	Investments, at fair value	(43,281)	17,000
Treasury futures written put options	Net appreciation (depreciation) in fair value of investments	120,868	Investments, at fair value	(3,753)	905,500
Swaptions	Net appreciation (depreciation) in fair value of investments	(427,734)	Investments, at fair value	(1,709,696)	200,400,000
Total options		(474,731)		(2,064,065)	205,699,070
Foreign currency forwards	Net appreciation (depreciation) in fair value of investments	(212,502)	Investments, at fair value	1,593,989,620	1,578,481,629¹
TBA Mortgage Backed Securities	Net appreciation (depreciation) in fair value of investments	2,438,336	Investments, at fair value	55,938,336	53,500,000
Total Investment Derivatives		\$ (18,321,523)		\$ 1,627,791,265	\$ 4,050,523,384

¹Represents the USD base equivalent of the original contract.

NOTES TO THE FINANCIAL STATEMENTS

PEERS

Investment Derivatives	Changes in Fair Value		Fair Value at June 30, 2010		Notional
	Classification	Amount	Classification	Amount	
Swaps					
Receive-fixed interest rate swap	Net appreciation (depreciation) in fair value of investments	\$ 607,633	Investments, at fair value	\$ 607,633	\$ 22,100,000
Pay-fixed interest rate swap	Net appreciation (depreciation) in fair value of investments	(2,993,709)	Investments, at fair value	(2,993,709)	32,800,000
Credit default swaps	Net appreciation (depreciation) in fair value of investments	359,329	Investments, at fair value	359,329	22,564,249
Total return swaps - equity	Net appreciation (depreciation) in fair value of investments	(86,575,962)	Investments, at fair value	(86,575,962)	52,062
Total return swaps - fixed income	Net appreciation (depreciation) in fair value of investments	86,532,903	Investments, at fair value	86,532,903	93,818,568
Total swaps		(2,069,806)		(2,069,806)	171,334,879
Futures					
Equity futures	Net appreciation (depreciation) in fair value of investments	-	Investments, at fair value	-	39,947,667
Treasury futures	Net appreciation (depreciation) in fair value of investments	-	Investments, at fair value	-	8,415,711
Currency futures	Net appreciation (depreciation) in fair value of investments	-	Investments, at fair value	-	15,964,861
Commodity futures	Net appreciation (depreciation) in fair value of investments	-	Investments, at fair value	-	2,990,160
Total futures		-		-	67,318,399
Options					
Equity written call options	Net appreciation (depreciation) in fair value of investments	4,229	Investments, at fair value	(30,553)	89,000
Equity written put options	Net appreciation (depreciation) in fair value of investments	(13,086)	Investments, at fair value	3,181	21,850
Currency written put options	Net appreciation (depreciation) in fair value of investments	(6,701)	Investments, at fair value	(11,228)	500,000
Treasury futures written call options	Net appreciation (depreciation) in fair value of investments	(33,415)	Investments, at fair value	(50,781)	29,000
Treasury futures written put options	Net appreciation (depreciation) in fair value of investments	25,296	Investments, at fair value	(1,797)	155,000
Swaptions	Net appreciation (depreciation) in fair value of investments	(36,387)	Investments, at fair value	(189,063)	20,300,000
Total options		(60,064)		(280,241)	21,094,850
Foreign currency forwards	Net appreciation (depreciation) in fair value of investments	37,258	Investments, at fair value	150,489,034	149,224,708¹
TBA Mortgage Backed Securities	Net appreciation (depreciation) in fair value of investments	339,694	Investments, at fair value	7,239,694	6,900,000
Total Investment Derivatives		\$ (1,752,918)		\$ 155,378,681	\$ 415,872,836

¹Represents the USD base equivalent of the original contract.

NOTES TO THE FINANCIAL STATEMENTS

Swaps – The Systems’ investment managers have entered into various swaps including interest rate swaps, credit default swaps and equity and total return swaps. Swaps represent an agreement between two parties to exchange sequences of cash flows over a period in the future. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty who, in turn, agrees to make return interest payments that float with some reference rate. A credit default swap is a contract whereby the credit risk associated with an investment is transferred by entering into an agreement with another party, who in exchange for periodic fees, agrees to make payments in the event of a default or other predetermined credit event. Total return swaps is a contract in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of the underlying asset. The underlying asset is typically an index, bond, etc. Gains and losses on swaps are determined based on market values and are recorded in net appreciation (depreciation) in fair value of investments on the Systems’ Statements of Changes in Plan Net Assets.

Futures – Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specified price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the Systems’ credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included in net appreciation (depreciation) in fair value of investments on the Systems’ Statements of Changes in Plan Net Assets.

Options – Options represent or give buyers the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. The option’s price is usually a

small percentage of the underlying asset’s value. As a writer of financial options, the Systems’ investment managers receive a premium at the outset of the agreement and bear the risk of an unfavorable change in the price of the financial instrument underlying the option. As a purchaser of financial options, the Systems’ investment managers pay a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

Currency Forwards – Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency rate on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in net appreciation (depreciation) in fair value of investments on the Systems’ Statements of Changes in Plan Net Assets.

TBA Mortgage Backed Securities – To-be-announced securities are forward contracts to purchase or sell mortgage backed securities at a future date yet to be determined. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in net appreciation (depreciation) in fair value of investments on the Systems’ Statements of Changes in Plan Net Assets.

Derivative Risk – Derivatives that are exchange traded are not subject to credit risk. No derivatives held are subject to custodial credit risk.

At June 30, 2010 the counterparties’ credit ratings for currency forwards, options and swaps are subject to credit risk as shown below:

PSRS

Quality Rating	Swaps	Options	Forwards	TBA Mortgages	Total
AA	\$ 583,226,452	\$ (185,821)	\$ 47,890,563	\$ (10,591,727)	\$ 620,339,467
A	(606,523,913)	(1,831,209)	1,546,099,057	66,530,063	1,004,273,998
Total subject to credit risk	\$ (23,297,461)	\$ (2,017,030)	\$ 1,593,989,620	\$ 55,938,336	\$ 1,624,613,465

PEERS

Quality Rating	Swaps	Options	Forwards	TBA Mortgages	Total
AA	\$ 56,689,332	\$ (165,442)	\$ 145,560,581	\$ (1,152,498)	\$ 200,931,973
A	(59,118,467)	(62,220)	4,928,453	8,392,192	(45,860,042)
Total subject to credit risk	\$ (2,429,135)	\$ (227,662)	\$ 150,489,034	\$ 7,239,694	\$ 155,071,931

NOTES TO THE FINANCIAL STATEMENTS

The Systems are exposed to interest rate risk on their interest rate swaps. As the variable portion of the swaps move in the market, the Systems' exposure increases and decreases. The Systems are exposed to termination risk. The Systems' investment managers or their counterparties may terminate a derivative if the either party fails to perform under the terms of the contract.

The Systems' derivatives are governed by ISDA Master Agreements between the Systems' and the Counterparties. These agreements set forth collateral requirements and applicable netting arrangements. Foreign currency risks are reflected on pages 36 and 37.

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.

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 Statement 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. Additional derivatives may be held in limited partnerships and commingled funds that are not reflected above.

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 act as the Systems' agent to lend available securities to approved broker-dealers and banks subject to the receipt of acceptable collateral.

During the fiscal year, the Systems' custodial bank lent, on behalf of the Systems, securities and received cash or other collateral including securities issued or guaranteed by the U.S. government, sovereign debt, irrevocable letters of credit, convertible debt and assets permissible under Rule 15c3-3 under the Securities Exchange Act of 1934. The Systems and their agent 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.

Pursuant to the lending agreement, the custodial bank has an obligation to provide a form of indemnification to the Systems

in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year.

The Systems did impose restrictions during the fiscal year on the amount and type of loans that the custodial bank made on their behalf.

The fair value of securities on loan as of June 30, 2010 totaled \$1,440,200,172 for PSRS and \$160,068,884 for PEERS. On June 30, 2010 the Systems had no credit risk exposure to borrowers as the cash and securities collateral amounts received exceeded amounts on loan.

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, 2010 was 29.73 days and an average final maturity of 498.74 days. Because the loans were terminable at will, their duration did not match the duration of the investments made with cash collateral.

The collective investment pool in which the cash 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. As of June 30, 2010 the cost basis of PSRS' investment in the fund totaled \$1,468,636,423 and PEERS' investment in the fund totaled \$163,155,491. As of June 30, 2010 the cost basis of the collateral exceeded market value for PSRS by \$59,054,420 and PEERS by \$6,557,569. PSRS recognized net appreciation of \$3,562,236 and PEERS recognized net depreciation of \$25,814 for the year ended June 30, 2010 on the invested collateral pool. Such is reported as net appreciation (depreciation) in fair value of security lending collateral pool on the Statements of Changes in Plan Net Assets. In addition to the cash collateral received, the fair value of securities held as collateral at June 30, 2010 totaled \$18,284 for PSRS and \$5,203 for PEERS.

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 equal to 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.

The Systems invest in shares of commingled equity index funds managed by State Street Global Advisors (SSGA). Several of these funds participate in securities lending programs managed by SSGA. The Systems receive a proportionate share of the

NOTES TO THE FINANCIAL STATEMENTS

securities lending income/(loss) generated from these activities. As of June 30, 2010 the cost basis of securities lending collateral for the commingled funds equaled the market value for both PSRS and PEERS. PSRS recognized net appreciation of \$20,666,484 and PEERS recognized net appreciation of \$1,558,668 for the year ended June 30, 2010. Such is reported as net appreciation (depreciation) in fair value of security lending collateral pool on the Statements of Changes in Plan Net Assets.

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 2009-2010.

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, 2010, the most recent actuarial valuation date, is as follows:

(Dollar amount in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
PSRS	6/30/2010	\$ 28,931,331	\$ 37,233,602	\$ 8,302,271	77.7%	\$ 4,493,865	184.7%
PEERS	6/30/2010	\$ 2,892,411	\$ 3,658,713	\$ 766,302	79.1%	\$ 1,433,691	53.4%

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:

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, 2010
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	8.0%
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 31.34% for fiscal year 2012. 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 13.72% for fiscal year 2012. The annual statutory increase in the total contribution rate may not exceed .5% of pay. Contribution rates will be established by actuarial valuation.

NOTES TO THE FINANCIAL STATEMENTS

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 13.5% of their annual covered salary during 2009-2010, 13.0% during 2008-2009 and 12.5% during 2007-2008. 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 \$18,215 for the 2009-2010 fiscal year, \$33,289 for the 2008-2009 fiscal year and \$30,510 for the 2007-2008 fiscal year. The amounts for these years are equal to the required contributions.

PEERS members were required to contribute 6.5% of their annual covered salary during 2009-2010, 6.25% during 2008-2009 and 6.0% during 2007-2008. 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 \$480,626 for the 2009-2010 fiscal year, \$435,590 for the 2008-2009 fiscal year and \$379,796 for the fiscal year 2007-2008. 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 of \$15,500 per year plus \$5,000 in catch up contributions, if eligible. 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 \$92,187 for the 2009-2010 fiscal year and \$85,479 for the 2008-2009 fiscal year. Employer-paid contributions totaled \$49,354 for fiscal year 2009-2010 and \$56,500 for fiscal year 2008-2009. Employee contributions totaled \$261,924 for the 2009-2010 fiscal year and \$226,688 for the 2008-2009 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.

NOTES TO THE 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 health care premium implicit rate subsidy to eligible staff retirees and their dependents provided they pay 100% of the blended health care premium. The blended health care premium is based on all active and retired employees. Retiree health care 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. 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.

PSRS’ annual OPEB cost, the amount actually contributed to the plan and changes in the net OPEB obligation are as follows:

Annual required contribution	\$ 218,100
Interest on net OPEB obligation	16,300
Amortization of net OPEB obligation	(11,200)
Annual OPEB cost	223,200
Contributions made	40,100
Increase in net OPEB obligation	183,100
Net OPEB obligation - beginning of year	363,000
Net OPEB obligation - end of year	<u>\$ 546,100</u>

PSRS’ annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC) ¹	% of AOC Contributed	Net OPEB Obligation
6/30/2008	\$ 218,100	16.0%	\$ 183,300
6/30/2009	\$ 208,000	13.6%	\$ 363,000
6/30/2010	\$ 223,200	18.0%	\$ 546,100

¹June 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 were 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]
6/30/2010	\$ -	\$ 2,173,600	\$ 2,173,600	0.0%	\$ 7,016,300	31.0%

In the June 30, 2010 actuarial valuation, the following assumptions and method were used:

Actuarial Cost Method Actuarial Value of Assets Amortization Method Remaining Amortization Period	Entry Age Normal No Assets (pay-as-you-go) Level Percent Open 30 Years
Actuarial Assumptions:	
Investment Rate of Return	4.5 % per year
Wage Inflation	5.0 % per year
Health care Trend	9.0% in fiscal year 2010, decreasing by one-half percentage point per year to an ultimate of 4.5% in fiscal year 2019 and after

NOTES TO THE FINANCIAL STATEMENTS

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 health care 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 effects 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 \$76,550 for seven employees (four retirees and three terminations) during 2010 and \$33,169 for three employees (three retirees) during 2009. The cost was charged 61% to PSRS and 39% 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 \$2,367,710,681 on June 30, 2010 and PEERS had investment commitments of \$251,058,867 on June 30, 2010.

PSRS had total unfunded capital commitments to real estate, private equity and other alternative investments of \$2.2 billion as of June 30, 2010. PEERS had total unfunded capital commitments to real estate, private equity and other alternative investments of \$196.3 million as of June 30, 2010. The unfunded commitments are not recorded in the Statements of Plan Net Assets.

During fiscal year 2010, PSRS 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 \$16,000,000. As of June 30, 2010, \$1,948,194 had been paid pursuant to this contract.

As discussed in Note 4 – *Deposits, Investments and Securities Lending Program*, the System’s custodial bank is authorized to act as the Systems’ agent regarding security lending transactions. The required collateral is then invested in collective investment pools, which are governed by Trust agreements. The Systems and the custodial bank are in dispute regarding the terms of the Trust agreement for the Quality D Short-Term Investment Fund (Quality D Fund). The custodial bank believes the Trust Agreement provides them the ability to re-value the Systems’ investments in the Quality D Fund based on a series of prior, System authorized, Custodial bank approved, redemptions. The Systems strongly contest such action. On October 14, 2009, the custodial bank revalued the Systems’ investments in the Quality D Fund by reducing the value by approximately \$96 million. The Systems were then provided their revalued portion of the Quality D Fund as an in-kind distribution. The in-kind distribution was utilized to fund a customized collective investment pool to facilitate securities lending activity. The revaluation was based on net asset values as of October 13, 2009. The Systems strongly oppose such action and anticipate recovery of such amounts. The Systems filed a lawsuit in Cole County Circuit Court against the custodial bank on September 18, 2009 in an attempt to prevent the custodial bank from taking such action. The Systems will proceed with litigation to recover any amounts lost as a result of the custodial bank’s action.

Certain other 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 year end, the Systems executed a contract with a new global custodian and master record keeper. Effective October 1, 2010, JP Morgan Chase Bank, N.A., became the Systems’ global custodian and master record keeper.

SCHEDULES OF FUNDING PROGRESS

Required Supplementary Information

PSRS

(Dollar amount in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
6/30/2005	\$ 23,049,441	\$ 27,881,513 ¹	\$ 4,832,072	82.7%	\$ 3,540,649	136.5%
6/30/2006	24,801,644	30,037,130 ¹	5,235,486	82.6	3,775,752	138.7
6/30/2007	27,049,004	32,396,723 ²	5,347,719	83.5	3,980,698	134.3
6/30/2008	28,751,241	34,490,452 ¹	5,739,211	83.4	4,209,417	136.3
6/30/2009	28,826,075	36,060,121 ¹	7,234,046	79.9	4,439,381	162.9
6/30/2010	28,931,331	37,233,602 ¹	8,302,271	77.7	4,493,865	184.7

¹ There were no legislative changes in fiscal years 2005, 2006, 2008, 2009 or 2010.

² The extension of the 25-and-Out and 2.55% provisions to 2013 are included in the AAL for 2007.

PEERS

(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]
6/30/2005	\$ 2,011,566	\$ 2,414,494 ¹	\$ 402,928	83.3%	\$ 1,055,204	38.2%
6/30/2006	2,218,638	2,756,833 ¹	538,195	80.5	1,190,994	45.2
6/30/2007	2,481,562	2,982,813 ²	501,251	83.2	1,275,199	39.3
6/30/2008	2,703,762	3,278,602 ¹	574,840	82.5	1,377,506	41.7
6/30/2009	2,792,182	3,458,044 ¹	665,862	80.7	1,417,485	47.0
6/30/2010	2,892,411	3,658,713 ¹	766,302	79.1	1,433,691	53.4

¹ There were no legislative changes in fiscal years 2005, 2006, 2008, 2009 or 2010.

² The extension of the 25-and-Out provision to 2013 is included in the AAL for 2007.

SCHEDULES OF EMPLOYER CONTRIBUTIONS

Required Supplementary Information

PSRS

Year Ended June 30	Employer Contribution	Annual Required Contribution (ARC) per GASB Statement #25	Percentage Contributed	Maximum Contribution per State Statute	Percentage Contributed
2005	\$ 389,415,997	\$ 593,328,374	65.6%	\$ 389,415,997	100.0%
2006	429,578,911	608,134,319	70.6	429,578,911	100.0
2007	472,216,630	644,969,214	73.2	472,216,630	100.0
2008	521,241,501	656,347,298	79.4	521,241,501	100.0
2009	563,454,487	669,643,988	84.1	563,454,487	100.0
2010	594,326,122	737,381,187	80.6	594,326,122	100.0

PEERS

Year Ended June 30	Employer Contribution	Annual Required Contribution (ARC) per GASB Statement #25	Percentage Contributed	Maximum Contribution per State Statute	Percentage Contributed
2005	\$ 53,109,687	\$ 73,948,917	71.8%	\$ 53,109,687	100.0%
2006	61,745,505	79,707,834	77.5	61,745,505	100.0
2007	69,235,160	89,945,503	77.0	69,235,160	100.0
2008	77,988,839	90,727,016	86.0	77,988,839	100.0
2009	85,915,562	96,775,289	88.8	85,915,562	100.0
2010	91,478,725	95,821,957	95.5	91,478,725	100.0

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, 2010
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	8.0%
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 31.34% for fiscal year 2012. 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 13.72% for fiscal year 2012. The annual statutory increase in the total contribution rate may not exceed .5% of pay. Contribution rates will be established by actuarial valuation.

STAFF RETIREE HEALTH PLAN - DEFINED BENEFIT OPEB PLAN

Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS

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	\$ -	\$ 2,746,100	\$ 2,746,100	0.0%	\$ 5,832,445	47.1%
6/30/2009	-	1,988,800	1,988,800	0.0	6,894,700	28.8
6/30/2010	-	2,173,600	2,173,600	0.0	7,016,300	31.0

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended	Annual Required Contribution (ARC)	Employer Contributions	Percentage Contributed
6/30/2008	\$ 218,100	\$ 34,800	16.0%
6/30/2009	205,500	28,300	13.8
6/30/2010	218,100	40,100	18.4

SCHEDULE OF PERCENTAGE OF OPEB COST CONTRIBUTED

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	\$ 218,100	16.0%	\$ 183,300
6/30/2009	208,000	13.6	363,000
6/30/2010	223,200	18.0	546,100

NOTES TO THE SCHEDULES OF TREND INFORMATION

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date 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	5.0 % per year
Health care Trend	9.0% in fiscal year 2010, decreasing by one-half percentage point per year to an ultimate of 4.5% in fiscal year 2019 and after

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

SCHEDULE OF ADMINISTRATIVE EXPENSES

For the year ended June 30, 2010

	<u>PSRS</u>	<u>PEERS</u>	<u>Combined Totals</u>
Personnel services	\$ 4,825,180	\$ 3,077,839	\$ 7,903,019
Professional services			
Actuarial services	277,395	102,030	379,425
Financial audit services	38,003	24,297	62,300
Technology consulting	111,721	71,388	183,109
Insurance consulting	3,660	2,340	6,000
Legislative consulting	27,450	17,550	45,000
Other consultants	69,840	44,651	114,491
Legal services	395,402	33,341	428,743
Total professional services	<u>923,471</u>	<u>295,597</u>	<u>1,219,068</u>
Communications			
Information and publicity	467,625	331,095	798,720
Postage	70,691	45,360	116,051
Staff field	35,737	17,443	53,180
Telephone	49,930	31,923	81,853
Total communications	<u>623,983</u>	<u>425,821</u>	<u>1,049,804</u>
Miscellaneous			
Building and utilities	117,420	75,078	192,498
Insurance	82,243	52,897	135,140
Office	460,288	293,346	753,634
Staff development	187,448	114,559	302,007
Miscellaneous	213,826	107,552	321,378
Total miscellaneous	<u>1,061,225</u>	<u>643,432</u>	<u>1,704,657</u>
Charge for use of capital assets	-	837,550	837,550
Depreciation expense	<u>2,592,270</u>	<u>-</u>	<u>2,592,270</u>
Total administrative expenses	<u><u>\$ 10,026,129</u></u>	<u><u>\$ 5,280,239</u></u>	<u><u>\$ 15,306,368</u></u>

SCHEDULE OF INVESTMENT EXPENSES

For the year ended June 30, 2010

	<u>PSRS</u>	<u>PEERS</u>	<u>Combined Totals</u>
Investment management expenses			
U.S. equity	\$ 70,588,219	\$ 6,975,470	\$ 77,563,689
Global equity	21,041,448	2,107,749	23,149,197
Public debt	11,000,262	1,337,539	12,337,801
Real estate	18,302,601	1,810,350	20,112,951
Private equity	77,388,354	7,412,473	84,800,827
Total investment management expenses	<u>198,320,884</u>	<u>19,643,581</u>	<u>217,964,465</u>
Investment consultant fees	3,064,966	249,285	3,314,251
Custodial bank fees	1,204,265	118,835	1,323,100
Investment staff expenses	1,459,292	906,847	2,366,139
Commission recapture income	<u>(447,849)</u>	<u>(49,423)</u>	<u>(497,272)</u>
Total investment expenses	<u>\$ 203,601,558</u>	<u>\$ 20,869,125</u>	<u>\$ 224,470,683</u>
Security lending expenses			
Agent fees	\$ 696,362	\$ 66,802	\$ 763,164
Broker rebates	1,835,671	173,322	2,008,993
Total security lending expenses	<u>\$ 2,532,033</u>	<u>\$ 240,124</u>	<u>\$ 2,772,157</u>

SCHEDULE OF PROFESSIONAL SERVICES

For the year ended June 30, 2010

	<u>PSRS</u>	<u>PEERS</u>	<u>Combined Totals</u>
Legal expenses	\$ 395,402	\$ 33,341	\$ 428,743
Technology consulting	111,721	71,388	183,109
Actuarial services	277,395	102,030	379,425
Other consulting	69,840	44,651	114,491
Financial audit services	38,003	24,297	62,300
Legislative consulting	27,450	17,550	45,000
Insurance consulting	3,660	2,340	6,000
Total fees	<u>\$ 923,471</u>	<u>\$ 295,597</u>	<u>\$ 1,219,068</u>

INVESTMENT SECTION

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LETTER FROM RUSSELL INVESTMENT GROUP

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

December 15, 2010

To the Members of the Board:

Fiscal year 2010 was marked by continued volatility in most financial markets due to lingering concerns over the economic recovery and sovereign debt issues in Europe. Despite the uncertain environment, global equities and bonds were strongly positive for the year, driven by continued strong corporate earnings, improving U.S. balance sheets, and a low inflationary environment. Looking forward to the coming year, fears of a double dip recession remain, with the pace of the recovery slowing, stubbornly high unemployment, and continuing concerns over a Eurozone sovereign debt crisis. In contrast, China and Emerging Markets continue to be the bright spots in the global economy, and are expected to be drivers of global growth.

The Total Fund return for the fiscal year ended June 30, 2010 was 13.0% for PSRS and 12.7% for PEERS, ahead of the policy benchmark return of 11.3%. The PSRS fiscal year returns for the U.S. equity and global equity composites were strong at 16.1% and 12.5%, respectively (16.0% and 12.7% for PEERS). Public debt also exceeded the policy benchmark return of 6.9% for the fiscal year with returns of 7.4% for PSRS and 7.5% for PEERS. Strong performance by private credit and private equity assets also contributed to the overall portfolio's positive return.

Last year's restructuring of the Systems' policy portfolio supported a number of activities this fiscal year. Staff's attention to the securities lending program allowed the Systems to proactively manage both the liquid and illiquid securities in the collateral pool. A successful global custody search, assisted by RV Kuhns, resulted in a change of provider (after the end of the fiscal year) for this important function. Continued concerns about rising inflation and the devaluation of the U.S. dollar warranted an overweight to TIPS and the exploration of additional exposure to non-U.S. markets, especially emerging markets.

We at Russell have enjoyed another productive year working with Missouri PSRS/PEERS. We say goodbye to a number of exemplary Board members who left the service of the Systems and are excited about serving their capable replacements. As always, we are looking forward to the coming year.

Regards,



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



LETTER FROM THE CHIEF INVESTMENT OFFICER



December 17, 2010

To the Members of the Retirement Systems:

On behalf of the PSRS and PEERS Board of Trustees and the internal Investment Staff, I present the following report on the Systems' investments for the fiscal year ending June 30, 2010.

The first two quarters of fiscal year 2010 represented a significant recovery from the market lows experienced in 2009. The strength in the investment markets directly resulted in solid gains for PSRS/PEERS this past year. Specifically, the Systems' assets increased through investment earnings by almost \$3 billion over the previous year as the total fund performance was 13.0% for PSRS and 12.7% for PEERS.

Key Points within this year's Financial Report

As you review the financial information in this report, we believe it is important to be aware of the following points for the year ended June 30, 2010:

- PSRS and PEERS significantly outperformed the assumed investment return of 8.0%,
- The PSRS and PEERS investment returns for fiscal year 2010 were above the public fund median. The Systems generated the investment returns while taking less risk than 70% of comparable public funds,
- Each major asset category (stocks, bonds, etc.) generated returns in excess of established policy benchmarks,
- The PSRS/PEERS internal investment staff and external investment managers added value above the policy benchmark of over \$325 million, net of all fees and expenses. The outperformance in 2010 was due to both tactical asset allocation (overweighting and underweighting asset classes around targets) as well as active management on the part of external managers,
- The PSRS/PEERS investment expenses (including accrued performance based fees) for fiscal year 2010 were 0.86%, or 86 cents for every \$100 managed. The investment returns reported throughout this publication are partially net of these fees. The investment return net of all fees and expenses was 12.8% for PSRS and 12.5% for PEERS,
- Investment performance throughout this report is calculated using a time-weighted rate of return based on market values, and
- The total assets of both PSRS and PEERS were approximately \$26 billion on June 30, 2010, making the combined entity larger than all other public retirement plans in the state combined, and the 44th largest defined benefit plan in the United States.

Fiscal Year 2010 Year in Review

The PSRS/PEERS Board of Trustees has embraced a philosophy to institute a disciplined and diversified investment portfolio. This philosophy has been implemented over the past several years by the internal investment staff as the portfolio has expanded into multiple asset classes outside of stocks and bonds. In this fiscal year, the PSRS/PEERS stock and bond portfolios produced above average returns. Additionally, the non-traditional asset classes provided strong returns. The Systems' hedged asset portfolio represented just over 10% of Total Fund assets at fiscal year end and generated a return of 17.2%. The return for the industry standard Hedge Fund Research Inc. (HFRI) Weighted Composite was 9.1% over the same time period. Diversification into both private equity and private credit proved beneficial for the year as the private equity composite returned 19.8% and the private credit composite increased 36.5%.

Address: P.O. Box 268, 3210 West Truman Blvd., Jefferson City, MO 65102; **Telephone Number:** (573) 634-5290; **Toll Free:** (800) 392-6848
FAX Numbers: Membership (573) 634-7934; Investments (573) 634-6248; Employer Services (573) 634-7911; Administration (573) 634-5375


www.psr-peers.org

Primary portfolio drivers

As I discussed in my letter last year, risk management and the pursuit of competitive investment returns are primary drivers of the PSRS/PEERS portfolio. To further ensure the achievement of these basic investment objectives, the Board adopted a new asset allocation at the June 8, 2009 Board meeting. The results of the new allocation are evident as you review the financial report this year. For example, the asset allocation has been subdivided into three separate categories: Public Risk Assets (primarily liquid), Safe Assets (totally liquid) and Private Risk Assets (primarily illiquid). The new asset allocation did not dramatically alter the investments of the Systems, but it did change how the assets are structured and how risk is assessed. Specifically, the new asset allocation more directly takes into account a primary risk to public pension plans like PSRS/PEERS: liquidity.

As an in-perpetuity investor, the long-term investment horizon for PSRS/PEERS allows the Systems to assume prudent levels of illiquidity (and potentially higher returns) through Private Risk Assets. The illiquidity risk associated with private investments in the portfolio is offset in part by an allocation to Safe Assets, including U.S. Treasury securities. Additionally, the Safe Assets ensure that adequate liquidity is available to meet all benefit payments and cash needs for an extended period of time regardless of the economic environment.

The Systems began building private investment portfolios (including private equity, private credit and private real estate) in 2003 in order to generate long-term returns superior to the public markets, take advantage of market inefficiencies, and further increase diversification. The nature of private investing requires a process of portfolio construction that takes a period of years to develop. This is particularly true for a plan with the substantial asset levels of PSRS/PEERS. Over the years, the Systems have continued to build on this successful investment platform that serves as an alternative to traditional public markets. Today, the Systems have invested almost \$3 billion in Private Risk Assets. In total, the long-term results have been very beneficial to the Systems' overall portfolio. For example, the private equity portfolio has outperformed public markets by over 7.0 percentage points (700 basis points) on an annualized basis over the last five years. The investment in Private Risk Assets has also been successful in terms of adding diversification and lowering the standard deviation of plan returns.

The Retirement Systems Board and Staff are focused on establishing, implementing, and continually reviewing/modifying investment policies and strategies in order to build and maintain an investment portfolio with risk-adjusted return characteristics necessary to meet the Systems' long-term goals. The Systems adhere to a strategic asset allocation that is structured to withstand short-term shocks to the markets but also to capture positive growth in the global economy (as was the case in fiscal year 2010).

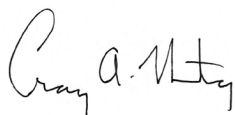
Fiscal Year 2011: A promising start

As I write the annual letter at the end of December 2010, the prospects for economic growth in the United States have increased and may improve further in 2011 as the effects of an improved fiscal climate flow through to the economy. The Systems have directly benefited from the recovering economy through strong investment returns in the first six months of fiscal year 2011. Specifically, the total assets of the Systems have increased through investment earnings by over \$2.5 billion since the end of fiscal year 2010 (June 30, 2010).

Despite the recent investment gains and a more positive outlook on the economy, the U.S. expansion (and the broader global expansion) does remain somewhat fragile due to high levels of unemployment, current deflationary pressures, the U.S. housing overhang and the European debt crisis. Given the uncertainty and the headwinds that many investors face, we remain focused on prudently investing in opportunities that will protect the Systems' capital and produce attractive returns over the longer term. From a broader perspective, we continue to view capital markets as global and thus will always consider the full spectrum of asset classes and investment vehicles on a fully global basis.

Under the support and guidance of the Board of Trustees, I am confident that the investment program at PSRS/PEERS will continue to meet the long-term investment objectives of the Systems within appropriate levels of risk. Most importantly, I believe the portfolio is well positioned to ensure that our more than 220,000 retirees, active teachers and school employees will receive the financial security they have earned through their hard work and dedication.

Respectfully,



Craig A. Husting, CFA
Chief Investment Officer

INVESTMENT HIGHLIGHTS

As of June 30, 2010

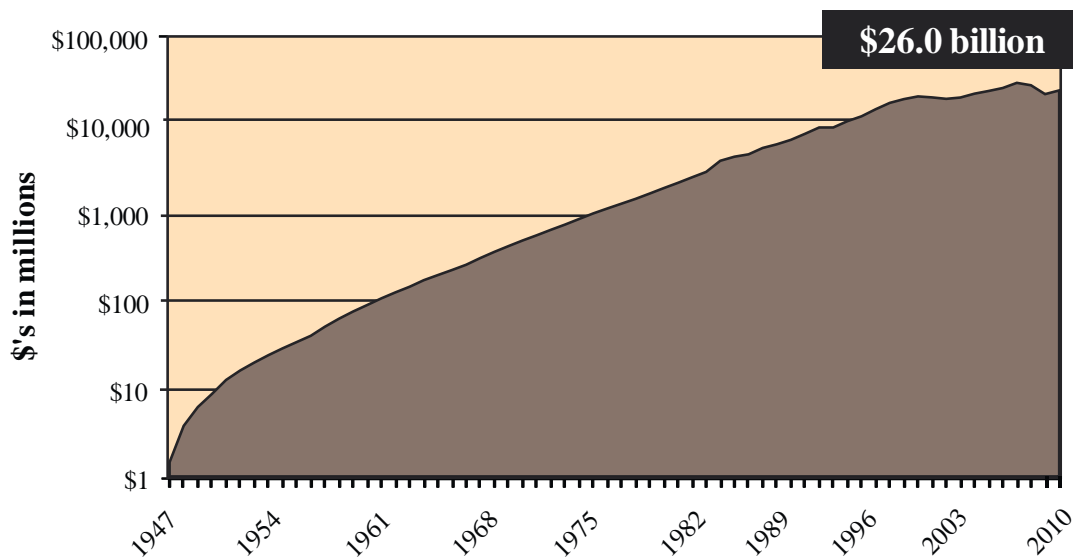
The Board of Trustees of the Public School and Public Education Employee Retirement Systems of Missouri (PSRS/PEERS) is charged with the responsibility for investing the assets of the Systems in a manner consistent with the fiduciary standards set forth in the 'prudent person' rule. To that end, the 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, and
- (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 invested assets increased to \$26.0 billion as of June 30, 2010 from \$23.6 billion at the beginning of the fiscal year, a change of approximately \$2.4 billion. This increase is directly related to investment market recoveries experienced during the fiscal year. The Systems' portfolios were well positioned to take advantage of the positive market shifts, which resulted in a significant increase in the fair value of investments. Each major asset category generated returns in excess of established benchmarks. The long-term growth in assets since the inception of PSRS in 1946 and PEERS in 1965 is shown in the graph below.

63 YEARS OF GROWTH



ASSET ALLOCATION

As of June 30, 2010

The Systems' portfolio is prudently invested across a broad array of assets by employing a long-term horizon that reflects the long-term nature of the PSRS/PEERS pension obligations. The principles of diversification, risk control, and competitive long-term rates of return provide the framework for selecting an asset allocation that is expected, over longer periods of time and in the aggregate, to give the Systems the most competitive long-term return within a prudent risk level.

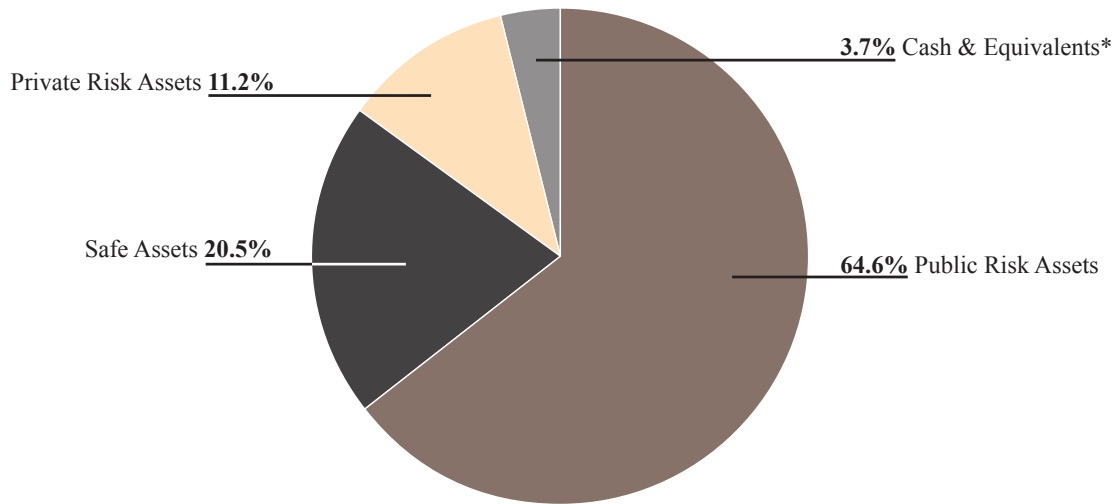
Selection of an appropriate asset allocation is one of the most important decisions made by a retirement plan. PSRS/PEERS employ an effective and intuitive risk-based approach to setting and reporting the asset allocation decision. The risk-based asset allocation was developed to clearly define the prudent risks taken by the Systems within their investment portfolios. The Systems consider a variety of risks including, but not limited to, liquidity, volatility, tail risk (the possibility that an investment will move much more than expected) and the ability to meet the

Systems' assumed rate of return when structuring the portfolio. This analysis results in an asset allocation to Public Risk Assets, Safe Assets and Private Risk Assets. Within each risk allocation, the Systems' investment portfolio includes strategic, long-term commitments to specific asset programs. Public Risk Assets include U.S. Public Equity, Global Public Equity, Credit Bonds and Hedged Assets. Safe Assets include U.S. Treasuries and TIPS. Private Risk Assets include Private Real Estate, Private Equity and Private Credit Assets.

The restructuring of the portfolio over time resulted in the elimination of several asset programs including the Absolute Return Pool. The Systems' internal investment staff and external consultants continuously monitor the asset allocation and risk and return characteristics of the portfolio. The Systems' long-term asset allocation is reviewed in conjunction with plan liabilities.

TARGET RISK-BASED ASSET ALLOCATION

June 30, 2010



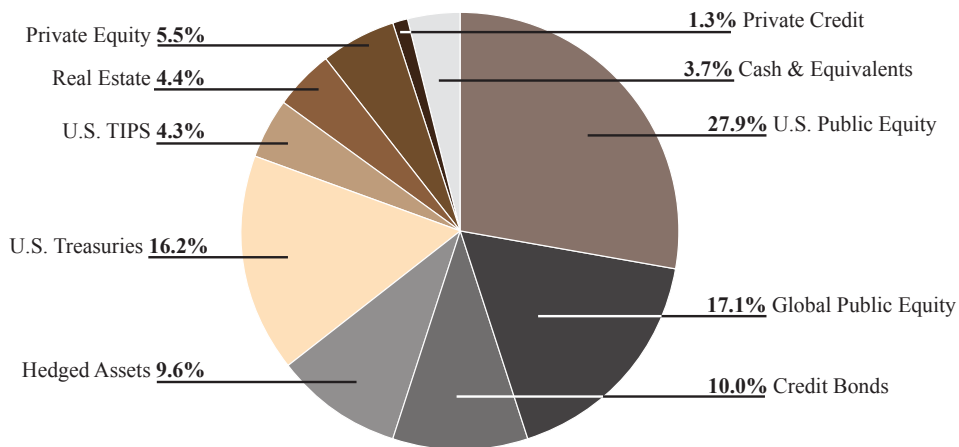
* All manager-held cash is reflected as Cash & Equivalents. Managers may hold cash or cash equivalents as part of an active management strategy.

ASSET ALLOCATION

As of June 30, 2010

DETAILED PORTFOLIO ASSET ALLOCATION

June 30, 2010



Asset Type	PSRS Market Value	PEERS Market Value	Combined Funds	% of Total	Long-Term Allocation
<i>Public Risk Assets</i>					
U.S. Public Equity	\$ 6,588,574,228	\$ 666,201,395	\$ 7,254,775,623	27.9%	27.0%
Global Public Equity	4,026,573,648	413,385,936	4,439,959,584	17.1%	15.0%
Credit Bonds	2,347,493,539	271,160,467	2,618,654,006	10.0%	12.0%
Hedged Assets	2,273,826,732	226,489,383	2,500,316,115	9.6%	6.0%
Total Public Risk Assets	15,236,468,147	1,577,237,181	16,813,705,328	64.6%	60.0%
<i>Safe Assets</i>					
U.S. Treasuries	3,810,516,273	403,400,436	4,213,916,709	16.2%	16.0%
U.S. TIPS	1,029,390,903	95,136,981	1,124,527,884	4.3%	4.0%
Total Safe Assets	4,839,907,176	498,537,417	5,338,444,593	20.5%	20.0%
<i>Private Risk Assets</i>					
Real Estate	1,066,952,170	92,364,789	1,159,316,959	4.4%	7.5%
Private Equity	1,312,617,634	106,793,319	1,419,410,953	5.5%	10.5%
Private Credit	316,613,342	25,604,393	342,217,735	1.3%	2.0%
Total Private Risk Assets	2,696,183,146	224,762,501	2,920,945,647	11.2%	20.0%
Cash & Equivalents*	865,266,062	93,513,437	958,779,499	3.7%	0.0%
Total Investments**	\$ 23,637,824,531	\$ 2,394,050,536	\$ 26,031,875,067	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, 2010.

TOTAL FUND REVIEW

Periods Ended June 30, 2010

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% over long periods of time. The real rate of return is the rate by which the long-term total return exceeds the inflation rate. The one-year total returns for PSRS and PEERS were significantly above the long-term investment objective of 8.0%, while the three- and five-year total returns remained below the long-term investment objective of 8.0%. PSRS' total return for the fiscal year exceeded the median returns of other large public funds, while PEERS' total return equaled the median of other large public funds for the same time period. PSRS' and PEERS' total returns for the three- and five-year time periods were marginally below the public fund median return largely due to asset allocation and risk tolerance differences. The Systems significantly outperformed the policy benchmark returns for the one-year time period and marginally

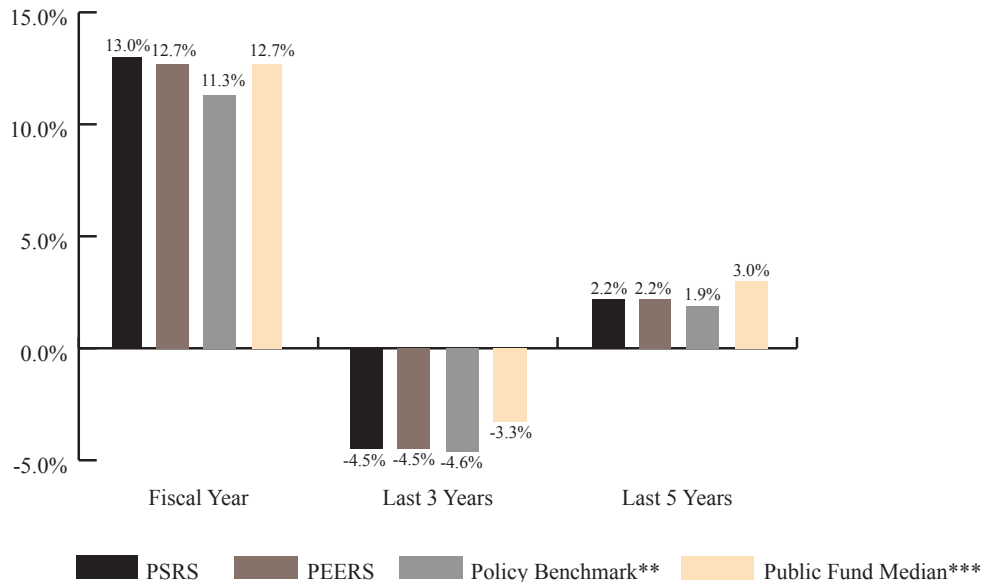
outperformed the policy benchmark returns for the three- and five-year time periods.

PSRS outperformed the policy benchmark for the fiscal year by 170 basis points, while PEERS outperformed the policy benchmark for the same time period by 140 basis points. The Systems outperformed the policy benchmark for each major asset class during the fiscal year. This is a direct result of the portfolio being well positioned to take advantage of appropriate investment opportunities and market shifts. The Systems' internal investment staff and external investment managers added value above the policy benchmark of over \$325 million for the year, net of all fees and expenses. 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, 2010

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	13.0%	-4.5%	2.2%
PEERS	12.7%	-4.5%	2.2%
Policy Benchmark **	11.3%	-4.6%	1.9%
Public Fund Median ***	12.7%	-3.3%	3.0%



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

** As of June 30, 2010, the Policy Benchmark was comprised of 40.5% Russell 3000 Index, 16.0% Barclays Capital Treasury Blend, 15.0% MSCI All Country World ex-U.S. Free Index, 7.5% NCREIF Property Index (1-quarter lag), 4.0% Barclays Capital U.S. TIPS 1-10 Year Index, 15.0% Barclays Capital Credit Intermediate Index, and 2.0% Bank of America Merrill Lynch High Yield Master II Index.

*** The Public Fund Median return reflects the performance of a universe of public pension plans from the Master Trust Universe.

PUBLIC RISK ASSETS REVIEW

As of June 30, 2010

Market Value

As of June 30, 2010, the combined PSRS/PEERS Public Risk assets had a market value of approximately \$17.6 billion, representing 67.7% of total assets.

Public Risk Asset Structure

As of June 30, 2010, 43.1% of the PSRS/PEERS Public Risk assets were invested in the U.S. Public Equity program, 26.4% in the Global Public Equity program, 15.6% in the Credit Bonds program and 14.9% in the Hedged Assets program. Each of these programs are discussed in more detail on the following pages.

Public Risk Asset Investment Returns

The U.S. and global equity markets have experienced a strong rally since the global credit crisis of 2008 and 2009. The rally began in March 2009 and continued through the third quarter of the fiscal year. During the final quarter of the fiscal

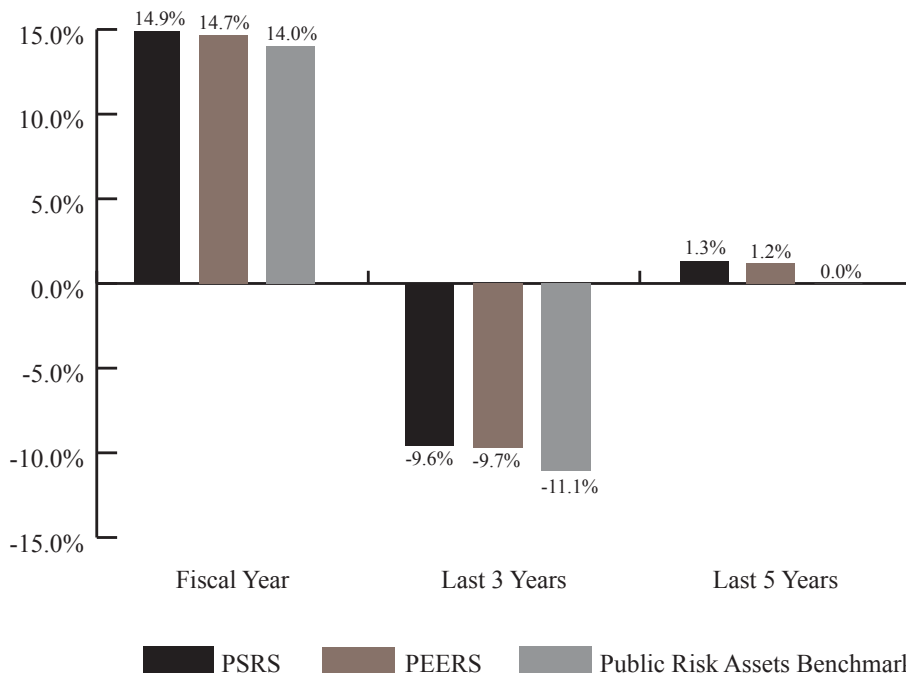
year, U.S. and global equity markets declined primarily due to financial uncertainty in many European countries. During the fiscal year, the markets were fueled by the easing of credit markets, increases in consumer spending and exports, business investment in new inventory and equipment and stimulus efforts by the federal government.

The total returns for the PSRS and PEERS public risk portfolios were 14.9% and 14.7%, respectively, compared to the benchmark return of 14.0% for the fiscal year ended June 30, 2010. As shown in the table and graph below, the PSRS and PEERS annualized public risk portfolio returns outperformed the benchmark performance by 90 basis points and 70 basis points, respectively. For the three- and five-year time periods, both PSRS and PEERS significantly outperformed the benchmark as noted below.

PUBLIC RISK ASSET INVESTMENT RETURNS

June 30, 2010

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	14.9%	-9.6%	1.3%
PEERS	14.7%	-9.7%	1.2%
Public Risk Assets Benchmark *	14.0%	-11.1%	0.0%



* The PSRS/PEERS Public Risk Assets Benchmark was comprised of 50.0% Russell 3000 Index, 25.0% MSCI All Country World ex-U.S. Free Index and 25.0% Barclays Capital Credit Intermediate Index as of June 30, 2010.

U.S. PUBLIC EQUITY REVIEW

As of June 30, 2010

Market Value

As of June 30, 2010, the combined PSRS/PEERS U.S. Public Equity assets had a market value of approximately \$7.7 billion, representing 29.6% of total assets.

U.S. Public Equity Statistics

The following table displays the statistical characteristics of the PSRS/PEERS U.S. Public Equity program as of June 30, 2010 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, 2010 are shown in the table below the characteristics.

Characteristics	June 30, 2010 Combined Systems*	June 30, 2010 Russell 3000 Index
Number of securities	1,537	2,987
Dividend yield	1.9%	2.0%
Price-to-earnings ratio	16.7	17.5
Average market capitalization	\$51.3 billion	\$59.0 billion
Price-to-book ratio	3.0	2.9

Top 10 Largest Holdings*

June 30, 2010	Combined Market Value	% of Total U.S. Public Equity
Apple, Inc.	\$ 83,572,352	1.2%
JP Morgan Chase and Co.	66,651,983	0.9%
Google, Inc.	65,878,407	0.9%
Wells Fargo and Co.	58,857,088	0.8%
Chevron Corp.	56,641,792	0.8%
AT&T, Inc.	47,009,056	0.6%
Johnson and Johnson	43,953,515	0.6%
Cognizant Tech Solutions	40,328,336	0.6%
Exxon Mobil Corp	39,859,616	0.5%
Microsoft Corp.	37,696,363	0.5%
TOTAL	\$ 540,448,508	7.4%

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

U.S. PUBLIC EQUITY REVIEW

As of June 30, 2010

U.S. Public Equity Structure

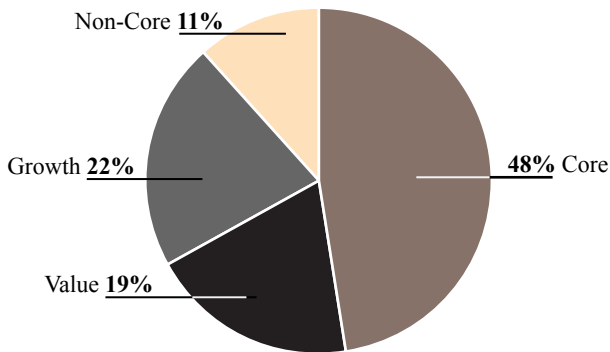
As of June 30, 2010, 34.4% of the PSRS/PEERS U.S. Public Equity composite was passively managed. The remainder of the portfolio was actively managed and diversified across a broad array of capitalization ranges and investment styles, including the Small Cap Alpha Pool (S-CAP) and the Alpha Overlay program. Both programs represent multi-manager pools of assets managed within the overall PSRS/PEERS U.S. Public Equity structure. The S-CAP Program encompasses all small

capitalization assets. The Alpha Overlay composite focuses on the separation of returns into alpha and beta, and includes alternative equity mandates (including hedge fund portfolios).

The pie charts below depict the U.S. Public Equity portfolio by presenting the current style structure of the portfolio as well as the allocation by composite.

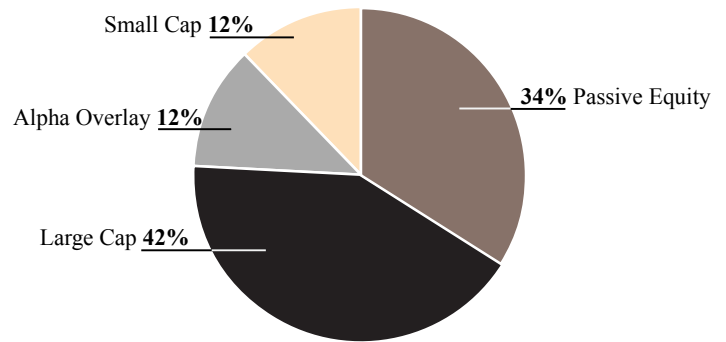
STYLE ALLOCATION

June 30, 2010

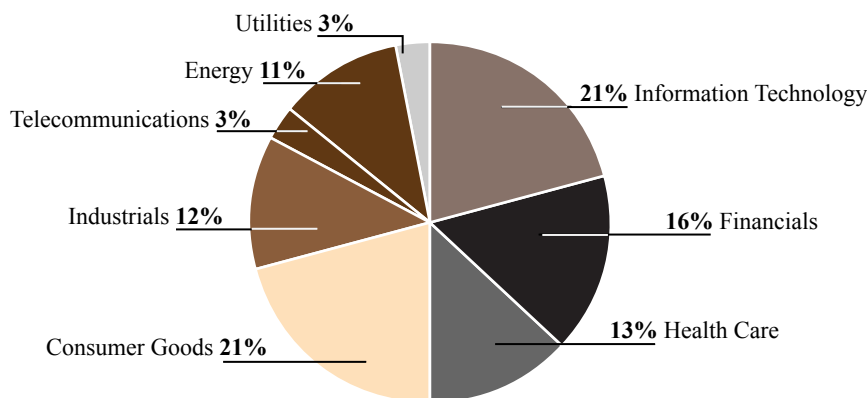


COMPOSITE ALLOCATION

June 30, 2010



The following pie chart shows the allocation to market sectors within the U.S. Public Equity portion of the PSRS/PEERS portfolio as of June 30, 2010.



U.S. PUBLIC EQUITY REVIEW

As of June 30, 2010

U.S. Public Equity Investment Advisors

The following firms were under contract with PSRS/PEERS as of June 30, 2010 for management of U.S. Public Equity securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2010	% of Total Market Value
AllianceBernstein Institutional Management	Active Large Cap Growth	\$ 409,845,151	1.6%
Analytic Investors	Structured Large Cap 120/20 Core	26,080,045	0.1%
Analytic Investors	Structured Large Cap Value	302,374,644	1.2%
Analytic Investors	U.S. Low Volatility Equity	179,173,953	0.7%
AQR Capital Management	Large Cap 140/40 Core	166,400,025	0.6%
Aronson + Johnson + Ortiz	Active Large Cap 130/30 Value	173,419,708	0.7%
Aronson + Johnson + Ortiz	Active Large Cap Value	365,556,815	1.4%
Martingale Asset Management	Active Large Cap 130/30 Growth	235,602,372	0.9%
SSgA - Russell 1000 Index Fund	Passive Russell 1000 Index	772,088,699	3.0%
SSgA - S&P 500 Index Fund	Passive S&P 500 Index	1,877,450,552	7.2%
Westwood Management	Active Large Cap Value	539,128,626	2.1%
Westwood Management	Master Limited Partnerships	184,456,661	0.7%
Zevenbergen Capital	Active All Cap Growth	609,393,551	2.4%
Alpha Overlay: Algert Coldiron Investors	Multi-Strategy Market Neutral	61,579,168	0.2%
Alpha Overlay: Analytic Investors	Japan Market Neutral	55,823,582	0.2%
Alpha Overlay: AQR Capital Management	Multi-Strategy	56,199,456	0.2%
Alpha Overlay: Bridgewater Associates	Multi-Strategy	147,287,669	0.6%
Alpha Overlay: Davidson Kempner	Multi-Strategy	133,864,802	0.5%
Alpha Overlay: NISA Investment Advisors	Beta Overlay	139,776,957	0.5%
Alpha Overlay: Och-Ziff	Multi-Strategy	61,279,320	0.2%
Alpha Overlay: UBS O'Connor	Global Market Neutral	131,864,960	0.5%
Alpha Overlay: UBS O'Connor	Multi-Strategy	53,772,398	0.2%
Alpha Overlay: Zevenbergen Capital	Active All Cap Growth	98,127,715	0.4%
Alpha Overlay Subtotal		939,576,027	3.5%
S-CAP: AQR Capital Management	Active Small Cap Value	119,436,183	0.5%
S-CAP: Chartwell Investment Partners	Active Small Cap Value	118,156,585	0.5%
S-CAP: Columbus Circle	Active Small Cap Growth	90,084,337	0.4%
S-CAP: Next Century Growth Investors	Active Small Cap Growth	121,285,223	0.5%
S-CAP: Next Century Growth Investors	Active Micro Cap Growth	8,584,828	0.0%
S-CAP: Nicholas - Applegate	Active Micro Cap Growth	84,649,745	0.3%
S-CAP: NISA Investment Advisors	Russell 2000 Overlay	187,215,411	0.7%
S-CAP: Thomson, Horstmann & Bryant	Active Small Cap Core	193,067,597	0.7%
Small Cap Alpha Pool (S-CAP) Subtotal		922,479,909	3.6%
Total		\$ 7,703,026,738	29.6%

* Includes manager cash.

U.S. PUBLIC EQUITY REVIEW

Periods Ended June 30, 2010

U.S. Public Equity Investment Returns

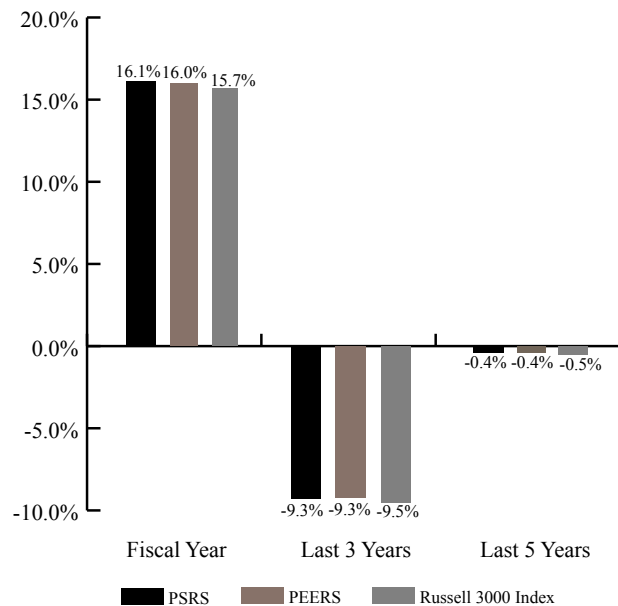
The U.S. equity market experienced a strong rally after the global credit crisis of 2008 and 2009. The rally began in March 2009 and continued through the third quarter of the fiscal year. During the final quarter of the fiscal year, U.S. equity markets declined mainly due to financial uncertainty in many European countries. Overall during the fiscal year, the markets were fueled by the easing of credit markets, increases in consumer spending and exports, business investment in new inventory and equipment and stimulus efforts by the federal government.

The total returns for the PSRS and PEERS U.S. Public Equity programs were 16.1% and 16.0%, respectively, compared to the benchmark return of 15.7% for the fiscal year ended June 30, 2010. As shown in the table and graph below, the PSRS and PEERS annualized U.S. equity composite returns outperformed the benchmark by 40 basis points and 30 basis points respectively. For the three-year time period, both PSRS and PEERS outperformed the benchmark by 20 basis points. The Systems' U.S. Public Equity composite performance outperformed the benchmark by 10 basis points for the five-year time period.

U.S. PUBLIC EQUITY INVESTMENT RETURNS

June 30, 2010

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	16.1%	-9.3%	-0.4%
PEERS	16.0%	-9.3%	-0.4%
Russell 3000 Index	15.7%	-9.5%	-0.5%



GLOBAL PUBLIC EQUITY REVIEW

As of June 30, 2010

Market Value

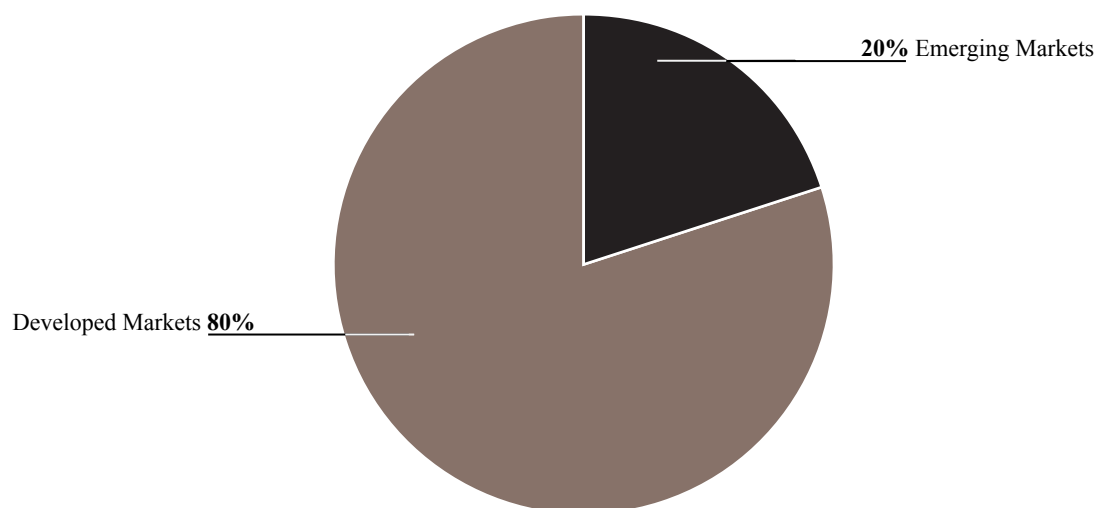
As of June 30, 2010, the combined PSRS/PEERS global equity assets had a market value of approximately \$4.6 billion, representing 17.5% of total assets.

Global Public Equity Statistics

The pie chart below presents a breakdown of investments across developed and emerging markets in the global public equity composite. In addition, the top 10 global stock holdings as of June 30, 2010 are shown in the table below the pie chart.

MARKET ALLOCATION

June 30, 2010



Top 10 Largest Holdings* June 30, 2010	Combined Market Value	% of Total Global Public Equity
Nestle SA	\$ 54,692,830	1.2%
Roche Holdings AG	40,443,176	0.9%
AstraZeneca PLC	39,101,488	0.9%
Novartis AG	35,693,613	0.8%
Vodafone Group	35,069,416	0.8%
Sanofi Aventis	34,572,224	0.8%
Samsung Electronics Co. Ltd.	33,097,999	0.7%
GlaxoSmithKline	31,272,496	0.7%
Rio Tinto PLC	25,380,263	0.6%
Standard Chartered PLC	25,344,422	0.6%
TOTAL	\$ 354,667,927	8.0%

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

GLOBAL PUBLIC EQUITY REVIEW

As of June 30, 2010

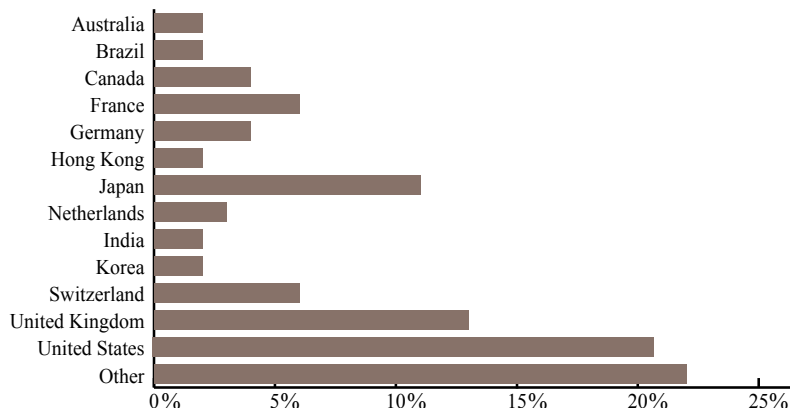
Global Public Equity Structure

As of June 30, 2010, the PSRS/PEERS global equity portfolios were 9.3% passively managed. The remaining 90.7% 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, 2010



Global Public Equity Investment Advisors

The following firms were under contract with PSRS/PEERS as of June 30, 2010 for management of global equity securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2010	% of Total Market Value
AllianceBernstein Institutional Mgmt.	Active Intl Value	\$ 280,950,898	1.1%
AllianceBernstein Institutional Mgmt.	Active Global	283,358,338	1.1%
Analytic Investors	Active Global	245,966,701	0.9%
AQR Capital Management	Active Intl Core	431,645,433	1.7%
Arrowstreet Capital	Active Emerging Markets	96,535,000	0.4%
Arrowstreet Capital	Active Global	449,905,218	1.7%
Artio Global Investors	Active Intl Core	401,218,711	1.5%
Esemplia Emerging Markets	Active Emerging Markets	353,788,841	1.4%
INVESCO Global Asset Management	Active Intl Value	385,094,590	1.5%
McKinley Capital Management	Active Intl Growth	383,559,940	1.5%
MFS Investment Management	Active Intl Core	475,222,477	1.8%
SSgA - MSCI ACWI ex-US Index	Passive Intl Core	424,469,506	1.6%
T. Rowe Price Associates	Active Global Growth	343,206,976	1.3%
Global Equity Transition Assets	Core	909,115	0.0%
Total		\$ 4,555,831,744	17.5%

* Includes manager cash.

GLOBAL PUBLIC EQUITY REVIEW

Periods Ended June 30, 2010

Global Public Equity Investment Returns

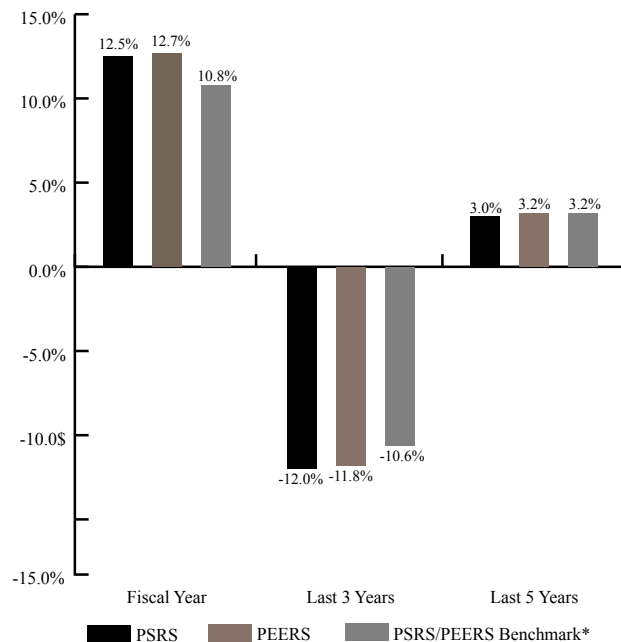
The global equity markets experienced a strong rally after the global credit crisis of 2008 and 2009. The rally began in March 2009 and continued through the third quarter of the fiscal year. Emerging markets experienced a stronger recovery than the developed non-U.S. equity markets but both provided significant returns for the fiscal year. Asian equity markets have rebounded the strongest since the financial crisis. During the final quarter of the fiscal year, global equity markets declined mainly due to financial uncertainty in many European countries. Overall during the fiscal year, the markets were fueled by the easing of credit markets, increases in consumer spending and exports and business investment in new inventory and equipment.

The total returns for the PSRS and PEERS global equity programs were 12.5% and 12.7%, respectively, compared to the benchmark return of 10.8% for the fiscal year ended June 30, 2010. As shown in the table and graph below, the PSRS and PEERS annualized global equity composite returns outperformed the benchmark performance by 170 basis points and 190 basis points, respectively. For the three-year time period, PSRS and PEERS underperformed the benchmark by 140 basis points and 120 basis points, respectively. PEERS' five-year return equaled the benchmark return while PSRS slightly underperformed the benchmark for the same time period.

GLOBAL PUBLIC EQUITY INVESTMENT RETURNS

June 30, 2010

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	12.5%	-12.0%	3.0%
PEERS	12.7%	-11.8%	3.2%
PSRS/PEERS Benchmark*	10.8%	-10.6%	3.2%



* The PSRS/PEERS Global Equity Benchmark was comprised of 74.0% MSCI All Country World ex-U.S. Free Index and 26.0% MSCI All Country World Free Index as of June 30, 2010.

CREDIT BONDS REVIEW

As of June 30, 2010

Market Value

As of June 30, 2010, the combined PSRS/PEERS Credit Bond assets had a market value of approximately \$2.7 billion, representing 10.2% of total assets.

Credit Bonds Structure

This program is intended to provide a source of current income and capital appreciation and create substantial diversification for the Systems, while having a low correlation to other asset classes. The securities in this program exhibit high liquidity.

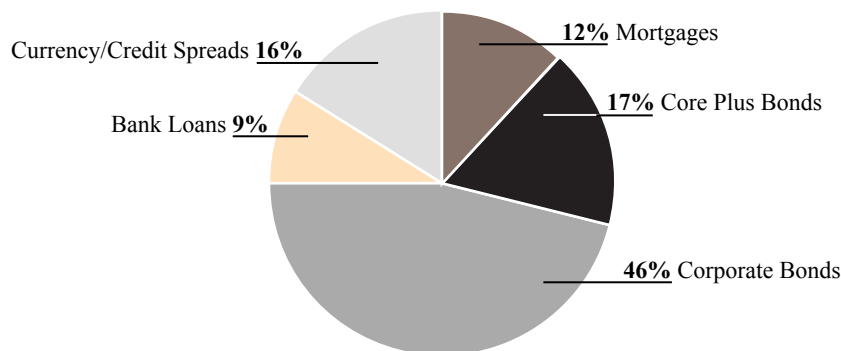
Credit Bonds Investment Advisors

The following firms were under contract with PSRS/PEERS as of June 30, 2010 for management of credit bond securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2010	% of Total Market Value
BlackRock Financial Management	Active Mortgages	\$ 308,894,418	1.2%
NISA Investment Advisors	Corporate Credit	1,209,519,445	4.6%
Oaktree Bank Loans	Senior Bank Loans	250,353,486	1.0%
Pacific Investment Management Co.	Core Plus	459,369,181	1.8%
Pacific Investment Management Co.	LIBOR Plus	359,152,904	1.3%
Pacific Investment Management Co.	Developing Local Markets	71,952,096	0.3%
Total		\$ 2,659,241,530	10.2%

* Includes manager cash.

The pie chart below presents the strategy allocation of the Systems' Credit Bond assets as of June 30, 2010.



CREDIT BONDS REVIEW

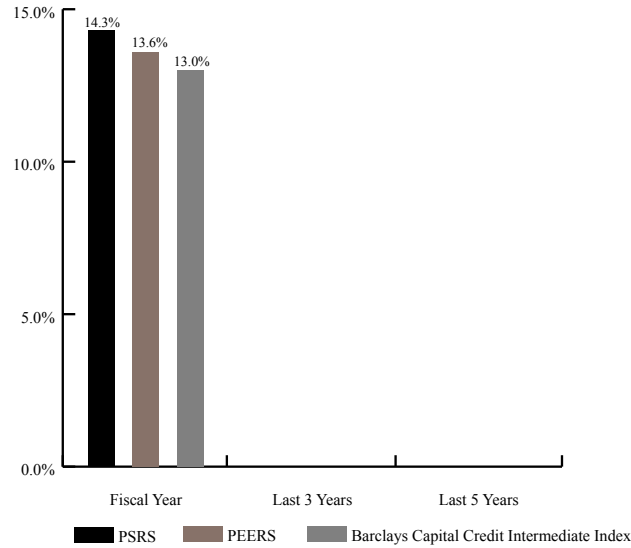
As of June 30, 2010

Credit Bond Investment Returns

The total annualized returns on the PSRS and PEERS Credit Bonds Programs for the fiscal year were 14.3% and 13.6%, respectively. As shown in the table and graph below, the credit

bonds programs for both PSRS and PEERS outperformed the benchmark by 130 basis points and 60 basis points, respectively.

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	14.3%	N/A	N/A
PEERS	13.6%	N/A	N/A
Barclays Capital Credit Intermediate Index	13.0%	N/A	N/A



HEDGED ASSETS REVIEW

As of June 30, 2010

Market Value

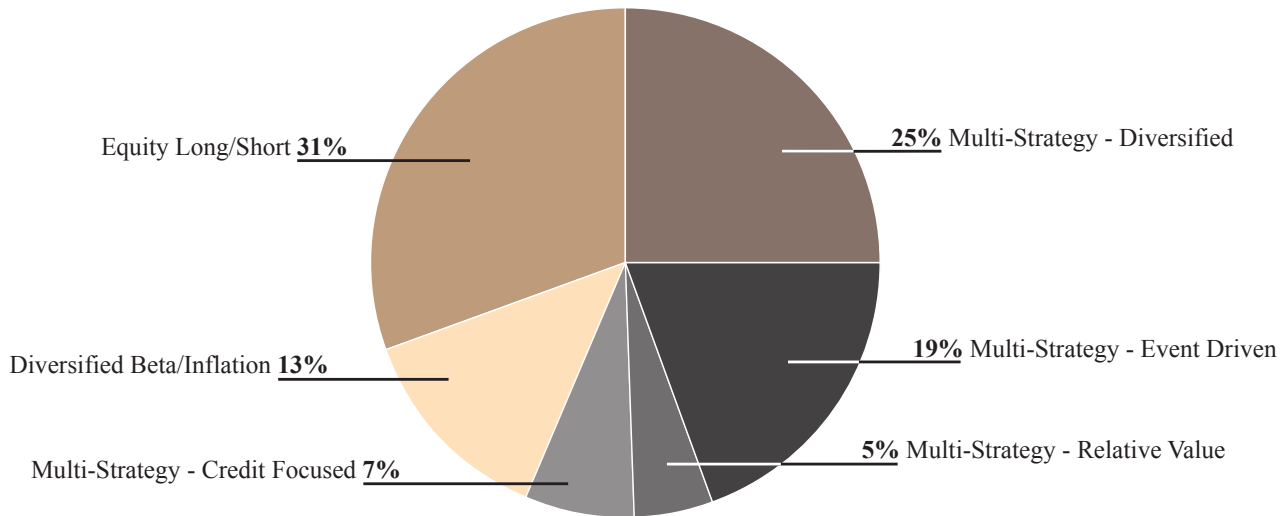
As of June 30, 2010, the combined PSRS/PEERS Hedged Assets Program had a market value of approximately \$2.7 billion, representing 10.4% of total assets.

Hedged Assets Structure

The Hedged Assets Program differs from the Systems' other Public Risk assets and is an important aspect of the overall asset

allocation. The Hedged Assets Program is intended to provide lower volatility, downside protection and diversification, while providing competitive returns.

The pie chart below shows the strategy diversification of the Hedged Assets Program.



HEDGED ASSETS REVIEW

As of June 30, 2010

Hedged Assets Investment Advisors

The following investment advisors and limited partnerships provided investment management for the Systems' hedged assets as of June 30, 2010.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2010	% of Total Market Value
AQR Absolute Return Fund	Multi-Strategy - Relative Value	\$ 56,199,456	0.2%
AQR Diversified Beta Fund	Diversified Beta Fund	133,813,773	0.5%
Bridgewater All Weather	Diversified Beta	88,282,852	0.3%
Bridgewater Pure Alpha II	Multi-Strategy - Diversified	121,761,058	0.5%
Bridgewater Inflation Pool	Inflation Protection	123,168,934	0.5%
Brookside Capital	U.S. Long/Short	113,480,361	0.4%
Davidson Kempner	Multi-Strategy - Event Driven	85,672,870	0.3%
Davidson Kempner	Distressed Debt	55,116,011	0.2%
GoldenTree Asset Management	Relative Value - Credit	137,874,716	0.5%
Highbridge Asia	Multi-Strategy - Diversified	147,133,924	0.6%
Indus Capital Partners	Asia Pacific Long/Short	127,931,440	0.5%
Karsch Capital Management	Large Cap Core	101,293,838	0.4%
Karsch Capital Fund	U.S. Long/Short	100,301,702	0.4%
Maverick Capital	U.S. Long/Short	160,973,104	0.6%
NISA Investment Advisors	Diversified Beta	119,064,199	0.5%
Och-Ziff Domestic Partners	Multi-Strategy - Diversified	118,953,974	0.5%
Och-Ziff Europe Partners	Multi-Strategy - Diversified	44,554,162	0.2%
Och-Ziff Asia	Multi-Strategy - Diversified	45,971,927	0.2%
Owl Creek Overseas Fund	Multi-Strategy - Event Driven	108,094,496	0.4%
Paulson and Company	Multi-Strategy - Event Driven	97,292,700	0.4%
Pershing Square	U.S. Long/Short	110,000,000	0.4%
Renaissance	U.S. Long/Short	132,093,236	0.5%
Stark Investments	Multi-Strategy - Diversified	89,258,290	0.3%
UBS O'Connor	Multi-Strategy - Relative Value	74,257,121	0.3%
York Capital	Multi-Strategy - Event Driven	209,749,236	0.8%
Total		\$ 2,702,293,380	10.4%

* Includes manager cash and reflects valuations reported by the Systems' hedged assets investment advisors. Market values reflect the most current net asset values. In instances where the most current net asset values were not as of June 30, 2010, the net asset values utilized were cash flow adjusted through June 30, 2010.

HEDGED ASSETS REVIEW

Periods Ended June 30, 2010

Hedged Assets Investment Returns

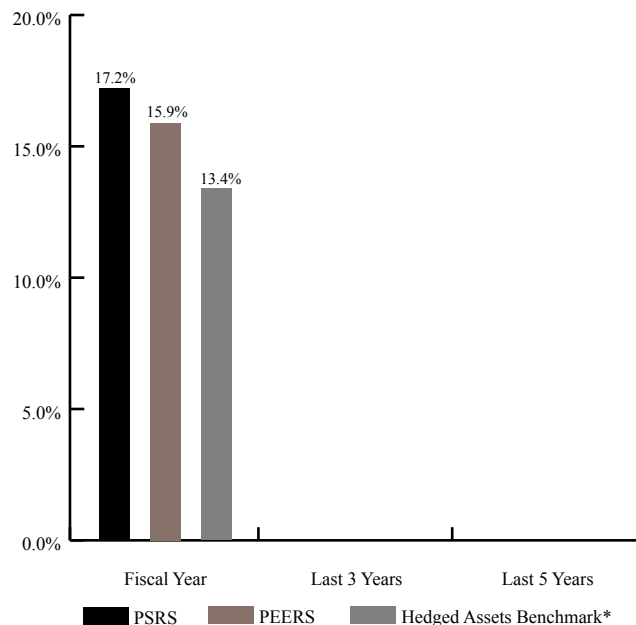
The total annualized returns on the PSRS and PEERS Hedged Assets portfolios for the fiscal year were 17.2% and 15.9%, respectively. PSRS' and PEERS' performance was significantly above the Systems' hedged assets benchmark and led large institutional investors in top performance. The Investment Staff

and external consultants have diligently developed this program over the last several years within the Absolute Return Pool, which was replaced with the Hedged Assets Program effective July 1, 2010.

HEDGED ASSETS INVESTMENT RETURNS

June 30, 2010

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	17.2%	N/A	N/A
PEERS	15.9%	N/A	N/A
Hedged Assets Benchmark*	13.4%	N/A	N/A



* As of June 30, 2010, the policy benchmark utilized by the Retirement Systems for the Hedged Assets Program was comprised of 25.0% MSCI All Country World ex-U.S. Free Index, 50.0% Barclays Capital Credit Intermediate Index and 25.0% Russell 3000 Index.

SAFE ASSETS REVIEW

As of June 30, 2010

Market Value

As of June 30, 2010, the combined PSRS/PEERS Safe Assets had a market value of approximately \$5.4 billion, representing 20.8% of total assets.

Safe Assets Statistics

The following table displays the statistical characteristics of the PSRS/PEERS Safe Assets Programs as of June 30, 2010 with comparisons shown to the Barclays Capital Intermediate U.S. Treasury Index.* Additionally, the top 10 safe asset holdings as of June 30, 2010 are shown in the table below the characteristics.

Characteristics	June 30, 2010 Combined Systems	June 30, 2010 Barclays Capital Intermediate U.S. Treasury Index
Number of Securities	86	145
Average Coupon	2.7%	2.8%
Yield to Maturity	1.7%	1.5%
Average Maturity (Years)	5.3	4.4
Duration (Years)	4.5	4.0

Top 10 Largest Holdings** June 30, 2010

	Combined Market Value	% of Total Safe Assets
United States Treasury Note, 2.25% , 10/31/14	\$ 329,232,169	6.2%
United States Treasury Note, 2.0%, 1/31/15	267,268,388	5.0%
United States Treasury Note, 0.25%, 9/16/10	266,599,993	5.0%
United States Treasury Note, 1.75%, 1/31/14	260,571,200	4.9%
United States Treasury Note, 2.75%, 10/31/13	241,667,205	4.5%
United States Treasury Note, 3.5%, 2/15/18	224,801,149	4.2%
United States Treasury Note, 1.0%, 8/31/11	220,897,198	4.1%
United States Treasury Note, 2.5%, 7/31/14	162,495,509	3.0%
United States Treasury Note, 1.875%, 7/15/15	147,838,024	2.8%
United States Treasury Note, 3.0%, 8/31/16	141,578,637	2.7%
Total	\$ 2,262,949,472	42.4%

* The PSRS/PEERS Safe Assets Benchmark consisted of 80.0% Barclays Capital Treasury Blend and 20.0% Barclays Capital U.S. TIPS 1-10 Year Index as of June 30, 2010.

** Includes only actively managed separate accounts.

A complete list of portfolio holdings is available upon request.

SAFE ASSETS REVIEW

As of June 30, 2010

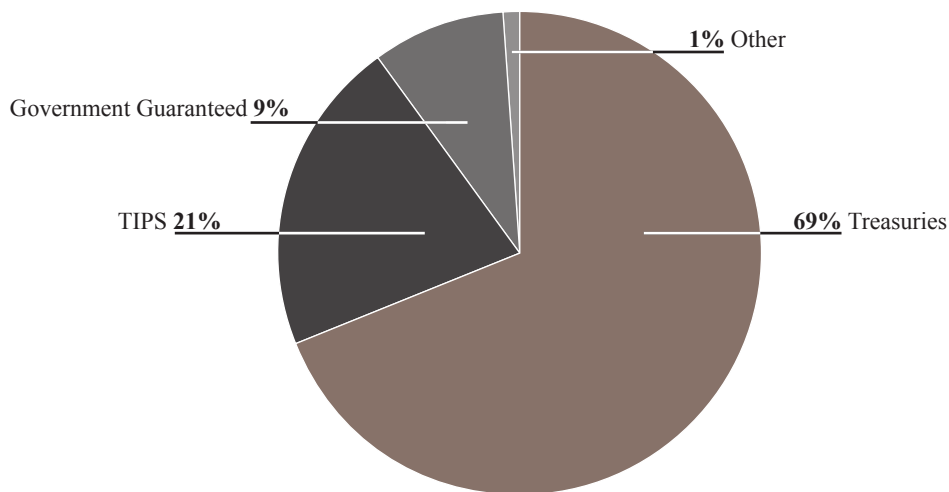
Safe Assets Structure

As of June 30, 2010, 100% of the PSRS/PEERS Safe Assets Program was actively managed by NISA Investment Advisors. The Safe Assets Program is intended to create substantial diversification for the Systems while having a low correlation to

other asset classes. The assets held within the program exhibit high liquidity and safety. The pie chart below depicts the Safe Assets Program by showing the sector and composite allocations for PSRS/PEERS as of June 30, 2010.

SECTOR AND COMPOSITE ALLOCATION

June 30, 2010



Safe Assets Investment Advisor

The following firm was under contract with PSRS/PEERS as of June 30, 2010 for management of safe asset securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2010	% of Total Market Value
NISA Investment Advisors	U.S. Treasuries	\$ 4,294,658,811	16.5%
NISA Investment Advisors	U.S. TIPS	1,126,076,741	4.3%
Total		\$ 5,420,735,552	20.8%

* Includes manager cash.

SAFE ASSETS REVIEW

Periods Ended June 30, 2010

Safe Assets Investment Returns

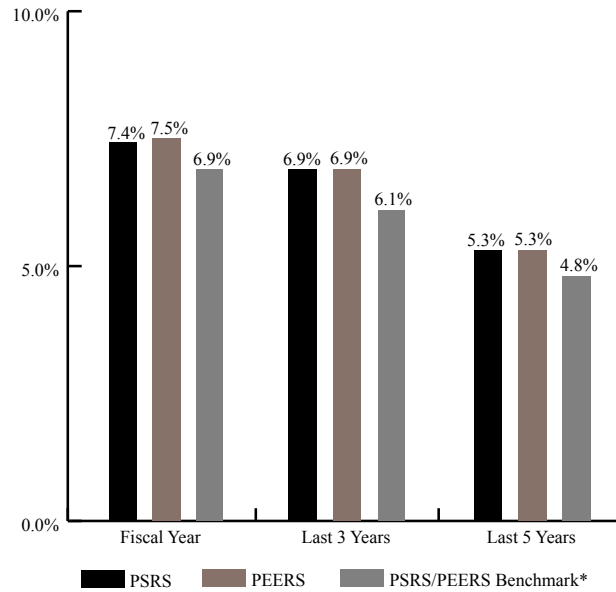
The total annualized returns on the PSRS and PEERS Safe Assets portfolios for the fiscal year were 7.4% and 7.5%, respectively. PSRS and PEERS outperformed the Systems' Safe Assets benchmark by 50 basis points and 60 basis points, respectively. The annualized total return on the PSRS and

PEERS Safe Assets portfolios for the three-year time period exceeded the performance of the Systems' benchmark by 80 basis points, while the annualized total return for the five-year time period exceeded the benchmark by 50 basis points.

SAFE ASSETS INVESTMENT RETURNS

June 30, 2010

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	7.4%	6.9%	5.3%
PEERS	7.5%	6.9%	5.3%
PSRS/PEERS Benchmark*	6.9%	6.1%	4.8%



* The PSRS/PEERS Safe Assets Benchmark consisted of 80.0% Barclays Capital Treasury Blend and 20.0% Barclays Capital U.S. TIPS 1-10 Year Index as of June 30, 2010.

PRIVATE RISK ASSETS REVIEW

As of June 30, 2010

Market Value

As of June 30, 2010, the combined PSRS/PEERS Private Risk assets had a market value of approximately \$2.9 billion, representing 11.3% of total assets.

Private Risk Asset Structure

As of June 30, 2010, 39.7% of the PSRS/PEERS Private Risk assets were invested in the Private Real Estate program, 48.6% in the Private Equity program and 11.7% in the Private Credit program. Each of these programs are discussed in more detail on the following pages.

Private Risk Asset Investment Returns

Credit markets stabilized during the fiscal year, allowing

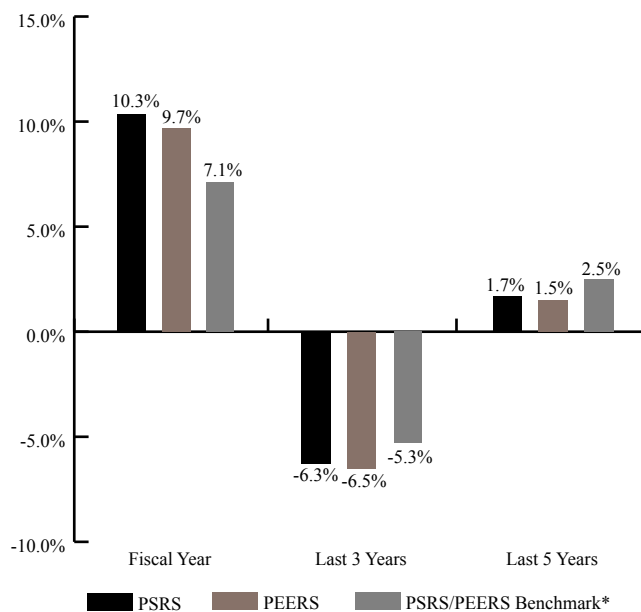
for greater access to debt financing and renegotiations. This provided all private risk assets with the necessary environment to refocus their activities and once again become active investors.

The total returns for the PSRS and PEERS Private Risk portfolios were 10.3% and 9.7%, respectively, compared to the benchmark return of 7.1% for the fiscal year ended June 30, 2010. As shown in the table and graph below, the PSRS and PEERS annualized Private Risk portfolio returns outperformed the benchmark by 320 basis points and 260 basis points, respectively. For the three- and five-year time periods, both PSRS and PEERS underperformed the benchmark as noted below.

PRIVATE RISK ASSET INVESTMENT RETURNS

June 30, 2010

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	10.3%	-6.3%	1.7%
PEERS	9.7%	-6.5%	1.5%
Private Risk Assets Benchmark*	7.1%	-5.3%	2.5%



* The PSRS/PEERS private risk assets benchmark was comprised of 52.5% Russell 3000 Index, 37.5 % NCREIF Property Index (1-quarter lag) and 10.0% Bank of America Merrill Lynch High Yield Master II Index as of June 30, 2010.

REAL ESTATE REVIEW

As of June 30, 2010

Market Value

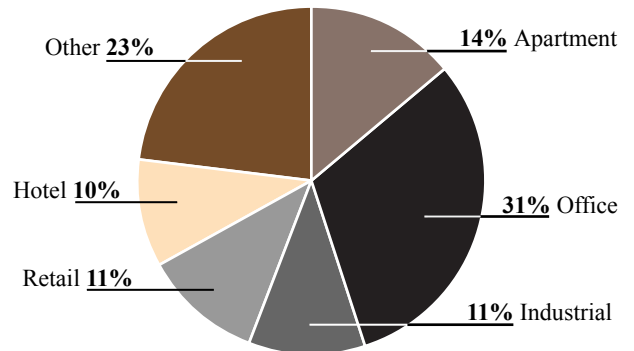
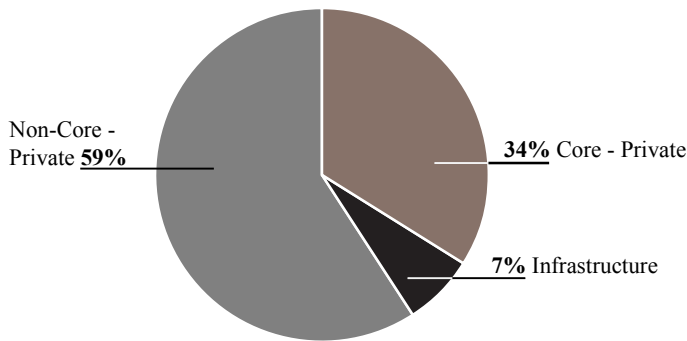
As of June 30, 2010, the combined PSRS/PEERS real estate assets committed* for investment were \$2.2 billion. The market value of funds that had been drawn down and actually invested as of June 30, 2010 was approximately \$1.2 billion, representing 4.5% of total assets. PSRS/PEERS real estate investment commitments* that have not yet been funded were approximately \$644 million as of June 30, 2010.

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 55% target allocation to non-core real estate and a 45% allocation to core private real estate.

This sub-allocation was approved by the PSRS/PEERS Board of Trustees in June 2009. The previous allocation included a 20% allocation to core public real estate (REITs) which was eliminated at the beginning of the fiscal year. The non-core allocation includes high return and enhanced property types, as well as infrastructure investments. 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.

REAL ESTATE REVIEW

As of June 30, 2010

Real Estate Investment Advisors

The following investment advisors and limited partnerships provided investment management for the Systems' real estate assets as of June 30, 2010.

Investment Advisor	Investment Style	Combined Market Value* As of June 30, 2010	% of Total Market Value
Alinda Infrastructure Fund I	Infrastructure	\$ 44,105,928	0.2%
AMB Alliance III	Non-Core - Private	29,767,516	0.1%
AMB Japan Fund I	Non-Core - Private	31,846,728	0.1%
AEW Core Property Fund	Core - Private	58,929,545	0.2%
Blackstone R.E. Partners V	Non-Core - Private	21,759,660	0.1%
Blackstone R.E. Partners VI	Non-Core - Private	30,299,172	0.1%
Capmark Structured R.E. Partners	Non-Core - Private	3,516,905	0.0%
Carlyle Europe Real Estate Partners III	Non-Core - Private	15,182,917	0.1%
Carlyle Realty V	Non-Core - Private	60,253,443	0.2%
CBRE Fund IV	Non-Core - Private	5,649,072	0.0%
CBRE Partners US Value 5	Non-Core - Private	33,105,801	0.1%
CIM Fund III	Non-Core - Private	7,303,119	0.0%
CIM Urban REIT	Non-Core - Private	31,447,626	0.1%
Colony Investors VIII	Non-Core - Private	26,736,900	0.1%
CPI Capital Partners Europe	Non-Core - Private	11,737,671	0.0%
Dune Real Estate Fund I	Non-Core - Private	11,915,080	0.0%
Forum Asian Realty Income II	Non-Core - Private	40,720,589	0.2%
Guggenheim Structured R.E. III	Non-Core - Private	29,428,763	0.1%
Heitman Value Partners	Non-Core - Private	14,963,078	0.1%
Heitman Value Partners II	Non-Core - Private	13,641,539	0.1%
JPMorgan Strategic Property Fund	Core - Private	118,685,558	0.5%
LaSalle Asia Opportunity Fund II	Non-Core - Private	11,581,300	0.0%
LaSalle Asia Opportunity Fund III	Non-Core - Private	7,626,018	0.0%
LaSalle Income & Growth IV	Non-Core - Private	14,540,846	0.1%
LaSalle Income & Growth V	Non-Core - Private	25,067,928	0.1%
LaSalle Japan Logistics Fund II	Non-Core - Private	3,548,215	0.0%
Lone Star V	Non-Core - Private	16,519,255	0.1%
Lone Star VI	Non-Core - Private	46,986,539	0.2%
Lone Star Real Estate Fund	Non-Core - Private	16,535,872	0.1%
Macquarie Infrastructure Partners	Infrastructure	37,588,862	0.1%
MSREF V International	Non-Core - Private	9,681,549	0.0%
Morgan Stanley Prime Property Fund	Core - Private	96,504,224	0.4%
Noble Hospitality Fund	Non-Core - Private	3,241,555	0.0%
Principal Enhanced Property Fund	Core - Private	25,403,357	0.1%
Prudential PRISA Fund	Core - Private	97,545,551	0.4%
Prudential PRISA II Fund	Non-Core - Private	44,846,396	0.2%
RREEF America REIT III	Non-Core - Private	13,482,327	0.1%
Starwood Hospitality Fund	Non-Core - Private	22,153,801	0.1%
Westbrook R.E. Fund VII	Non-Core - Private	16,280,047	0.1%
Westbrook R.E. Fund VIII	Non-Core - Private	9,186,707	0.0%
Total		\$ 1,159,316,959	4.5%

* Includes manager cash and reflects valuations reported by the Systems' real estate investment advisors. Market values reflect the most current net asset values. In instances where the most current net asset values were not as of June 30, 2010, the net asset values utilized were cash flow adjusted through June 30, 2010.

REAL ESTATE REVIEW

Periods Ended June 30, 2010

Real Estate Investment Returns

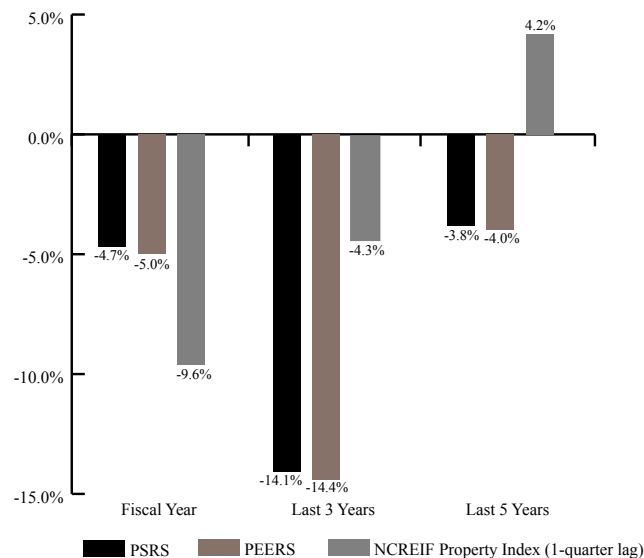
After experiencing significant deterioration during 2009 and 2008, real estate market fundamentals appear to have bottomed in fiscal year 2010. Additionally, the availability and pricing of financing improved significantly for high quality borrowers during the fiscal year. This opening of the credit markets has led to increased transaction activity within private and public real estate. During the second half of fiscal year 2010, this resulted in property values stabilizing and some write-ups occurring. The funds and partnerships within the PSRS/PEERS real estate allocation were selected in conjunction with the Systems' real estate consultant, The Townsend Group.

The total returns for the PSRS and PEERS real estate portfolios were -4.7% and -5.0%, respectively, compared to the Systems' benchmark return of -9.6% for the fiscal year ended June 30, 2010. As shown in the table and graph below, the PSRS and PEERS annualized real estate program returns outperformed the benchmark by 490 basis points and 460 basis points, respectively. For the three- and five-year time periods, both PSRS and PEERS underperformed the benchmark as noted below.

REAL ESTATE INVESTMENT RETURNS

June 30, 2010

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	-4.7%	-14.1%	-3.8%
PEERS	-5.0%	-14.4%	-4.0%
NCREIF Property Index (1-quarter lag)	-9.6%	-4.3%	4.2%



PRIVATE EQUITY REVIEW

As of June 30, 2010

Market Value

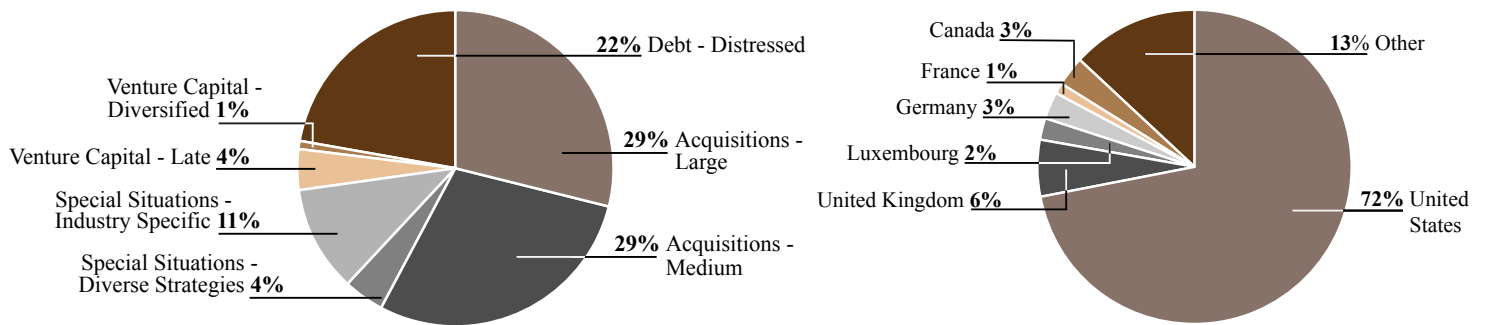
As of June 30, 2010, the combined PSRS/PEERS Private Equity assets committed* for investment were \$3.0 billion. The market value of funds that have been drawn down and actually invested as of June 30, 2010 was approximately \$1.4 billion, representing 5.5% of total assets. PSRS/PEERS private equity investment commitments* that have not yet been funded were approximately \$1.5 billion as of June 30, 2010.

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. In October 2008, the PSRS/PEERS Board of Trustees approved

an increase to 10.5% for the target allocation to the private equity asset class. 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. Additionally, the Systems have invested in private equity secondary funds.

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, 2010 from both strategy and country perspectives.



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

PRIVATE EQUITY REVIEW

As of June 30, 2010

Private Equity Investment Advisors

The following investment advisors and limited partnerships provided investment management for the Systems' private equity assets as of June 30, 2010.

Investment Advisor	Investment Style	Combined	
		Market Value* As of June 30, 2010	% of Total Market Value
Blackstone Capital Partners V	Acquisition - Large	\$ 14,953,357	0.1%
Carlyle Europe Partners III	Acquisition - Medium	8,209,822	0.0%
Carlyle Partners IV	Acquisition - Large	27,074,890	0.1%
Carlyle Partners V	Acquisition - Large	11,296,018	0.0%
Centerbridge Capital Partners	Acquisition & Debt	21,777,906	0.1%
CVC European Equity Partners IV	Acquisition - Large	19,297,542	0.1%
CVC European Equity Partners V	Acquisition - Large	5,933,129	0.0%
CVC European Equity Tandem Fund	Acquisition - Large	8,794,652	0.0%
Exponent Partners II	Acquisition - Medium	10,007,718	0.0%
First Reserve Fund XI	Acquisition - Energy	22,972,000	0.1%
First Reserve Fund XII	Acquisition - Energy	8,227,000	0.0%
Genstar Capital Partners V	Acquisition - Medium	4,818,547	0.0%
GTCR Fund IX	Acquisition - Medium	19,987,495	0.1%
Hellman & Friedman Capital Prtnrs VI	Acquisition - Large	28,213,880	0.1%
Kelso Investment Associates VIII	Acquisition - Medium	5,213,299	0.0%
KKR 2006 Fund	Acquisition - Large	27,988,032	0.1%
KRG Fund IV	Acquisition - Medium	7,141,126	0.0%
Lexington Capital Partners VI-B	Secondary Fund	90,508,468	0.4%
Lexington Capital Partners VII	Secondary Fund	548,888	0.0%
Madison Dearborn VI	Acquisition - Large	6,255,922	0.0%
Montagu III	Acquisition - Medium	12,547,916	0.1%
Nordic VII	Acquisition - Medium	6,490,975	0.0%
New Enterprise Associates XIII	Venture Capital	5,728,733	0.0%
OCM Principal Opportunities Fund IV	Debt - Distressed	33,143,583	0.1%
OCM Opportunities Fund VII	Debt - Distressed	27,462,239	0.1%
OCM Opportunities Fund VIIb	Debt - Distressed	12,432,599	0.1%
Odyssey Investment Partners IV	Acquisition - Medium	7,451,303	0.0%
Onex Partners II	Acquisition - Medium	24,406,280	0.1%
Onex Partners III	Acquisition - Medium	1,682,989	0.0%
Pantheon Global Secondary Fund III	Secondary Fund	93,656,194	0.4%
Pathway Capital Management	Fund-of-Funds (A)	342,908,966	1.3%
Pathway Capital Management	Fund-of-Funds (B)	149,741,072	0.6%
Pathway Capital Management	Fund-of-Funds (C)	114,381,612	0.4%
Paul Capital Partners IX	Secondary Fund	43,110,550	0.2%
Permira IV	Acquisition - Large	9,001,715	0.0%
Providence Equity Partners VI	Acquisition - Media	20,657,025	0.1%
Quantum Energy Partners V	Acquisition - Energy	581,487	0.0%
The Resolute Fund II	Acquisition - Medium	9,222,273	0.1%
Silver Lake Partners III	Acquisition - Technology	12,285,238	0.1%
TCV VI	Venture Capital	15,134,856	0.1%
TCV VII	Venture Capital	6,982,762	0.0%
Thoma Cressey Fund VIII	Acquisition - Medium	25,154,461	0.1%
TPG Partners V	Acquisition - Large	14,777,704	0.1%
TPG Partners VI	Acquisition - Large	4,936,048	0.0%
Wayzata Opportunities Fund	Debt - Distressed	19,413,086	0.1%
Wayzata Opportunities Fund II	Debt - Distressed	35,347,457	0.1%
Wind Point Partners VI	Acquisition - Medium	17,512,579	0.1%
Wind Point Partners VII	Acquisition - Medium	4,039,560	0.0%
Total		\$ 1,419,410,953	5.5%

* Market values as reported by the Systems' private equity investment advisors. Market values reflect the most current net asset values. In instances where the most current net asset values were not as of June 30, 2010, the net asset values utilized were cash flow adjusted through June 30, 2010.

PRIVATE EQUITY REVIEW

Periods Ended June 30, 2010

Private Equity Investment Returns

After experiencing one of the slowest investment periods in history during fiscal year 2009, the pace of investment has significantly accelerated in the private equity environment over the past year. The increase in activity is fueled by the stabilization of the credit markets and the renewed confidence of investors and general partners in the overall economy.

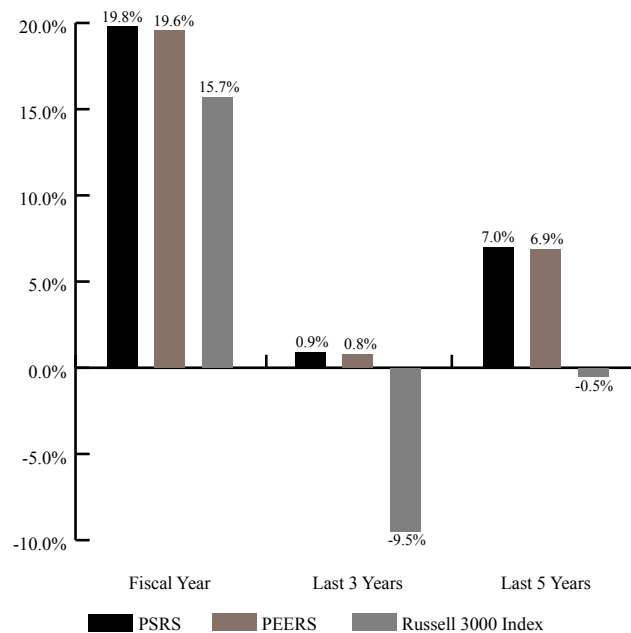
The table and chart below show the Systems' private equity

performance relative to its private equity benchmark. For the fiscal year ended June 30, 2010, the PSRS and PEERS private equity composites outperformed the benchmark by 410 and 390 basis points, respectively. PSRS' and PEERS' private equity composites, for the three-year period, exceeded the benchmark return by 1040 and 1030 basis points, respectively. For the five-year period, the composites also significantly exceeded the benchmark.

PRIVATE EQUITY INVESTMENT RETURNS

June 30, 2010

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	19.8%	0.9%	7.0%
PEERS	19.6%	0.8%	6.9%
Russell 3000 Index	15.7%	-9.5%	-0.5%



PRIVATE CREDIT REVIEW

As of June 30, 2010

Market Value

As of June 30, 2010, the combined PSRS/PEERS Private Credit assets committed* for investment were \$593.4 million. The market value of funds that have been drawn down and actually invested as of June 30, 2010 was approximately \$342.2 million, representing 1.3% of total assets. PSRS/PEERS private credit investment commitments* that have not yet been funded were approximately \$293.9 million as of June 30, 2010.

Private Credit Structure

The objective for the Systems' allocation to private credit is to achieve returns that are higher than those attainable in the public equity markets with the added benefit of diversification. In December 2009, the PSRS/PEERS Board of Trustees

approved 2.0% for the target allocation to the private credit asset class. The long-term and illiquid nature of the private credit asset class dictates that capital must be invested at a measured pace. Pathway Capital Management has been retained by the Systems to provide private credit investment management services through two structures; a discretionary fund-of-funds relationship and an advisory relationship.

Private Credit Investment Advisors

The following investment advisors and limited partnerships provided investment management for the Systems' private credit assets as of June 30, 2010.

Investment Advisor	Investment Style	Combined Market Value** As of June 30, 2010	% of Total Market Value
Avenue Capital Group Fund V	Debt - Distressed	\$ 104,052,449	0.4%
Caltius IV	Debt - Mezzanine	1,296,857	0.0%
Centerbridge Special Capital Partners	Debt - Distressed	37,464,085	0.2%
Encap Fund VII	Acquisition - Energy	14,949,311	0.1%
Indigo Capital V	Debt - Mezzanine	9,044,334	0.0%
OCM Opportunities Fund VIII	Debt - Distressed	8,581,112	0.0%
Pathway Capital Management	Funds-of-Funds	166,829,587	0.6%
Total		\$ 342,217,753	1.3%

* 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.

** Market values as reported by the Systems' private credit investment advisors. Market values reflect the most current net asset values. In instances where the most current net asset values were not as of June 30, 2010, the net asset values utilized were cash flow adjusted through June 30, 2010

PRIVATE CREDIT REVIEW

As of June 30, 2010

Private Credit Investment Returns

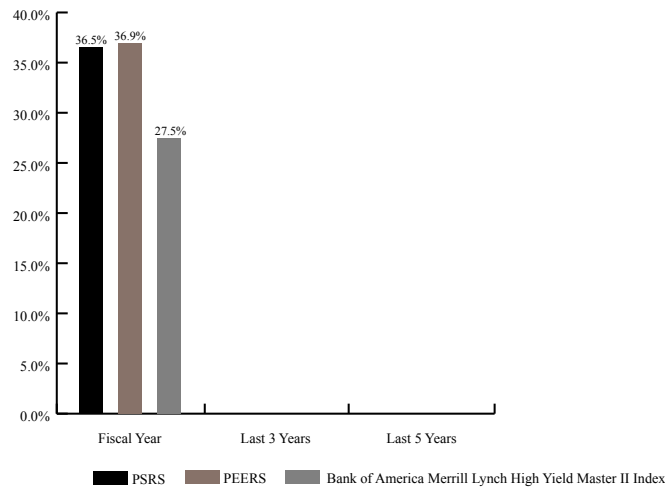
During fiscal year 2010, private credit funds noted increased transaction activity as an increased number of merger and acquisitions and initial public offerings started to appear in the market. These transactions became almost non-existent during the financial crisis of 2008 and 2009.

The table and chart below show the Systems' private credit performance relative to its private credit benchmark. For the fiscal year ended June 30, 2010, the PSRS and PEERS private credit composites outperformed the benchmark by 900 and 940 basis points, respectively.

PRIVATE CREDIT INVESTMENT RETURNS

June 30, 2010

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	36.5%	N/A	N/A
PEERS	36.9%	N/A	N/A
Bank of America Merrill Lynch High Yield Master II Index	27.5%	N/A	N/A



U.S. PUBLIC EQUITY BROKER COMMISSIONS REPORT

For the Fiscal Year Ended June 30, 2010

PSRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost Per Share
INSTINET, LLC	22,746,971	\$ 455,598,703	\$ 320,714	\$ 0.01
INVESTMENT TECHNOLOGY GROUP, INC.	9,306,358	305,898,767	140,160	0.02
LIQUIDNET, INC.	8,136,502	192,581,133	172,554	0.02
GOLDMAN SACHS + CO	39,617,739	1,102,754,188	411,381	0.01
J.P. MORGAN SECURITIES INC.	14,184,981	355,558,357	235,210	0.02
MORGAN STANLEY CO INCORPORATED	28,990,805	579,222,371	226,090	0.01
CREDIT SUISSE SECURITIES (USA) LLC	21,191,622	624,143,589	345,915	0.02
BARCLAYS CAPITAL INC.	38,677,553	497,397,522	155,568	0.00
MERRILL LYNCH, PIERCE, FENNER + SMITH, INC.	21,446,178	493,626,575	192,108	0.01
BROADCORT CAPITAL	2,708,485	92,065,210	169,777	0.06
CITIGROUP GLOBAL MARKETS, INC.	11,849,214	387,894,973	172,118	0.01
DEUTSCHE BANK SECURITIES, INC.	21,758,471	503,372,644	147,686	0.01
BNY CONVERGEX	3,100,557	45,857,870	122,001	0.04
STATE STREET GLOBAL MARKETS, LLC	19,489,325	535,346,286	392,675	0.02
JEFFRIES AND COMPANY INC.	5,320,445	279,137,001	129,508	0.02
UBS SECURITIES LLC	4,527,020	151,121,005	164,745	0.04
PIPER JAFFRAY	5,273,693	146,952,425	167,771	0.03
Other (<\$120,000)	92,961,898	2,328,380,541	2,191,492	0.02
Total	371,017,817	\$ 9,076,909,160	\$ 5,857,473	\$ 0.02

PEERS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost Per Share
INSTINET, LLC	2,161,566	\$ 43,505,256	\$ 29,309	\$ 0.01
INVESTMENT TECHNOLOGY GROUP, INC.	873,681	28,837,767	13,336	0.02
BROADCORT CAPITAL	264,055	6,614,529	19,102	0.07
LIQUIDNET, INC.	736,479	17,918,411	14,876	0.02
GOLDMAN SACHS + CO	3,797,299	106,575,818	41,002	0.01
MORGAN STANLEY CO INCORPORATED	2,727,110	55,282,100	22,835	0.01
CREDIT SUISSE SECURITIES (USA) LLC	2,283,598	64,043,250	38,355	0.02
BNY CONVERGEX	337,291	4,674,712	13,447	0.04
MERRILL LYNCH, PIERCE, FENNER + SMITH, INC	2,072,113	47,083,541	19,265	0.01
DEUTSCHE BANK SECURITIES, INC.	2,058,555	47,408,038	14,411	0.01
CITIGROUP GLOBAL MARKETS, INC.	1,196,817	39,929,589	17,727	0.01
J P MORGAN CLEARING CORP.	1,464,253	36,098,848	24,581	0.02
STATE STREET GLOBAL MARKETS, LLC	1,708,516	47,106,324	35,849	0.02
JEFFRIES AND COMPANY INC.	540,446	29,567,170	11,295	0.02
UBS SECURITIES LLC	476,622	16,162,665	17,546	0.04
PIPER JAFFRAY	498,826	14,049,499	15,925	0.03
Other (<\$10,000)	12,405,972	275,550,002	227,145	0.02
Total	35,603,199	\$ 880,407,519	\$ 576,006	\$ 0.02

GLOBAL PUBLIC EQUITY BROKER COMMISSIONS REPORT

For the Fiscal Year Ended June 30, 2010

PSRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost (basis points)
CREDIT SUISSE FIRST BOSTON	86,465,929	\$ 639,059,466	\$ 574,530	9.0
GOLDMAN SACHS + CO	77,045,784	820,275,773	538,203	6.6
MERRILL LYNCH INTERNATIONAL	71,183,431	552,204,278	532,622	9.6
MORGAN STANLEY CO INCORPORATED	80,152,314	615,483,775	463,847	7.5
BARCLAYS CAPITAL, INC.	4,535,618	61,960,849	112,012	18.1
DEUTSCHE BANK SECURITIES, INC.	77,921,601	486,600,495	414,324	8.5
CREDIT AGRICOLE INDOSUEZ	5,282,697	89,518,320	142,124	15.9
CREDIT LYONNAIS SECURITIES	27,327,295	40,611,591	89,666	22.1
J P MORGAN SECURITIES, INC.	82,208,955	398,393,634	473,782	11.9
CITIGROUP GLOBAL MARKETS, INC.	38,482,177	332,995,850	364,254	10.9
UBS SECURITIES, LLC	36,881,364	288,848,209	363,644	12.6
PERSHING SECURITIES LIMITED	20,941,216	223,532,552	317,431	14.2
INSTINET, LLC	32,483,801	535,218,016	239,820	4.5
SOCIETE GENERALE SECURITIES	10,411,417	154,872,187	130,932	8.5
MACQUARIE SECURITIES LIMITED	53,630,498	121,868,088	194,960	16.0
INVESTMENT TECHNOLOGY CORP.	9,297,890	184,080,879	80,443	4.4
NOMURA SECURITIES INTERNATIONAL INC.	17,830,605	147,414,473	175,237	11.9
WEEDEN AND CO.	8,338,776	198,195,230	82,175	4.1
Other (<\$80,000)	169,639,371	1,253,032,243	1,319,211	10.5
Total	910,060,739	\$ 7,144,165,908	\$ 6,609,217	9.3

PEERS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost (basis points)
CREDIT SUISSE FIRST BOSTON	8,386,834	\$ 61,883,407	\$ 55,509	9.0
GOLDMAN SACHS + CO	8,993,198	97,444,346	58,653	6.0
MERRILL LYNCH INTERNATIONAL	6,939,525	78,379,201	51,444	6.6
MORGAN STANLEY CO INCORPORATED	7,337,602	56,164,374	42,852	7.6
DEUTSCHE BANK SECURITIES, INC.	9,252,240	56,319,806	46,716	8.3
J P MORGAN SECURITIES, INC.	2,744,883	21,490,748	18,718	8.7
CITIGROUP GLOBAL MARKETS, INC.	3,830,409	33,350,785	36,641	11.0
UBS SECURITIES, LLC	3,759,676	29,809,711	36,631	12.3
PERSHING SECURITIES LIMITED	1,942,203	20,882,816	29,713	14.2
INSTINET, LLC	3,635,162	56,904,593	25,938	4.6
NOMURA SECURITIES INTERNATIONAL INC.	1,833,588	14,640,537	17,681	12.1
SOCIETE GENERALE SECURITIES	1,139,580	14,948,474	13,036	8.7
MACQUARIE SECURITIES LIMITED	5,171,937	11,907,792	18,859	15.8
BARCLAYS CAPITAL INC.	475,671	6,070,994	12,033	19.8
CREDIT AGRICOLE INDOSUEZ	481,786	8,709,609	14,283	16.4
CREDIT LYONNAIS SECURITIES	2,697,735	4,128,040	9,074	22.0
WEEDEN AND CO.	830,179	20,456,546	8,438	4.1
INVESTMENT TECHNOLOGY CORP.	1,024,450	21,079,953	8,995	4.3
Other (<\$8,000)	23,242,016	144,465,558	157,904	10.9
Total	93,718,674	\$ 759,037,290	\$ 663,118	8.7

INVESTMENT SUMMARY

As of June 30, 2010

Total Market Value	PSRS/PEERS	Percent of Total Market Value		
	Combined Funds - FY 2010	FY 2010	FY 2009	FY 2008
U.S. Public Equity	\$ 7,254,775,623	27.9%	32.3%	34.2%
Global Public Equity	4,439,959,584	17.1	17.8	19.5
Credit Bonds	2,618,654,006	10.0	N/A	N/A
Hedged Assets	2,500,316,115	9.6	N/A	N/A
U.S. Treasuries	4,213,916,709	16.2	N/A	N/A
U.S. TIPS	1,124,527,884	4.3	N/A	N/A
Real Estate	1,159,316,959	4.4	5.1	5.2
Private Equity	1,419,410,953	5.5	4.5	3.5
Private Credit	342,217,735	1.3	N/A	N/A
Public Debt	-	N/A	27.0	20.9
Absolute Return Pool	-	N/A	10.6	3.0
Implementation Pool	-	N/A	N/A	11.8
Cash and Equivalents	958,779,499	3.7	2.7	1.9
Total	\$ 26,031,875,067	100.0%	100.0%	100.0%

Reconciliation with financial statements

Total from above	\$ 26,031,875,067
Accrued payable for investments purchased	2,618,769,548
Accrued income payable	250,191
Accrued receivable for investments sold	(2,437,283,884)
Accrued income receivable	(222,779,831)
Securities lending receivable	367,700
Short-term investments designated for benefits	(64,079,664)
Statement of Plan Net Assets	\$ 25,927,119,127

INVESTMENT EXPENSES

For the Year Ended June 30, 2010

Investment Managers	PSRS	PEERS	Total
Investment Management Fees			
NISA Investment Advisors - Core	\$ 2,179,004	\$ 219,867	\$ 2,398,871
NISA Investment Advisors - TIPS	1,011,350	95,073	1,106,423
Safe Assets Fees	3,190,354	314,940	3,505,294
BlackRock Financial Management - Mortgages	670,672	99,925	770,597
NISA Investment Advisors - Corporate	1,068,535	116,407	1,184,942
Oaktree Bank Loans	1,079,017	77,461	1,156,478
Pacific Investment Management Co - Core and Libor Plus	4,887,093	718,462	5,605,555
Pacific Investment Management Co - Developing Local Markets	104,592	10,344	114,936
Credit Bond Fees	7,809,909	1,022,599	8,832,508
Alliance Capital Management	1,144,102	131,139	1,275,241
Analytic Investors, LLC - Core	67,275	5,622	72,897
Analytic Investors, LLC - Value	341,185	28,099	369,284
Analytic Investors, LLC - US Low Vol	253,910	22,371	276,281
Analytic Investors, LLC - Global Low Vol	439,097	46,036	485,133
AQR Capital Management -140/40	572,869	48,237	621,106
Aronson & Johnson & Ortiz	756,863	73,947	830,810
Aronson & Johnson & Ortiz -130/30	350,095	38,457	388,552
Delaware Investment Advisors	216,213	22,923	239,136
Martingale Asset Management	1,308,068	109,768	1,417,836
NISA S&P 500 Call Options	93,892	7,145	101,037
Renaissance	2,935,322	290,307	3,225,629
State Street Global Advisors - Russell 1000 Index Fund	217,597	22,558	240,155
State Street Global Advisors - S&P 500 Index Fund	263,998	30,198	294,196
Westwood Management	1,286,965	123,348	1,410,313
Westwood Management - Master Limited Partnerships	264,411	21,691	286,102
Zevenbergen Capital	926,745	89,201	1,015,946
U.S. Public Equity Fees	11,438,607	1,111,047	12,549,654
Alliance Bernstein Institutional Mgmt. - Global	1,454,099	134,973	1,589,072
Alliance Bernstein Institutional Mgmt. - Value	1,225,972	128,090	1,354,062
AQR Capital Management	1,600,936	183,668	1,784,604
Arrowstreet Capital	1,669,130	157,709	1,826,839
Arrowstreet Capital - Emerging Markets	308,938	34,326	343,264
Artio Investment Management	1,715,783	172,099	1,887,882
Esemplia	1,432,101	136,482	1,568,583
INVESCO Global Asset Management	924,065	101,375	1,025,440
McKinley Capital Management	1,743,361	160,176	1,903,537
MFS Institutional Advisors	1,628,814	166,773	1,795,587
State Street Global Advisors-ACWI EX. US GIMI PROV	309,271	26,945	336,216
T. Rowe Price International, Inc.	1,483,249	154,045	1,637,294
Global Public Equity Fees	15,495,719	1,556,661	17,052,380

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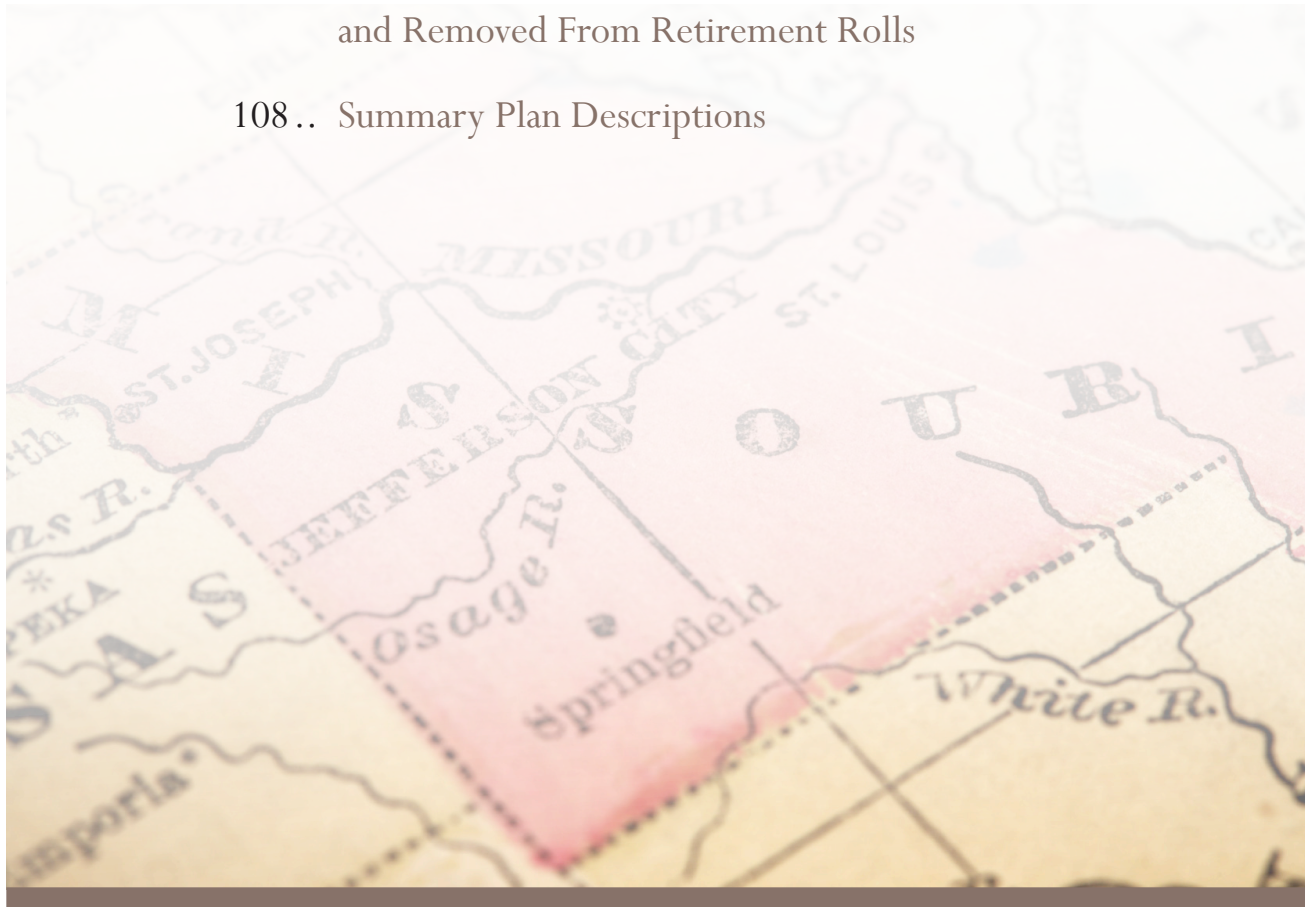
INVESTMENT EXPENSES

For the Year Ended June 30, 2010

Investment Managers <i>(continued from page 90)</i>	PSRS	PEERS	Total
AQR Capital Management	557,914	56,793	614,707
Chartwell Investment Partners -Growth	266,333	22,323	288,656
Chartwell Investment Partners -Value	433,548	42,339	475,887
Columbus Circle	261,916	21,969	283,885
Nicholas-Applegate Capital Management	767,718	68,546	836,264
NISA Investment Advisors	176,836	14,796	191,632
Next Century Growth Investors - Micro Cap	49,627	4,306	53,933
Next Century Growth Investors - Small Cap	998,604	97,687	1,096,291
Thomson, Horstmann & Bryant	1,242,463	136,356	1,378,819
S - Cap Fees	4,754,959	465,115	5,220,074
Alpha Overlay Fees	14,635,681	1,439,971	16,075,652
Hedged Assets Fees	45,612,100	4,540,827	50,152,927
Private Real Estate Fees	18,302,601	1,810,350	20,112,951
Private Credit Fees	20,754,659	1,995,500	22,750,159
Private Equity Fees	56,326,295	5,386,571	61,712,866
Commission Recapture Income	(447,849)	(49,423)	(497,272)
Investment Management Expense	197,873,035	19,594,158	217,467,193
Custodial Services			
State Street Bank & Trust Co.	1,204,265	118,835	1,323,100
Investment Consultants			
Albourne America, LLC	364,667	35,333	400,000
Frank Russell Co.	342,913	33,913	376,826
Pathway Consulting	1,498,338	84,788	1,583,126
Pathway Absolute Return Consulting	382,769	23,377	406,146
R.V. Kuhns and Associates, Inc.	108,543	10,735	119,278
Russell/Mellon Analytical Services	49,236	29,639	78,875
Townsend	318,500	31,500	350,000
Investment Consultant Fees	3,064,966	249,285	3,314,251
Staff Investment Expenses	1,459,292	906,847	2,366,139
Total Investment Expenses	\$ 203,601,558	\$ 20,869,125	\$ 224,470,683

ACTUARIAL SECTION

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CERTIFICATION OF ACTUARIAL RESULTS



November 15, 2010

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, 2010. 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. An actuarial value of assets, with gains and losses recognized over five years, is used to develop actuarial results.
- c. *Actuarial Method* - The actuarial method utilized by 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 as a level percentage of payroll over 30 years where the amortization period is reset to 30 years at each valuation date.
- d. *Actuarial Assumptions* - The actuarial assumptions used in the valuation of each System are summarized in the following pages. The Board adopted this set of assumptions effective for the actuarial valuations as of June 30, 2006 and later.

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

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

The Board's statement of funding policy provides that:

- 1. The Board of Trustees shall adopt actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience under the System, derived from experience studies conducted every fifth year.

.....
*PricewaterhouseCoopers LLP, One North Wacker Drive Chicago, IL, 60606
 T: (312)298 2000, F: (312) 298 2001, www.pwc.com/us*

CERTIFICATION OF ACTUARIAL RESULTS



2. The actuarial funding method used shall be the Entry Age Normal Method with normal costs allocated 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 UAAL. Whenever a change is made in a System's benefit structure, the amortization period for the System after this change should not exceed 30 years initially. Effective with the 2007 Legislative session, any changes in the UAAL due to such changes in benefit structure 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 5 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 valuation are based on the data and actuarial techniques described above and on the provision of each System at the valuation date. Based on these items, we certify these results to be true and correct.

Sincerely,

A handwritten signature in black ink that reads "Sheldon A. Gamzon".

Sheldon Gamzon, FSA, MAAA
Principal

A handwritten signature in black ink that reads "Brandon A. Robertson".

Brandon Robertson, ASA, MAAA
Manager

CALCULATIONS OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

PSRS

As of June 30, 2010

	<u>Amount</u>
(1) Present value of future benefits for:	
Active members	\$ 25,968,878,140
State members	17,069,956
Service retirees	19,573,885,849
Disability retirees	158,665,497
Tax-sheltered annuitants	745,173
Survivors	736,720,720
Death benefits	61,993,959
Inactive members	476,722,017
Total	<u>46,994,681,311</u>
(2) Present value of future normal costs	<u>9,761,078,949</u>
(3) Actuarial accrued liability ((1)-(2))	37,233,602,362
(4) Actuarial value of assets	<u>28,931,330,978</u>
(5) Unfunded actuarial accrued liability ((3)-(4))	<u><u>\$ 8,302,271,384</u></u>

PEERS

As of June 30, 2010

	<u>Amount</u>
(1) Present Value of future benefits for:	
Active members	\$ 3,424,002,990
Service retirees	1,315,521,886
Disability retirees	24,687,490
Survivors	52,543,995
Inactive members	97,733,696
Total	<u>4,914,490,057</u>
(2) Present value of future normal costs	<u>1,255,777,512</u>
(3) Actuarial accrued liability ((1)-(2))	3,658,712,545
(4) Actuarial value of assets	<u>2,892,410,849</u>
(5) Unfunded actuarial accrued liability ((3)-(4))	<u><u>\$ 766,301,696</u></u>

REQUIRED CONTRIBUTION RATES AND AMORTIZATIONS OF UNFUNDED LIABILITY

PSRS

For the fiscal year ending June 30, 2012

	<u>Percentage of Payroll</u>
(1) Total contribution rate, member and employer*	28.00%
(2) Normal cost rate	21.97%
(3) Approximate rate available for unfunded actuarial accrued liability ((1) - (2))	6.03%
(4) Rate needed to fund UAAL	9.37%
(5) Benchmark contribution rate - normal cost plus a rate to fund the UAAL over 30 years	31.34%
(6) Recommended rate for FY 2012	29.00%

* 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

For the fiscal year ending June 30, 2012

	<u>Percentage of Payroll</u>
(1) Total contribution rate, member and employer	13.26%
(2) Normal cost rate	11.01%
(3) Approximate rate available for unfunded actuarial accrued liability ((1) - (2))	2.25%
(4) Rate needed to fund UAAL	2.71%
(5) Benchmark contribution rate - normal cost plus a rate to fund the UAAL over 30 years	13.72%
(6) Recommended rate for FY 2012	13.72%

ANALYSIS OF ACTUARIAL GAINS AND LOSSES

PSRS

As of June 30, 2010

(Dollar amounts in thousands)

(1) Unfunded actuarial liability as of July 1, 2009	\$ 7,234,046
(2) Normal cost for 2010 plan year	969,541
(3) Contribution received during year	(1,336,698)
(4) Interest to year end at 8.00% on (1), (2) and (3)	<u>564,037</u>
(5) Expected unfunded actuarial liability as of June 30, 2010	7,430,926
(6) Contribution shortfall	105,739
(7) Actuarial (gain)/loss during the year	
a. From investment	\$ 1,621,201
b. From actuarial liabilities	<u>(855,595)</u>
c. Total	<u>765,606</u>
(8) Actual unfunded actuarial liability as of June 30, 2010	<u><u>\$ 8,302,271</u></u>

PEERS

As of June 30, 2010

(1) Unfunded actuarial liability as of July 1, 2009	\$ 665,861,634
(2) Normal cost for 2010 plan year	154,284,267
(3) Contribution received during year	(187,958,455)
(4) Interest to year end at 8.00% on (1), (2), and (3).	<u>51,921,963</u>
(5) Expected unfunded actuarial liability as of June 30, 2010	684,109,409
(6) Contribution shortfall	555,479
(7) Actuarial (gain)/loss during the year	
a. From investment	\$ 153,945,972
b. From actuarial liabilities	<u>(72,309,164)</u>
c. Total	<u>81,636,808</u>
(8) Actual unfunded actuarial liability as of June 30, 2010	<u><u>\$ 766,301,696</u></u>

PSRS SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

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

Active and service retired members, beneficiaries and survivors

	<u>Age</u>	<u>Male</u>	<u>Female</u>
	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)

<u>Service</u>	<u>Rate</u>
0	190
2	85
4	62
10	23
20	5

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

<u>Service</u>	<u>Increase</u>	<u>Service</u>	<u>Increase</u>
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)

<u>Age</u>	<u>Years of Service</u>			
	<u><25</u>	<u>25</u>	<u>30</u>	<u>31+</u>
<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

PSRS SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

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.

PEERS SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

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

Active and service retired members, beneficiaries and survivors

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

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

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

Service	Rate
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)

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

PEERS SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

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.*

SCHEDULES OF ACTIVE MEMBER VALUATION DATA

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
6/30/2001	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
6/30/2009	79,335	4,439,381	55,957	4.3	42.2	11.1
6/30/2010	79,256	4,493,865	56,701	1.3	42.3	11.3

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
6/30/2001	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
6/30/2009	51,234	1,417,485	27,667	2.2	47.1	7.7
6/30/2010	50,363	1,433,691	28,467	2.9	47.5	8.0

SOLVENCY TESTS

PSRS

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Accrued Liability for:			Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Assets for:		
	Member Contributions	Current Retirees & Beneficiaries	Active & Inactive Members Employer Financed Portion		(1)	(2)	(3)
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
6/30/2009	6,299,067	19,745,129	10,015,925	28,826,075	100.00	100.00	27.8
6/30/2010	6,506,803	20,532,011	10,194,788	28,931,331	100.00	100.00	18.6

PEERS

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Accrued Liability for:			Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Assets for:		
	Member Contributions	Current Retirees & Beneficiaries	Active & Inactive Members Employer Financed Portion		(1)	(2)	(3)
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
6/30/2009	693,962	1,305,025	1,459,057	2,792,182	100.00	100.00	54.4
6/30/2010	743,146	1,392,753	1,522,813	2,892,411	100.00	100.00	49.7

PSRS SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM RETIREMENT ROLLS

	Added to Rolls		Removed from Rolls		Rolls End of Year			% Increase	
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	Average Annual Allowances	in Annual Allowance	in Average Annual Allowance
2009-2010									
Service retirees	2,392	\$ 84,290,821	825	\$ 23,896,894	41,464	\$ 1,576,834,116	\$ 38,029	4.02%	0.09%
Disability retirees	54	1,337,647	29	646,445	721	17,328,504	24,034	4.18	0.57
Beneficiaries	290	7,127,771	161	2,596,246	3,282	78,045,764	23,780	6.18	2.00
2008-2009									
Service retirees	2,629	\$ 98,725,164	777	\$ 21,507,072	39,897	\$ 1,515,913,812	\$ 37,996	10.30%	5.18%
Disability retirees	37	924,132	32	621,480	696	16,632,852	23,898	5.89	5.13
Beneficiaries	287	7,160,304	136	2,206,056	3,153	73,504,884	23,313	10.68	5.38
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

PEERS SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM RETIREMENT ROLLS

	Added to Rolls		Removed from Rolls		Rolls End of Year		% Increase		
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	Average Annual Allowances	in Annual Allowance	in Average Annual Allowance
2009-2010									
Service retirees	1,426	\$ 12,130,367	613	\$ 3,074,132	18,274	\$ 125,327,880	\$ 6,858	6.14%	1.42%
Disability retirees	51	250,591	16	62,887	575	2,592,012	4,508	7.81	1.26
Beneficiaries	139	832,603	67	315,936	1,222	5,585,100	4,570	9.82	3.32
2008-2009									
Service retirees	1,325	\$ 12,276,828	560	\$ 2,464,452	17,461	\$ 118,079,604	\$ 6,762	11.55%	6.66%
Disability retirees	44	233,556	18	92,412	540	2,404,284	4,452	10.46	5.12
Beneficiaries	112	556,872	40	176,184	1,150	5,085,876	4,423	10.89	3.95
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

PSRS SUMMARY PLAN DESCRIPTION

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

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

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

Member Participation – PSRS membership is automatic, regardless of position, for certificated, full-time employees of public school districts in Missouri (except the St. Louis city and the Kansas City school districts), public two-year colleges in Missouri, PSRS, and certain statewide non-profit educational associations that have elected to join. 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 13.5% (14.0% effective July 1, 2010) 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.

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, 2010 was 1%. 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).

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

Employer Participation – The employers served by PSRS withhold members' contributions from salary payments and match those contributions at a rate of 13.5% (14.0% effective July 1, 2010) 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. Monthly survivor benefits may also be payable to qualified dependents of an inactive member who has at least five years of credit.

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.

PSRS SUMMARY PLAN DESCRIPTION

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, refund 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-reduction 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 or more. Between 7/1/2001 and 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 and Term-Certain 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 Urban Consumers 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.

PEERS SUMMARY PLAN DESCRIPTION

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

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

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

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

Member Participation – PEERS membership is automatic, regardless of position, for all persons not covered by the Public School Retirement System who are 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 two-year colleges in Missouri, and by the Retirement System.

Members working in covered employment are considered *active* members. Such members contribute 6.5% (6.63% effective July 1, 2010) 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 17 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 1% on June 30, 2010. 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 6.5% (6.63% effective July 1, 2010) 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.

PEERS SUMMARY PLAN DESCRIPTION

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, refund 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 members 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 members 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-reduction 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 credit, 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, 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 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.

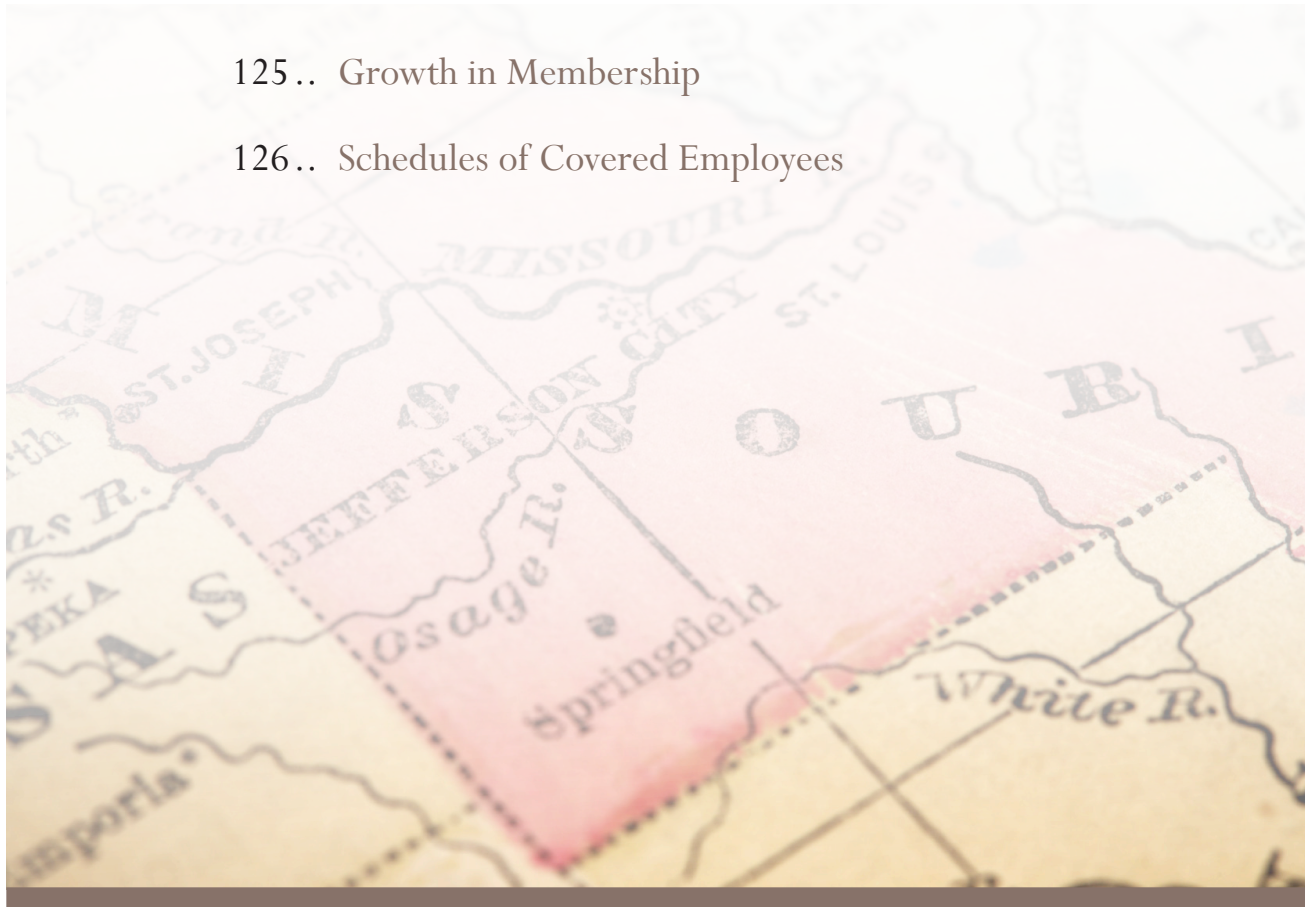
The Partial Lump Sum Option (PLSO) is available to qualified members. This option allows qualified members to elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time, lump-sum payment at retirement.

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 and Term-Certain 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 Urban Consumers 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.

STATISTICAL SECTION

- 115.. Statistical Summary
- 116.. Summary of Benefits by Type
- 117.. Schedules of Changes in Plan Net Assets, Last 10 Fiscal Years
- 118.. Summaries of Changes in Membership During 2009-2010
- 120.. 2009-2010 New Service Retirees
- 122.. Schedules of Average Benefit Payments to New Retirees
- 124.. Comparisons of Actuarial Assets and Total Actuarial Liabilities
- 125.. Growth in Membership
- 126.. Schedules of Covered Employees



STATISTICAL SUMMARY

Benefit Recipients

The largest percentage of the Systems' benefit recipients are service retirees. Service retirement benefits are payable to members who have met age and service requirements. The number of PSRS service retirees increased by 1,567 from 39,897 at June 30, 2009 to 41,464 at June 30, 2010. The number of PEERS service retirees increased by 813 from 17,461 at June 30, 2009 to 18,274 at June 30, 2010.

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 23 from 698 at June 30, 2009 to 721 at June 30, 2010. The number of PEERS disability retirees increased by 34 from 541 at June 30, 2009 to 575 at June 30, 2010.

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 116 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 124 show a comparison of the assets and liabilities of the Systems over time. At June 30, 2010, PSRS was 77.7% pre-funded and PEERS was 79.1%. These percentages have decreased slightly from last year.

Changes in Net Assets

The charts on page 117 detail a 10-year history of the additions (revenue) and deductions (expenses) of the Systems.

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

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

SUMMARY OF BENEFITS BY TYPE

PSRS

Amount of Monthly Benefit	Service Retirement	Disability Retirement	Beneficiary Recipients				Total
			Disability	Survivors	Beneficiary	Term Certain	
<\$1,000	3,416	44	95	624	380	4	4,563
\$1,000 - \$1,999	5,836	355	50	-	742	2	6,985
\$2,000 - \$2,999	10,141	256	12	-	620	3	11,032
\$3,000 - \$3,999	10,776	59	2	-	406	6	11,249
\$4,000 - \$4,999	6,887	6	1	-	198	6	7,098
\$5,000 - \$5,999	2,815	1	-	-	96	1	2,913
\$6,000+	1,593	-	-	-	34	-	1,627
Total	41,464	721	160	624	2,476	22	45,467

PEERS

Amount of Monthly Benefit	Service Retirement	Disability Retirement	Beneficiary Recipients				Total
			Disability	Survivors	Beneficiary	Term Certain	
<\$500	11,111	427	124	-	796	17	12,475
\$500 - \$999	4,298	136	16	-	186	6	4,642
\$1,000 - \$1,999	2,274	12	2	-	65	3	2,356
\$2,000 - \$2,999	431	-	-	-	5	-	436
\$3,000 - \$3,999	107	-	-	-	2	-	109
\$4,000+	53	-	-	-	-	-	53
Total	18,274	575	142	-	1,054	26	20,071

SCHEDULES OF CHANGES IN PLAN NET ASSETS, LAST 10 FISCAL YEARS

(Dollar amounts in thousands)

PSRS

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Additions by source										
Member contributions	\$ 335,275	\$ 356,685	\$ 378,434	\$ 405,614	\$ 432,500	\$ 502,980	\$ 514,163	\$ 572,810	\$ 599,582	\$ 636,633
Employer contributions	324,526	340,000	355,979	359,763	389,416	429,579	472,217	521,242	563,454	594,326
Investment income	(407,172)	(582,958)	873,340	2,402,566	1,958,622	2,235,836	4,125,164	(1,385,701)	(5,301,374)	2,723,032
Other income	810	2761	351	488	476	264	280	370	628	867
Total additions by source	253,439	116,488	1,608,104	3,168,431	2,781,014	3,168,659	5,111,824	(291,279)	(4,137,710)	3,954,858
Deductions by type										
Monthly benefits										
Service retirement	706,647	810,898	877,538	958,181	1,057,430	1,152,217	1,254,164	1,363,571	1,490,693	1,584,382
Service retirement - PLSO	-	-	-	9,176	32,479	40,177	52,122	59,793	74,042	52,117
Disability	10,719	11,621	11,901	12,720	13,613	14,297	14,982	15,599	16,355	17,284
Beneficiary	32,525	37,916	41,011	44,663	49,056	54,148	59,295	64,011	70,518	75,922
Lump-sum refunds										
Death	6,170	6,872	6,781	7,173	6,131	7,188	6,801	7,058	7,274	7,075
Withdrawal/transfers	28,877	24,907	21,693	28,845	28,215	29,206	37,209	39,243	39,134	41,084
Administrative expenses/other	4,009	4,486	4,675	5,274	5,614	6,754	7,113	8,074	10,135	10,430
Total deductions by type	788,947	896,700	963,599	1,066,032	1,192,538	1,303,987	1,431,686	1,557,349	1,708,151	1,788,294
Changes in plan net assets	(\$ 535,508)	(\$ 780,212)	\$ 644,505	\$ 2,102,399	\$ 1,588,476	\$ 1,864,672	\$ 3,680,138	(\$ 1,848,628)	(\$ 5,845,861)	\$ 2,166,564

PEERS

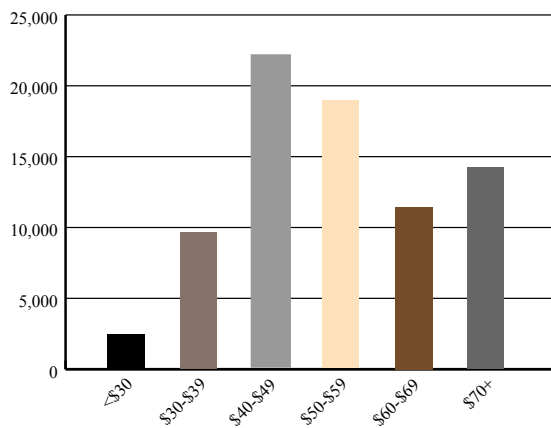
	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Additions by source										
Member contributions	\$ 37,934	\$ 46,217	\$ 48,994	\$ 50,625	\$ 55,699	\$ 68,018	\$ 73,071	\$ 81,370	\$ 89,427	\$ 95,924
Employer contributions	37,500	45,773	48,933	49,977	53,110	61,746	69,235	77,989	85,916	91,479
Investment income	(29,647)	(46,732)	73,188	198,389	170,921	197,629	373,198	(130,619)	(489,552)	261,135
Other income	73	26	16	10	9	3	-	-	-	-
Total additions by source	45,860	45,284	171,131	299,001	279,739	327,396	515,504	28,741	(314,209)	448,538
Deductions by type										
Monthly benefits										
Service retirement	46,093	56,305	63,333	69,899	77,333	84,664	93,716	104,352	115,757	124,928
Service Retirement - PLSO	-	-	-	520	1,527	2,487	3,454	3,133	3,676	2,972
Disability	1,122	1,304	1,448	1,503	1,686	1,840	1,968	2,125	2,353	2,514
Beneficiary	1,823	2,262	2,618	2,949	3,360	3,670	4,044	4,454	4,881	5,382
Lump-sum Refunds										
Death	432	425	475	593	647	542	816	675	765	790
Withdrawal/transfers	8,769	7,441	7,559	9,827	11,245	11,502	12,883	14,833	14,908	15,921
Administrative expenses/other	2,246	2,575	2,946	3,210	3,564	4,358	4,427	4,682	5,440	5,280
Total deductions by type	60,485	70,312	78,379	88,501	99,362	109,063	121,308	134,254	147,780	157,787
Changes in plan net assets	(\$ 14,625)	(\$ 25,028)	\$ 92,752	\$ 210,500	\$ 180,377	\$ 218,333	\$ 394,196	(\$ 105,514)	(\$ 461,989)	\$ 290,751

PSRS SUMMARY OF CHANGES IN MEMBERSHIP DURING 2009-2010

	Male	Female	Total
Membership, July 1, 2009	19,965	70,940	90,905
New members added	1,026	3,508	4,534
Less:			
Service retirements	550	1,817	2,367
Disability retirements	13	41	54
Withdrawals	506	1,613	2,119
Deaths	18	23	41
Memberships terminated	83	303	386
Other	18	39	57
	1,188	3,836	5,024
Net change in membership 2009-2010	(162)	(328)	(490)
Membership June 30, 2010	19,803	70,612	90,415

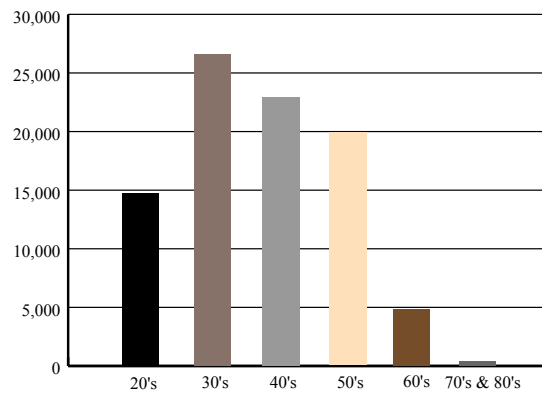
Note: Twelve members eligible for retirement died during the year. These are reflected as deaths on this schedule, but as new retirees on page 120.

2009-2010 PSRS Members by Annual Salary

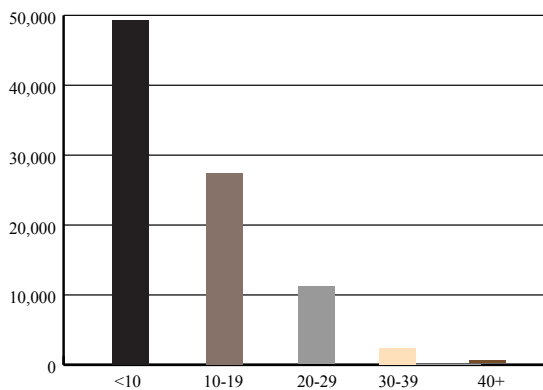


(Dollar amounts in thousands)

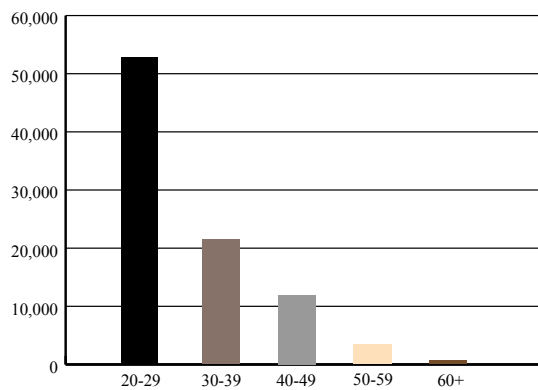
2009-2010 PSRS Members by Current Age



2009-2010 PSRS Members by Total Service Credit



2009-2010 PSRS Age at Entry into System

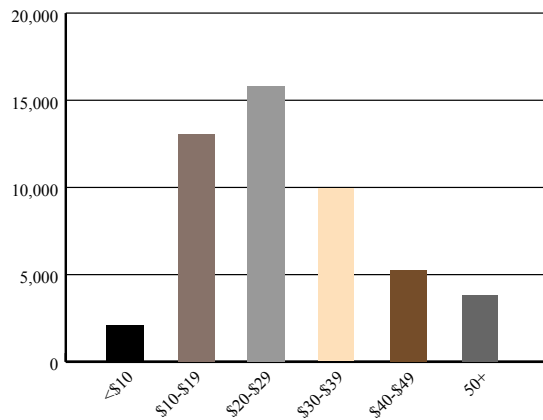


PEERS SUMMARY OF CHANGES IN MEMBERSHIP DURING 2009-2010

	Male	Female	Total
Membership, July 1, 2009	16,408	51,108	67,516
New members added	1,607	3,825	5,432
Less:			
Service retirements	368	1,021	1,389
Disability retirements	11	40	51
Withdrawals	1,272	3,187	4,459
Deaths	48	56	104
Memberships terminated	344	761	1,105
Other	43	79	122
	2,086	5,144	7,230
Net change in membership 2009-2010	(479)	(1,319)	(1,798)
Membership June 30, 2010	15,929	49,789	65,718

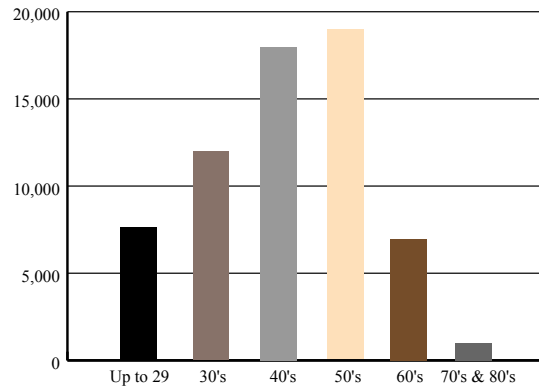
Note: Eleven members eligible for retirement died during the year. These are reflected as deaths on this schedule, but as new retirees on page 121.

2009-2010 PEERS Members by Annual Salary

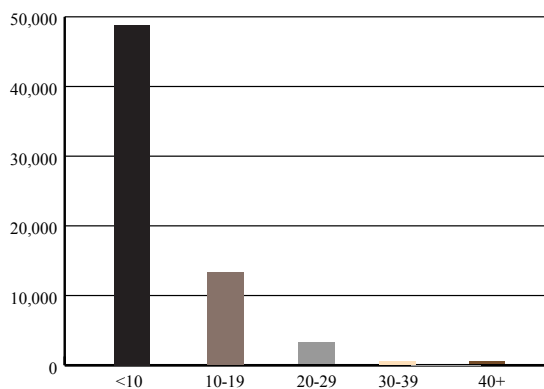


(Dollar amounts in thousands)

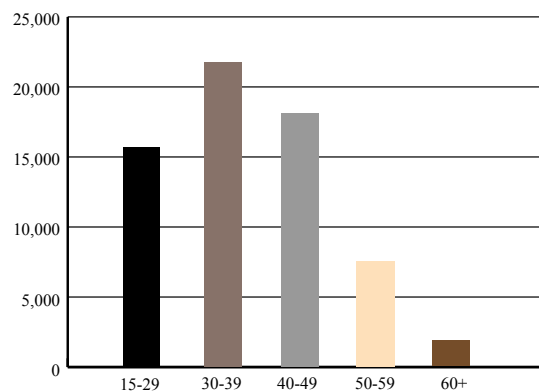
2009-2010 PEERS Members by Current Age



2009-2010 PEERS Members by Total Service Credit



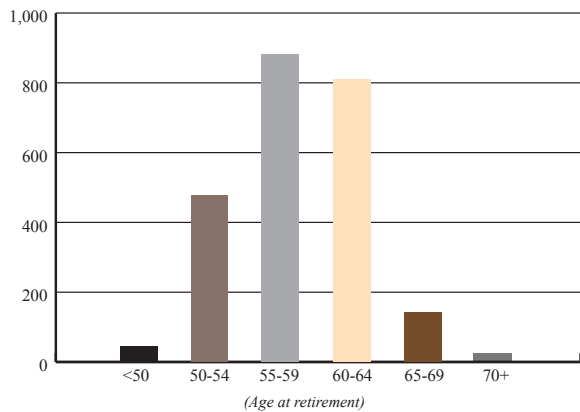
2009-2010 PEERS Age at Entry into System



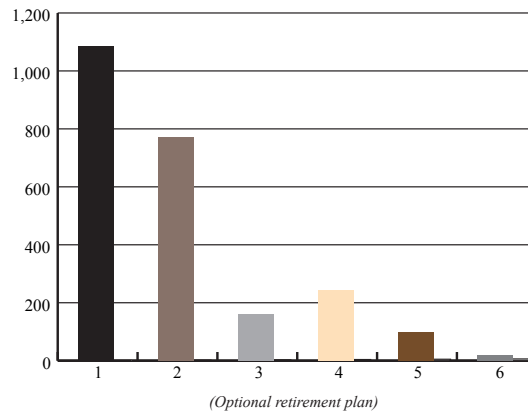
PSRS 2009-2010 NEW SERVICE RETIREES

	Service Retirees	Disability Retirees	Beneficiaries
Retirees July 1, 2009	38,897	696	3,153
Added during the year	2,379	54	285
Died during the year	(797)	(28)	(113)
Other	(15)	(1)	(43)
Retirees June 30, 2010	41,464	721	3,282

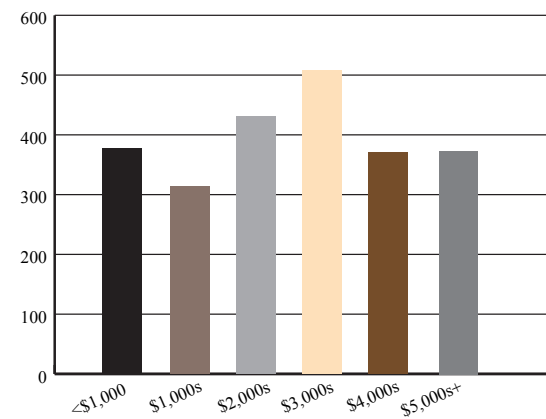
2009-2010 New Service Retirees by Age at Retirement



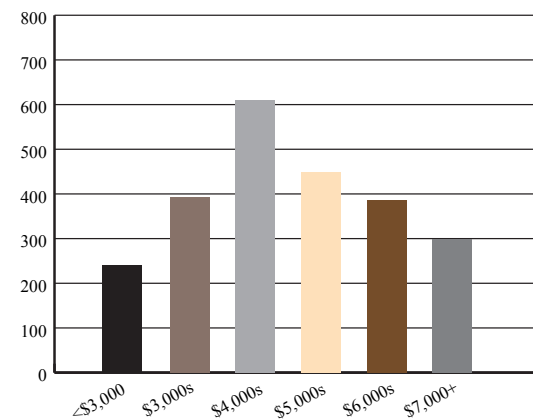
2009-2010 New Service Retirees by Retirement Plan Option



2009-2010 New Service Retirees by Single Life Benefit Amount



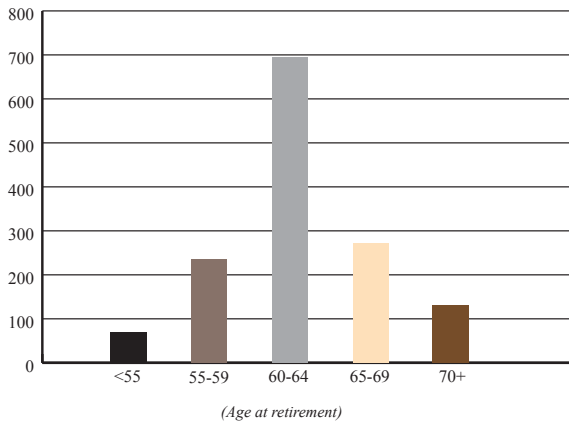
2009-2010 New Service Retirees by Final Average Monthly Salary



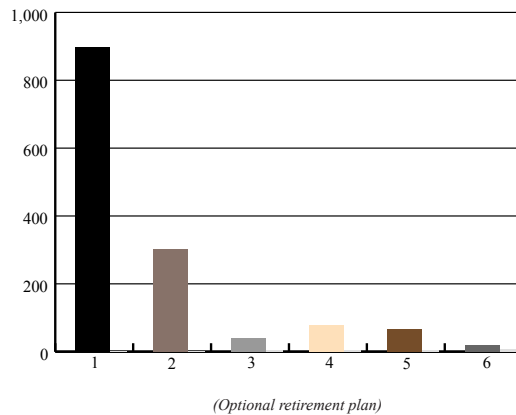
PEERS 2009-2010 NEW SERVICE RETIREES

	Service Retirees	Disability Retirees	Beneficiaries
Retirees July 1, 2009	17,461	540	1,150
Added during the year	1,400	51	139
Died during the year	(597)	(14)	(52)
Other	10	(2)	(15)
Retirees June 30, 2010	18,274	575	1,222

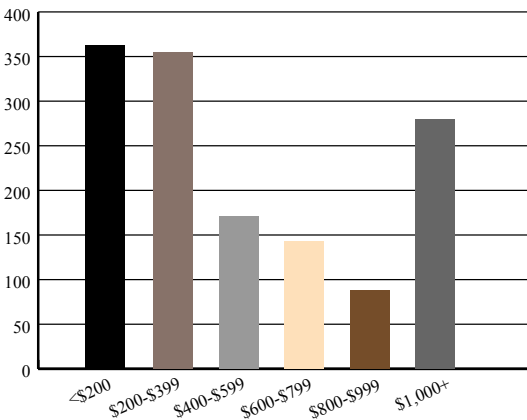
2009-2010 New Service Retirees by Age at Retirement



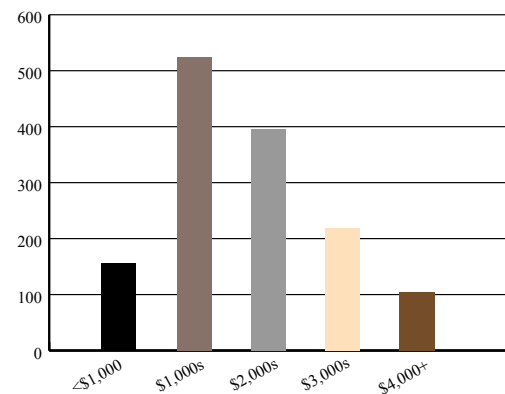
2009-2010 New Service Retirees by Retirement Plan Option



2009-2010 New Service Retirees by Single Life Benefit Amount



2009-2010 New Service Retirees by Final Average Monthly Salary



PSRS 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 - 34.9	35 - 39.9	40+
2009-2010								
Average monthly benefit	\$ 556	\$ 1,123	\$ 1,915	\$ 2,865	\$ 3,660	\$ 4,836	\$ 6,133	\$ 5,639
Average final average salary	\$ 3,396	\$ 3,840	\$ 4,566	\$ 5,110	\$ 5,469	\$ 6,007	\$ 6,559	\$ 5,678
Number of retirees	271	243	207	412	477	653	97	19
2008-2009								
Average monthly benefit	\$ 627	\$ 1,178	\$ 2,035	\$ 2,861	\$ 3,590	\$ 4,598	\$ 6,028	\$ 5,749
Average final average salary	\$ 3,901	\$ 4,057	\$ 4,801	\$ 5,136	\$ 5,343	\$ 5,697	\$ 6,436	\$ 5,749
Number of retirees	198	186	198	411	617	892	116	11
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

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+
2009-2010						
Average monthly benefit	\$ 196	\$ 384	\$ 635	\$ 979	\$ 1,330	\$ 1,885
Average final average salary	\$ 1,769	\$ 2,034	\$ 2,339	\$ 2,723	\$ 3,060	\$ 3,582
Number of retirees	503	316	162	180	122	117
2008-2009						
Average monthly benefit	\$ 206	\$ 374	\$ 637	\$ 1,021	\$ 1,365	\$ 1,727
Average final average salary	\$ 1,821	\$ 2,011	\$ 2,349	\$ 2,847	\$ 3,104	\$ 3,240
Number of retirees	417	264	152	216	164	112
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

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

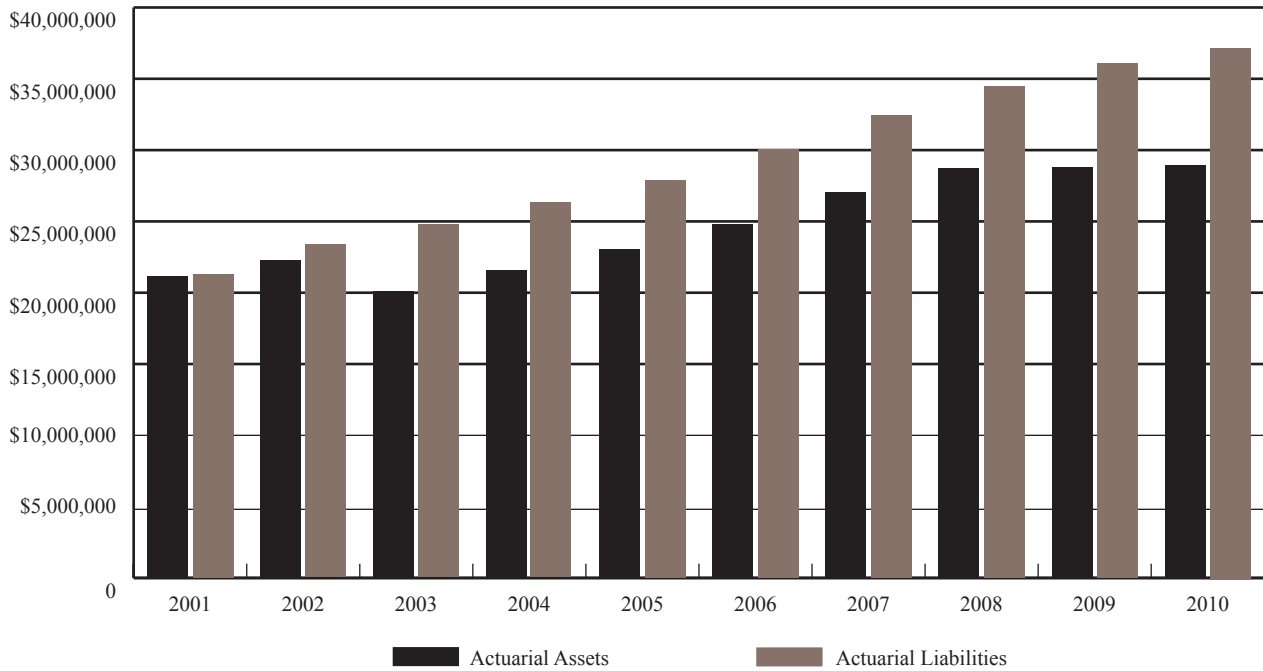
(1) Column to the left covers those with 10 to 19.9 years of service.

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

COMPARISONS OF ACTUARIAL ASSETS AND TOTAL ACTUARIAL LIABILITIES

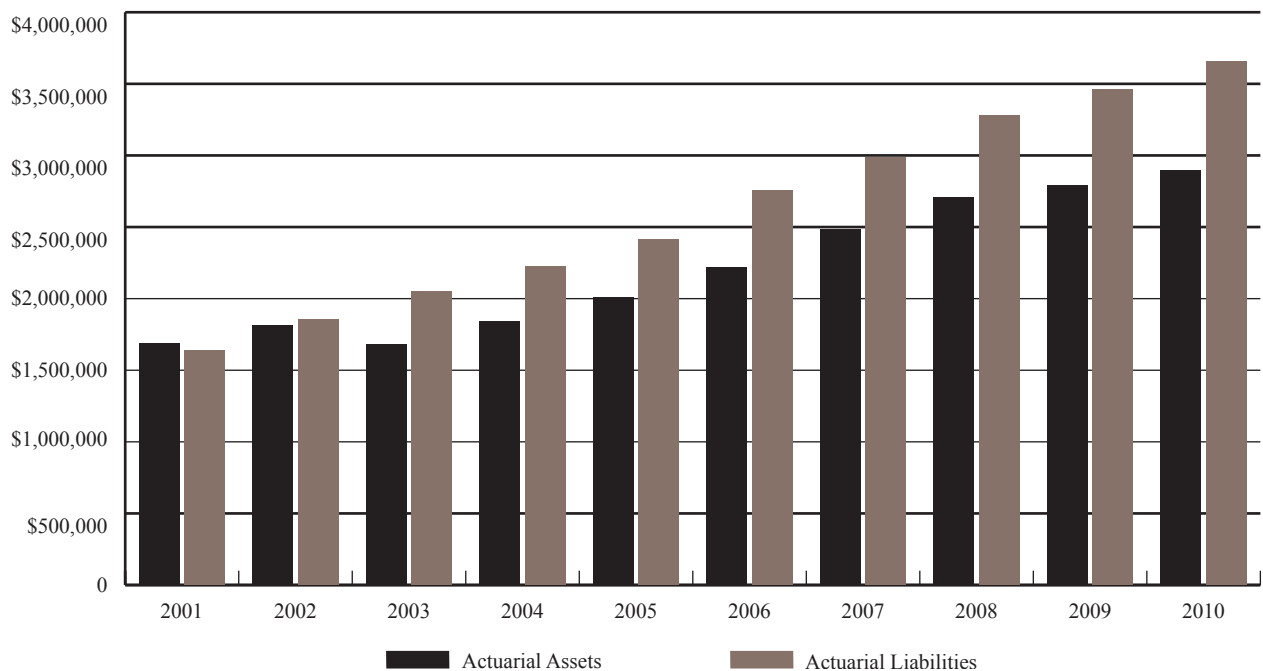
PSRS

(Dollar amounts in thousands)



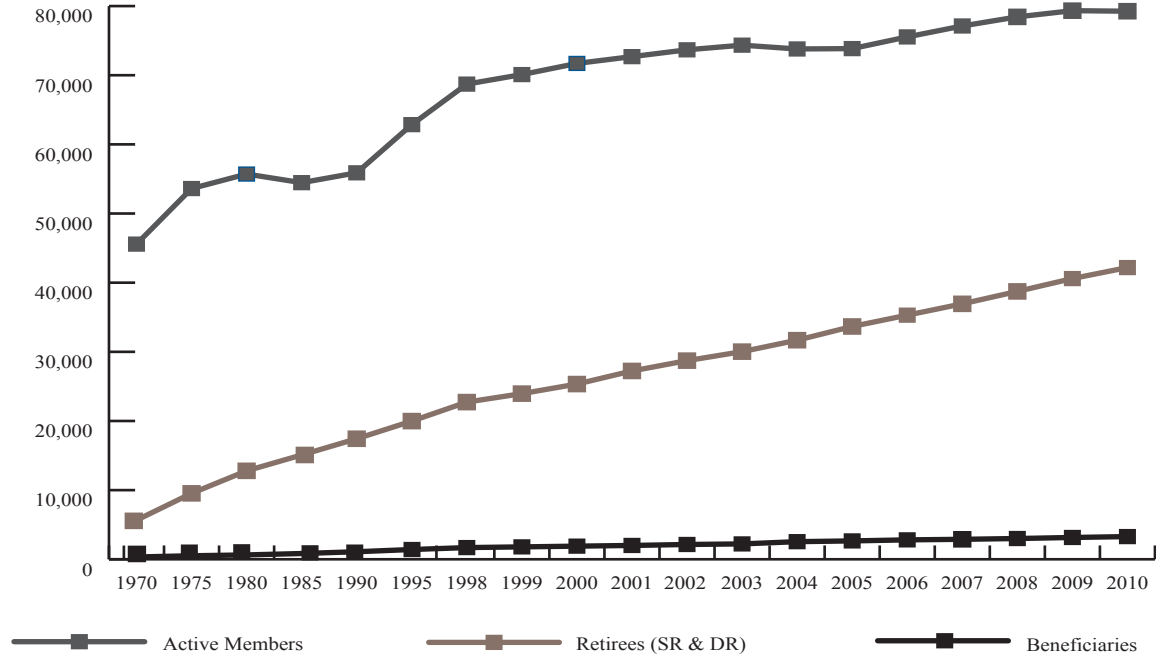
PEERS

(Dollar amounts in thousands)

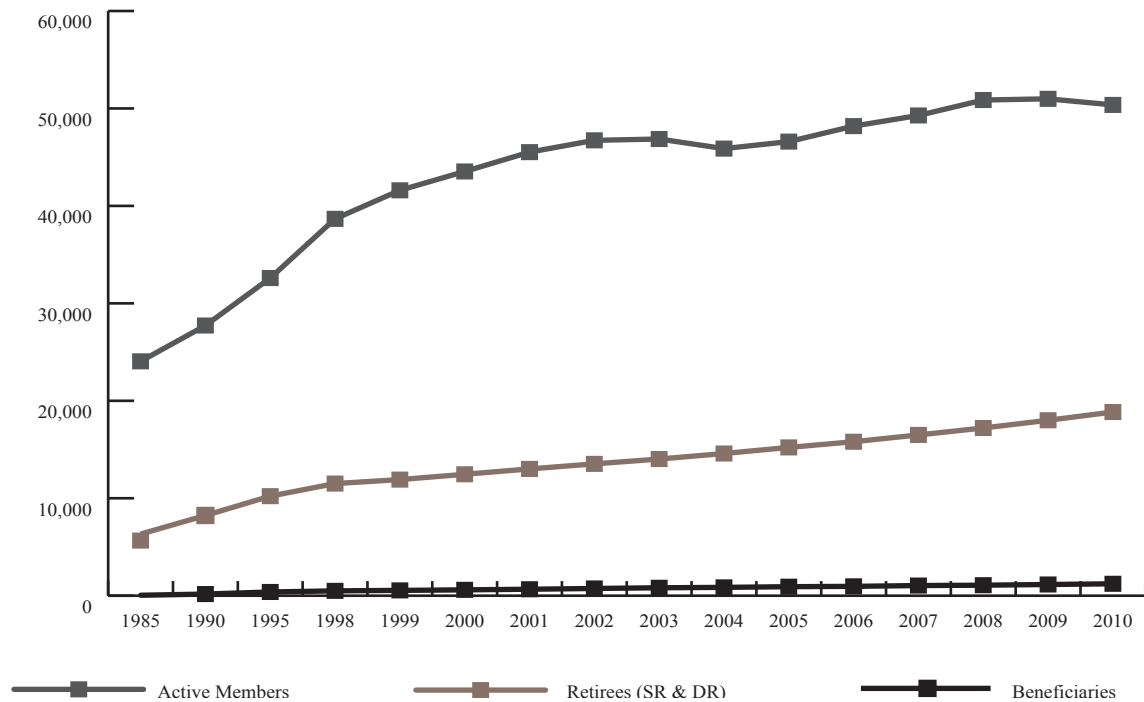


GROWTH IN MEMBERSHIP

PSRS



PEERS



PSRS SCHEDULE OF COVERED EMPLOYEES FOR THE 10 YEARS ENDED JUNE 30, 2010

District	2010		2009	
	Covered Employees	Percentage of Total	Covered Employees	Percentage of Total
Special School District - St. Louis	3,021	4%	2,931	4%
Springfield R-XII Schools	2,132	3%	2,089	3%
Rockwood R-VI Schools	1,990	2%	1,893	2%
Columbia Public Schools	1,612	2%	1,594	2%
Parkway C-2 Schools	1,745	2%	1,656	2%
North Kansas City Schools	1,630	2%	1,497	2%
Hazelwood R-I Schools	1,549	2%	1,578	2%
Francis Howell R-III Schools	1,573	2%	1,462	2%
Ft. Zumwalt R-II Schools	1,493	2%	1,441	2%
Lee's Summit R-VII Schools	1,435	2%	1,358	2%
All Others	63,994	77%	63,490	77%
Total - 539 Employers during 2010 and 541 Employers during 2009	82,174	100%	80,989	100%

District	2008		2007	
	Covered Employees	Percentage of Total	Covered Employees	Percentage of Total
Special School District - St. Louis	2,913	4%	2,861	4%
Springfield R-XII Schools	2,037	3%	2,031	3%
Rockwood R-VI Schools	1,773	2%	1,751	2%
Columbia Public Schools	1,626	2%	1,560	2%
Parkway C-2 Schools	1,589	2%	1,520	2%
North Kansas City Schools	1,517	2%	1,483	2%
Hazelwood R-I Schools	1,639	2%	1,481	2%
Francis Howell R-III Schools	1,468	2%	1,459	2%
Ft. Zumwalt R-II Schools	1,395	2%	1,351	2%
Lee's Summit R-VII Schools	1,337	2%	1,285	2%
All Others	62,964	77%	61,939	77%
Total - 543 Employers during 2008 and 544 Employers during 2007	80,258	100%	78,721	100%

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

PSRS SCHEDULE OF COVERED EMPLOYEES FOR THE 10 YEARS ENDED JUNE 30, 2010

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

District	2002		2001	
	Covered Employees	Percentage of Total	Covered Employees	Percentage of Total
Special School District - St. Louis	2,468	3%	2,454	3%
Springfield R-XII Schools	1,980	3%	1,880	3%
Rockwood R-VI Schools	1,564	2%	1,492	2%
Columbia Public Schools	1,479	2%	1,444	2%
Parkway C-2 Schools	1,832	2%	1,738	2%
North Kansas City Schools	1,436	2%	1,436	2%
Hazelwood R-I Schools	1,474	2%	1,474	2%
Francis Howell R-III Schools	1,419	2%	1,375	2%
Ft. Zumwalt R-II Schools	1,194	2%	1,187	2%
Lee's Summit R-VII Schools	1,084	1%	1,025	1%
All Others	59,663	79%	58,728	79%
Total - 545 Employers	75,593	100%	74,233	100%

PEERS SCHEDULE OF COVERED EMPLOYEES FOR THE 10 YEARS ENDED JUNE 30, 2010

District	2010		2009	
	Covered Employees	Percentage of Total	Covered Employees	Percentage of Total
Special School District - St. Louis	2,584	5%	2,685	5%
Springfield R-XII Schools	1,473	3%	1,463	3%
Rockwood R-VI Schools	1,251	2%	1,248	2%
Lee's Summit R-VII Schools	1,198	2%	1,203	2%
North Kansas City Schools	1,229	2%	1,266	2%
Parkway C-2 Schools	1,091	2%	1,102	2%
Ft. Zumwalt R-II Schools	1,131	2%	1,129	2%
Columbia Public Schools	932	2%	950	2%
Independence Public Schools	1,149	2%	1,167	2%
Hazelwood R-I Schools	1,015	2%	995	2%
All Others	39,295	76%	39,754	75%
Total - 535 Employers	52,348	100%	52,962	100%

District	2008		2007	
	Covered Employees	Percentage of Total	Covered Employees	Percentage of Total
Special School District - St. Louis	2,619	5%	2,514	5%
Springfield R-XII Schools	1,464	3%	1,418	3%
Rockwood R-VI Schools	1,241	2%	1,200	2%
Lee's Summit R-VII Schools	1,203	2%	1,167	2%
North Kansas City Schools	1,213	2%	1,158	2%
Parkway C-2 Schools	1,106	2%	1,101	2%
Ft. Zumwalt R-II Schools	1,131	2%	1,051	2%
Columbia Public Schools	1,026	2%	1,008	2%
Independence Public Schools	1,058	2%	978	2%
Hazelwood R-I Schools	1,017	2%	931	2%
All Others	39,715	75%	38,903	76%
Total - 535 Employers during 2008 and 536 Employers during 2007	52,793	100%	51,429	100%

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

PEERS SCHEDULE OF COVERED EMPLOYEES FOR THE 10 YEARS ENDED JUNE 30, 2010

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

District	2002		2001	
	Covered Employees	Percentage of Total	Covered Employees	Percentage of Total
Special School District - St. Louis	1,833	4%	1,833	4%
Springfield R-XII Schools	1,407	3%	1,407	3%
Rockwood R-VI Schools	1,148	2%	1,148	2%
Lee's Summit R-VII Schools	933	2%	933	2%
North Kansas City Schools	1,081	2%	1,084	2%
Parkway C-2 Schools	1,278	3%	1,278	3%
Ft. Zumwalt R-II Schools	668	1%	668	1%
Columbia Public Schools	983	2%	983	2%
Independence Public Schools	1,062	2%	1,068	2%
Hazelwood R-I Schools	970	2%	970	2%
All Others	36,399	77%	36,400	77%
Total - 536 Employers	47,762	100%	47,772	100%

CONTACT INFORMATION

**For more information on
The Public School Retirement System of Missouri and/or
The Public Education Employee Retirement System of
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Comprehensive Annual Financial Report for the Year Ended June 30, 2010



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