Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2011

Strength
Stability
Security

PSRS/PEERS

PUBLIC SCHOOL & EDUCATION EMPLOYEE
RETIREMENT SYSTEMS OF MISSOURI

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2011

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Stability
Security

M. Steve Yoakum,
Executive Director

Prepared by:
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PSRS/PEERS
PUBLIC SCHOOL & EDUCATION EMPLOYEE
RETIREMENT SYSTEMS OF MISSOURI

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ACTUARIAL SECTION

STATISTICAL SECTION

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 PSRS/PEERS 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, when applicable, the federal Social Security system.
- We will 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.

Strength Stability Security

Simple yet powerful words that describe our philosophy, values, goals and proudly, our accomplishments. Since inception, the Public School Retirement System of Missouri (PSRS) and the Public Education Employee Retirement System of Missouri (PEERS) have strived to apply the principles of leadership, innovation and outstanding member service in order to deliver ***strong, stable*** and ***secure*** retirement benefits to generations of Missouri's public school teachers and education employees.

INTRODUCTORY SECTION

BOARD OF TRUSTEES

TRANSMITTAL LETTER

PSRS/PEERS

PUBLIC SCHOOL & EDUCATION EMPLOYEE
RETIREMENT SYSTEMS OF MISSOURI

November 8, 2011

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 the Public Education Employee Retirement System of Missouri (PEERS) for the fiscal year ended June 30, 2011.

This letter provides a brief overview of the contents of the CAFR. We encourage you to read the Management's Discussion and Analysis on pages 16 to 20 for a more detailed analysis of our financial position for the fiscal year.

This past year was a very successful year for PSRS/PEERS and we are proud to highlight some of our accomplishments.

- PSRS/PEERS was recognized on a national level with two highly regarded pension industry awards.
- PSRS and PEERS earned investment returns of 21.8% and 21.4%, respectively, for the fiscal year ended June 30, 2011 – the highest fiscal-year returns for both Systems in over 20 years.
- The pre-funded percentages increased to 85.5% for PSRS and 85.3% for PEERS.
- Based on the June 30, 2011 actuarial valuation, the PSRS/PEERS Board of Trustees adopted contribution rates for both PSRS and PEERS that exceed the annual required contribution rates determined by the actuary without increasing the rates paid by our members and employers.
- The staff successfully processed a record high number of new service retirees.

Overview of the Retirement Systems

The Public School Retirement System of Missouri (PSRS), a cost-sharing multiple employer retirement system, was established in 1946 by an act of the Missouri legislature to provide certificated public school employees and their families with a significant and stable source of retirement income, disability and survivor benefits. The majority of PSRS members do not contribute to Social Security.

The Non-Teacher School Employee Retirement System of Missouri (NTRS), also a cost-sharing multiple employer retirement system, was established in 1965 by an act of the Missouri legislature to build a plan similar to PSRS, but for non-certificated public school personnel. The name of the non-teacher system was changed to the Public Education Employee Retirement System of Missouri (PEERS) in August 2005 to more positively represent the members of the system. Members of PEERS contribute to Social Security.

PSRS and PEERS are governed jointly by a seven-member Board of Trustees, composed of three elected PSRS members, one elected PEERS member and three members appointed by the governor.

Location 3210 W. Truman Blvd. / Jefferson City, MO 65109 **Mail** P.O. Box 268 / Jefferson City, MO 65102 **Phone** (573) 634-5290
Toll Free (800) 392-6848 **Email** psrspeers@psrspeers.org **Member Services FAX** (573) 634-7934 **Employer Services FAX** (573) 634-7911

Unlike most public pension systems, the members of PSRS and PEERS share equally in funding the Retirement Systems. This funding mechanism has kept the employer contributions lower than many public plans while still providing a very good benefit package to members.

The combined systems serve over 222,000 total members at 541 school districts and other employers. Approximately $168 million is paid monthly to over 69,000 benefit recipients. At June 30, 2011, PSRS/PEERS had combined assets in excess of $31 billion, making it larger than all other retirement systems in the state of Missouri combined.

Report Contents

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.

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, 2011.

Investment Activities

PSRS/PEERS achieved record high investment returns in fiscal year 2011. The Retirement Systems earned returns of 21.8% and 21.4%, respectively, for the fiscal year July 1, 2010 through June 30, 2011 – the highest fiscal-year returns for both Systems in over 20 years.

These earnings resulted in an increase in PSRS/PEERS' assets of more than $5 billion over the previous year, due largely to strong gains in publicly traded stocks. The returns exceeded both the plans' investment return benchmark of 20.4%, and the 8.0% actuarially assumed rate of return.

Additional detailed information regarding the PSRS/PEERS investments can be found in the Investment Section of this report beginning on page 47.

Funding Status and Valuation Results

Over the past year, staff and the Board have worked diligently with various member organizations on a funding strategy to ensure the Systems' financial stability for future generations of educators and other public school personnel. For the June 30, 2011 valuation, the Board adopted its Funding Stabilization Policy, which sets the annual cost-of-living increase for retirees at 2% in any year in which the change in the Consumer Price Index for Urban Consumers (CPI-U) is between 0% and 5%. This policy reflects the shared commitment between both the active and retired members in maintaining the strong financial condition of the Systems.

The Systems' actuary, PricewaterhouseCoopers, completed a five-year review of the Systems' actuarial assumptions during Fiscal Year 2011. Changes to the assumptions were approved by the Board and used in preparing the June 30, 2011 valuation. Some assumptions were adjusted to better reflect actual experience, resulting in additional actuarial gains to the Systems.

In addition to the actuarial experience study, the Systems hired Towers Watson to perform an Asset Liability Study. This study verified the reasonableness of our earnings assumption within the constraints of our current asset allocation.

TRANSMITTAL LETTER (continued)

As of June 30, 2011, PSRS was 85.5% pre-funded, while PEERS was 85.3% pre-funded. Both Systems showed a substantial improvement in funding over the June 30, 2010 pre-funded percentages of 77.7% for PSRS and 79.1% for PEERS.

In previous years, the Board has been limited in setting the PSRS annual contribution rate to the maximum rate allowable by law. This has prevented PSRS from collecting the full annual required contribution (ARC) rate needed to fund the normal costs of the plans plus amortize the unfunded actuarial accrued liabilities over a 30-year period.

Based upon the June 30, 2011 valuation, the Board set the fiscal year 2013 contribution rates for both PSRS and PEERS above the ARC rate determined by the actuary and did not require an increase in rates paid by the members or school districts. The ARC rates determined by the actuary and the rates set by the Board are detailed below for fiscal years 2011 through 2013.

	PSRS	PEERS
2011 ARC	30.11%	13.26%
2011 Maximum Rate per State Law	28.00%	*
2011 Rate set by Board	28.00%	13.26%
2012 ARC	31.34%	13.72%
2012 Maximum Rate per State Law	29.00%	*
2012 Rate set by Board	29.00%	13.72%
2013 ARC	26.10%	13.01%
2013 Maximum Rate per State Law	*	*
2013 Rate set by Board	29.00%	13.72%

** Maximum rate did not apply because the ARC was funded with the contribution rate set by the Board.*

Legislative Changes During 2010-2011

There was no legislation passed in 2010-2011 that directly affected PSRS or PEERS.

Awards

Money Management Letter, Large Public Plan of the Year Award

PSRS/PEERS was named the Large Public Plan of the Year by ***Institutional Investor's*** Money Management Letter on March 13, 2011. This award recognizes the people and organizations across the public pension industry that have excelled in their profession over the previous year and are leaders of the "best run funds in performance and investment decisions."

Plan Sponsor, Plan Sponsor of the Year Award in the Public Sector

PSRS/PEERS won ***PLANSPONSOR*** magazine's Plan Sponsor of the Year Award in the Public Sector – Defined Benefit Pension category on March 24, 2011. This award recognizes plan sponsors that "demonstrate leadership in providing a more secure retirement for workers." PSRS/PEERS was showcased in the March 2011 issue of ***PLANSPONSOR*** magazine.

Public Pension Coordinating Council (PPCC), Public Pension Standards Award

PSRS and PEERS each received the Public Pension Standards Awards in 2011 in recognition of meeting professional standards for plan administration and plan funding as set forth in the Public Pension Standards of the PPCC. 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).

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 (CAFR)*** for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports. To be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents meet or exceed program standards. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for only one year. We believe our current report continues to meet the Certificate of Achievement program requirements and are submitting it to GFOA for consideration again this year.

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 Towers Watson.

Acknowledgements

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

Respectfully submitted,

M. Steve Yoakum
Executive Director

Lori Woratzeck, CPA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

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, 2010

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Public Pension Coordinating Council (PPCC), Public Pension Standards Awards

PPCC

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2011

Presented to

Public School Retirement System of Missouri

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

PPCC

Public Pension Coordinating Council

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Alan H. Winkle
Program Administrator

Money Management Letter, Large Public Plan of the Year Award and Plan Sponsor, Plan Sponsor of the Year Award in the Public Sector

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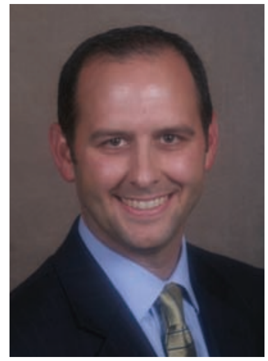
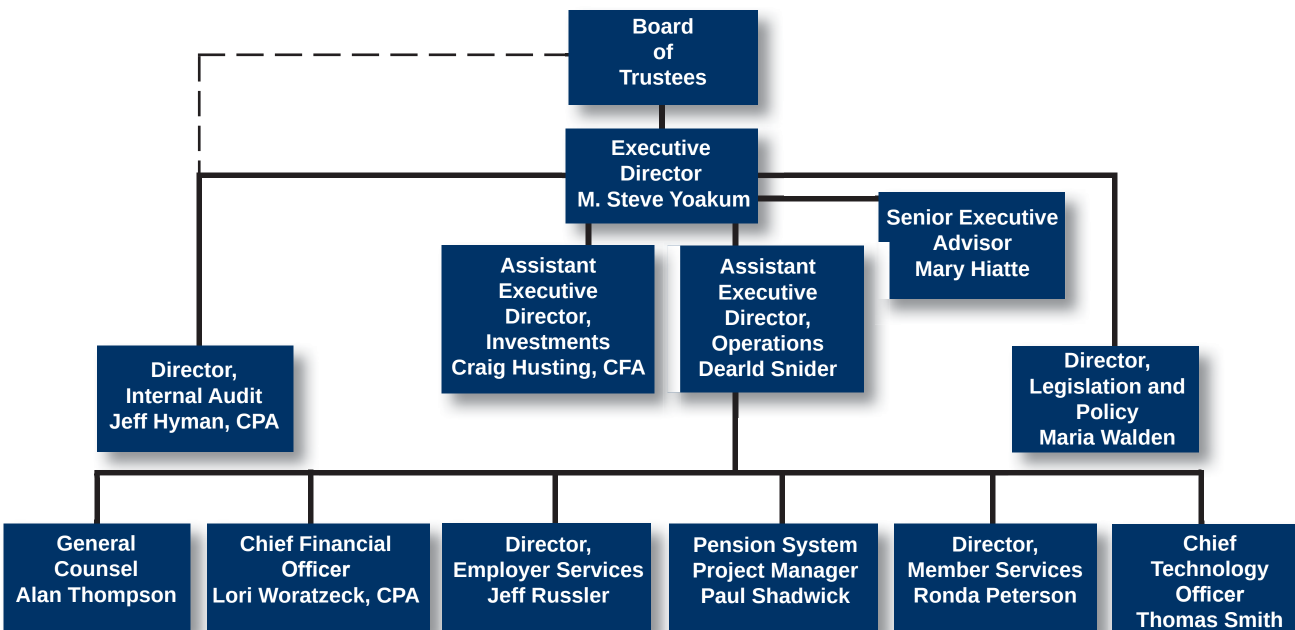
ADMINISTRATIVE ORGANIZATION

M. Steve Yoakum
Executive Director

Craig Husting, CFA
Assistant Executive Director, Investments



Dearld Snider
Assistant Executive Director, Operations



PROFESSIONAL SERVICES

June 30, 2011

ACTUARIES

PricewaterhouseCoopers, LLC
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Brandon Robertson, ASA, EA, MAAA
Chicago, Illinois

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Amanda Pinkerton, CPA
Columbia, Missouri

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CherryRoad Technologies
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Morris Plains, NJ

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James Huber
Jefferson City, Missouri

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Rod Sheppard
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Towner Communication Systems
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Lee Wilbers
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Cortex
Dr. John Por
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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 page 88. Additional information on Investment Managers can also be found in the Investment Section of this report.

Stability

Financial ***stability*** is built over time through hard work, dedication and applied knowledge. True financial stability is a long-term condition that requires constant education and adaptation to economic challenges of all kinds.

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

WILLIAMS KEEPERS LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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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, 2011, 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. The prior year combined total information has been derived from the Systems' 2010 financial statements and, in our report dated October 22, 2010, we expressed unqualified opinions on the respective financial statements of the Systems' net assets.

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, 2011, 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 16 through 20 and the Schedules of Funding Progress and Employer Contributions on pages 42 through 44 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 45 through 46 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 21, 2011

American Institute of Certified Public Accountants
Missouri Society of Certified Public Accountants
PKF North American Network

Superior service. Creative solutions. Exceptional clients.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the financial position of the Public School Retirement System of Missouri (PSRS) and the Public Education Employee Retirement System of Missouri (PEERS) (collectively referred to as the Systems) provides an overview of the Systems' financial activities for the fiscal year ended June 30, 2011. 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, 2011 were $31.0 billion. The net assets increased by $4.8 billion from June 30, 2010. This increase was a result of the Systems achieving record high investment returns in fiscal year 2011.

The overall investment return was 21.8% for the Public School Retirement System (PSRS) and 21.4% 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' strategic and Policy Benchmark returns. These returns are an indication of how the Systems' internal staff and active investment management have added value through strategic portfolio repositioning and implementation. PSRS outperformed the median return of large institutional pension funds, while PEERS was marginally below the median return.

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. The Systems continue their dedication to provide a stable and secure retirement to their members.

As of June 30, 2011, the pre-funded ratios were 85.5% for PSRS and 85.3% for PEERS. As of June 30, 2010, the pre-funded ratios were 77.7% for PSRS and 79.1% for PEERS. To arrive at the actuarial value of assets as of June 30, 2011 and 2010, the Systems used an asset smoothing method by which investment returns above or below 8% are recognized over a five-year period. During fiscal year 2011, the Systems conducted an actuarial experience study, which resulted in revisions to some of the actuarial assumptions. The actuarial assumptions are detailed in the notes to the financial statements.

Revenues for fiscal year 2011 were comprised of contribution revenue of $1.4 billion and investment gains of $5.5 billion, compared to contribution revenue of $1.4 billion and investment gains of $3.0 billion for fiscal year 2010.

Expenses increased 7.1% over the prior year from $1.95 billion to $2.1 billion. Service retirement benefits increased by $102.8 million from $1.7 billion in fiscal year 2010 to $1.8 billion in fiscal year 2011. Another $75.1 million was paid to retirees electing the Partial Lump Sum Option (PLSO). This cost increased by $20.0 million from the $55.1 million paid during fiscal year 2010. 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 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 22) 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 23) 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 an employer, 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 24 through 41. The report also contains required supplementary information in addition to the basic financial statements themselves.

The Schedules of Funding Progress (page 42) 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 43) present historical trend information about the annual required contributions of employers and the actual contributions made by employers.

The Schedule of Funding Progress (page 44) 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 44) 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 44) 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 Schedules of Administrative Expenses (page 45) present the overall cost of administering the Systems. The Schedules of Professional Services (page 46) further detail this category of administrative expense.

The Schedules of Investment Expenses (page 46) show the costs associated with investing the assets of the Systems. These expenses are shown as a reduction of revenue on the Statements of Changes in Plan Net Assets.

Financial Analysis of the Public School Retirement System

The Public School Retirement System of Missouri (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 14.0% of their annual covered salary during 2011. The employer was required to match that amount. Most PSRS members do not contribute to Social Security.

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

	2011	2010	Change
Cash & investments	$ 30,821,804	$ 26,097,115	$ 4,724,689
Receivables	2,151,259	2,575,364	(424,105)
Other	15,497	13,354	2,143
Total assets	32,988,560	28,685,833	4,302,727
Total liabilities	4,888,379	4,930,092	(41,713)
Plan net assets	$ 28,100,181	$ 23,755,741	$ 4,344,440

Assets

Total assets of PSRS as of June 30, 2011 were $33.0 billion and were mostly comprised of cash, investments, and contributions due from employers. Total assets increased by $4.3 billion or 15.0% from the prior year due to significant investment gains.

Liabilities

Total liabilities as of June 30, 2011, were $4.9 billion and were mostly comprised of payables from the purchase of investments and obligations under security lending arrangements. Total liabilities decreased by $41.7 million from the prior year. This decrease was due to a $0.6 billion decrease in securities lending obligations, which was partially offset by an increase in investment purchase liabilities.

Net Assets

PSRS assets exceeded liabilities at June 30, 2011, by $28.1 billion. This was up from 2010 net assets of $23.8 billion by $4.3 billion. This increase was a result of investment earnings that totaled $5.0 billion for the year offset by benefit payments and other expenses which exceeded contribution revenue by $0.7 billion. This trend is a natural progression in a mature defined benefit plan.

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

	2011	2010	Change
Additions			
Member contributions	$ 638,357	$ 636,633	$ 1,724
Employer contributions	594,732	594,326	406
Investment income	5,018,518	2,723,032	2,295,486
Other	930	867	63
Total additions	6,252,537	3,954,858	2,297,679
Deductions			
Monthly benefits	1,845,620	1,729,704	115,916
Refunds of contributions	53,639	48,160	5,479
Administrative expenses	8,836	10,026	(1,190)
Other	2	404	(402)
Total deductions	1,908,097	1,788,294	119,803
Change in plan net assets	$4,344,440	$ 2,166,564	$ 2,177,876

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 $2.1 million to $1.2 billion. This was a 0.2% increase over the prior year. Retirement contributions were calculated at 14.0% of retirement salary for each member during fiscal year 2011. The employer matched this amount. Contribution rates increased from 13.5% to 14.0% of pay compared to the prior year. Overall contribution revenue remained stable even though an increase in contribution rates occurred. This was the result of a decline in total active members contributing to the System. In addition to contributions on salary, members may also pay to reinstate previously refunded contributions or to purchase various types of elective credit. Such contributions for the year decreased by $0.5 million.

The net investment gain was $5.0 billion as compared to a net investment gain of $2.7 billion in 2010. 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 2011 were $1.9 billion, an increase of 6.7% over fiscal year 2010.

Benefit expenses increased by $115.9 million. This was a result of the addition of 3,197 new service and disability retirees. There were no changes to the benefit formula during 2011. Refunds of contributions increased by $5.5 million to $53.6 million.

Administrative expenses decreased by $1.2 million to $8.8 million. This was an 11.9% decrease, which is attributable to a significant reduction in depreciation expense due to several large software products becoming fully depreciated. 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 of Missouri (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 6.63% of their annual covered salary during 2011. The employer was required to match that amount. PEERS members also contribute to Social Security.

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

	2011	2010	Change
Cash & investments	$ 3,200,113	$ 2,674,567	$ 525,546
Receivables	232,745	267,504	(34,759)
Other	41	122	(81)
Total assets	3,432,899	2,942,193	490,706
Total liabilities	514,135	537,768	(23,633)
Plan net assets	$ 2,918,764	$ 2,404,425	$ 514,339

Assets

Total assets of PEERS as of June 30, 2011 were $3.4 billion and were mostly comprised of cash, investments, and contributions due from employers. Total assets increased by $0.5 billion or 16.7% from the prior year due to significant investment gains.

Liabilities

Total liabilities as of June 30, 2011 were $0.5 billion and were mostly comprised of payables from the purchase of investments and obligations under security lending arrangements. Total liabilities decreased by $23.6 million. This decrease was due to a $54.0 million decrease in securities lending obligations, which was partially offset by an increase in investment purchase liabilities.

Net Assets

PEERS assets exceeded liabilities at the close of fiscal year 2011 by $2.9 billion. This was up from 2010 net assets of $2.4 million by $0.5 billion. This increase was a result of investment earnings that totaled $0.5 billion during the year. Because PEERS is a much younger plan than PSRS, contribution revenues exceeded benefit payments and other expenses by $11.4 million.

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

	2011	2010	Change
Additions			
Member contributions	$ 95,792	$ 95,924	$ (132)
Employer contributions	90,816	91,479	(663)
Investment income	502,934	261,135	241,799
Total additions	689,542	448,538	241,004
Deductions			
Monthly benefits	150,769	135,796	14,973
Refunds of contributions	18,823	16,711	2,112
Administrative expenses	5,608	5,280	328
Other	3	-	3
Total deductions	175,203	157,787	17,416
Change in plan net assets	$ 514,339	$ 290,751	$ 223,588

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 decreased by $0.8 million to $186.6 million. Retirement contributions were calculated at 6.63% of retirement salary for each member during fiscal year 2011. The employer matched this amount. Contribution rates increased from 6.5% to 6.63% of pay compared to the prior year. Overall contribution revenue marginally decreased even though an increase in contribution rates occurred. The decrease was a result of a decline in total active members contributing to the System. In addition to contributions on salary, members may also pay to reinstate previously refunded contributions or to purchase various types of elective credit. Such contributions for the year increased by $0.2 million or 4.8%.

The net investment gain was $502.9 million as compared to a net investment gain of $261.1 million in 2010. 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 2011 were $175.2 million, an increase of 11.0% over fiscal year 2010.

Benefit expenses increased by $15.0 million. This was a result of the addition of 1,728 new service and disability retirees. There were no changes to the benefit formula during 2011. Refunds of contributions increased by $2.1 million to $18.8 million.

Administrative expenses increased by $0.3 million to $5.6 million. This was a 6.2% increase. This increase is attributable to increased depreciation expense related to newly completed information technology projects. PEERS reimburses PSRS for the use of capital assets used by the two Systems on a proportional basis based on the prior fiscal year's balances. Administrative costs were 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 both 2011 and 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 8.4%.

The Board of Trustees, management and staff have worked diligently during the current fiscal year to create and adopt a Funding Stabilization Policy for both PSRS and PEERS. The recommended fiscal year 2013 contribution rates for both PSRS and PEERS are unchanged from fiscal year 2012. PSRS' recommended fiscal year 2013 contribution rate remains 29.0%. The recommended rate is above the annual required contribution rate of 26.10%. PEERS' recommended fiscal year 2013 contribution rate remains 13.72%. The recommended rate is above the annual required contribution rate of 13.01%. The fiscal year 2013 contribution rates for both PSRS and PEERS represent a stabilization of the rates with no increase over fiscal year 2012. These contribution rate levels adhere to the Board of Trustees' Funding Stabilization Policy which has taken into consideration the probable rise in the annual required contribution in future fiscal years.

The Board, 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, 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 of Missouri, P.O. Box 268, Jefferson City, MO 65102.

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Public School Retirement System of Missouri and
Public Education Employee Retirement System of Missouri
Statements of Plan Net Assets

as of June 30, 2011
with comparative totals for June 30, 2010

			Combined Totals	
	PSRS	**PEERS**	**June 30, 2011**	**June 30, 2010**
ASSETS				
Cash	$ 71,609,074	$ 8,654,593	$ 80,263,667	$ 79,326,164
Receivables				
Contributions	158,732,569	15,933,372	174,665,941	181,914,194
Accrued interest and dividends	64,224,855	7,233,238	71,458,093	90,279,831
Investment sales	1,927,700,680	209,549,831	2,137,250,511	2,437,283,884
Due from PEERS	506,898	-	506,898	676,848
Other	94,210	28,411	122,621	213,962
Total receivables	2,151,259,212	232,744,852	2,384,004,064	2,710,368,719
Investments, at fair value				
U.S. Treasuries and TIPS	4,679,002,638	491,650,482	5,170,653,120	5,207,126,520
U.S. public equities	9,368,373,888	967,842,962	10,336,216,850	7,456,370,394
Global public equities	4,757,087,040	523,503,624	5,280,590,664	4,357,538,177
Short-term investments	1,254,068,498	125,478,183	1,379,546,681	972,607,025
Public credit	2,398,779,670	278,629,220	2,677,408,890	3,609,244,188
Private equity	1,756,185,586	144,738,144	1,900,923,730	1,432,009,716
Private credit	285,263,908	22,830,987	308,094,895	329,617,735
Private real estate	1,634,929,502	146,782,653	1,781,712,155	1,157,994,020
Hedged assets	3,729,852,553	383,136,782	4,112,989,335	2,736,168,189
Total investments	29,863,543,283	3,084,593,037	32,948,136,320	27,258,675,964
Invested securities lending collateral	886,651,960	106,865,034	993,516,994	1,566,179,925
Prepaid expenses	731,630	41,078	772,708	1,799,169
Capital assets, net of accumulated depreciation	14,765,165	-	14,765,165	11,675,147
Total assets	32,988,560,324	3,432,898,594	36,421,458,918	31,628,025,088
LIABILITIES				
Accounts payable	16,164,933	1,878,174	18,043,107	15,528,278
Interest payable	1,105,026	142,035	1,247,061	250,191
Securities lending collateral	913,404,013	109,155,270	1,022,559,283	1,631,791,914
Investment purchases	3,956,370,759	401,631,911	4,358,002,670	3,817,826,385
Due to PSRS	-	506,898	506,898	676,848
Net other post employment benefit obligation	453,808	299,092	752,900	546,100
Compensated absences	880,287	521,598	1,401,885	1,239,272
Total liabilities	4,888,378,826	514,134,978	5,402,513,804	5,467,858,988
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 28,100,181,498	$ 2,918,763,616	$ 31,018,945,114	$ 26,160,166,100

Note: See accompanying Notes to the Financial Statements.

Public School Retirement System of Missouri and
Public Education Employee Retirement System of Missouri
Statements of Changes in Plan Net Assets

for the year ended June 30, 2011
with comparative totals for the year ended June 30, 2010

			Combined Totals Year Ended	
	PSRS	PEERS	June 30, 2011	June 30, 2010
ADDITIONS				
Contributions				
Employer	$ 594,732,137	$ 90,816,155	$ 685,548,292	$ 685,804,847
Member	638,356,963	95,791,885	734,148,848	732,556,939
Total contributions	1,233,089,100	186,608,040	1,419,697,140	1,418,361,786
Investment income				
From investing activities:				
Net appreciation in fair value of investments	4,934,182,144	487,768,248	5,421,950,392	2,696,213,581
Interest from investments	204,902,612	26,197,410	231,100,022	279,421,845
Interest from bank deposits	54,724	3,273	57,997	49,679
Dividends	168,003,701	17,191,478	185,195,179	199,042,799
Total investment income	5,307,143,181	531,160,409	5,838,303,590	3,174,727,904
Less investment expenses	326,523,083	33,050,582	359,573,665	224,470,683
Net income from investing activities	4,980,620,098	498,109,827	5,478,729,925	2,950,257,221
From security lending activities:				
Security lending gross income	11,113,135	1,108,508	12,221,643	10,920,744
Net appreciation in fair value of security lending collateral	32,302,367	4,267,335	36,569,702	25,761,574
Less security lending activity expenses:				
Agent fees	1,148,613	117,847	1,266,460	763,164
Broker rebates	4,368,523	434,167	4,802,690	2,008,993
Total security lending expenses	5,517,136	552,014	6,069,150	2,772,157
Net income from security lending activities	37,898,366	4,823,829	42,722,195	33,910,161
Total net investment income	5,018,518,464	502,933,656	5,521,452,120	2,984,167,382
Other income				
PEERS capital asset charge	915,699	-	915,699	837,550
Miscellaneous income	14,366	-	14,366	29,758
Total other income	930,065	-	930,065	867,308
Total additions	6,252,537,629	689,541,696	6,942,079,325	4,403,396,476
DEDUCTIONS				
Monthly benefits	1,845,619,830	150,769,061	1,996,388,891	1,865,500,492
Refunds of contributions	53,638,650	18,822,979	72,461,629	64,870,540
Administrative expenses	8,835,641	5,607,971	14,443,612	15,306,368
Other expenses	3,480	2,699	6,179	404,010
Total deductions	1,908,097,601	175,202,710	2,083,300,311	1,946,081,410
Net increase	4,344,440,028	514,338,986	4,858,779,014	2,457,315,066
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
Beginning of year	23,755,741,470	2,404,424,630	26,160,166,100	23,702,851,034
End of year	$28,100,181,498	$2,918,763,616	$31,018,945,114	$26,160,166,100

Note: See accompanying Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011 (with comparative information for June 30, 2010)

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 two-year 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. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined to not be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Section 169.070 (9) RSMo, known as the "two-thirds statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members' benefits are further calculated at two-thirds the normal benefit amount.

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 credit. Individuals who (a) are at least age 60 and have a minimum of five years of credit, (b) have 30 years of credit, or (c) qualify for benefits under the "Rule of 80" (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 credit. Actuarially age-reduced benefits are available for members with five to 24.9 years of credit at age 55 or with 25 years of credit (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 benefit amount. Annual cost-of-living adjustments (COLAs) are provided for eligible service and disability retirees and for surviving beneficiaries receiving payments under optional benefit plans, up to a lifetime maximum of 80% of the original benefit amount.

Contributions – PSRS members were required to contribute 14.0% of their annual covered salary during 2010-2011 and 13.5% during 2009-2010. 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:

			2011		2010
Retirees and beneficiaries receiving benefits			48,065		45,467
Inactive members entitled to but not yet receiving benefits			6,645		6,380
Active members:	Vested	58,258		57,833	
	Non-vested	19,450		21,423	
Total active members			77,708		79,256
Other inactive members			4,935		4,779
Total			137,353		135,882

Employers – PSRS had 538 and 539 contributing employers during fiscal years 2011 and 2010, respectively.

The Public Education Employee Retirement System

The Public Education Employee Retirement System of Missouri (PEERS) is a mandatory cost-sharing multiple employer retirement system for all public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and public two-year 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 educator 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 credit. Individuals who (a) are at least age 60 and have a minimum of five years of credit, (b) have 30 years of credit, or (c) qualify for benefits under the "Rule of 80" (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 credit at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of credit may retire with a lesser benefit formula factor during a window that will close July 1, 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 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 benefit plans.

Contributions – PEERS members were required to contribute 6.63% of their annual covered salary during 2010-2011 and 6.5% during 2009-2010. 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:

			2011		2010
Retirees and beneficiaries receiving benefits			21,328		20,071
Inactive members entitled to but not yet receiving benefits			4,790		4,546
Active members:	Vested	28,624		28,123	
	Non-Vested	20,176		22,240	
Total active members			48,800		50,363
Other inactive members			10,612		10,809
Total			85,530		85,789

Employers – PEERS had 534 and 535 contributing employers during fiscal years 2011 and 2010, respectively.

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 based on the prior fiscal year's balances. The amount of this reimbursement was $915,699 in 2011 and $837,550 in 2010.

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, 2011. 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, 2010, from which the information was derived.

Reclassification – Certain reclassifications have been made to the 2010 totals to conform with the classifications for 2011.

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

	2011	2010
Designated for Members' Contributions (Member Reserves) – *Accumulation of active and terminated member contributions plus interest.*	$ 6,571,916,082	$ 6,506,803,573
Designated for the Payment of Benefits to Present Retirees – *Transfers from Member Reserves at retirement and an actuarially determined transfer from Operating Reserves to fund the System's obligation for benefit payments and cost-of-living adjustments to current retirees and beneficiary recipients.*	20,023,082,295	20,531,266,025
Designated for Additional Deposit Annuities – *Accumulation of the additional deposits over and above the contributions required by law. Defined contribution annuity payments are made to current retirees from this reserve.*	618,704	745,173
Designated for Operating Expenses/Benefits to Future Retirees (Operating Reserves/Deficit) – *Accumulation of employer contributions and investment income used to fund future benefit payments, interest on member accounts and administration and maintenance expenses of the System.*	1,504,564,417	(3,283,073,301)
Net Assets Held In Trust For Pension Benefits	$ 28,100,181,498	$ 23,755,741,470

PEERS

	2011	2010
Designated for Members' Contributions (Member Reserves) – *Accumulation of active and terminated member contributions plus interest.*	$ 783,112,501	$ 743,146,346
Designated for the Payment of Benefits to Present Retirees – *Transfers from Member Reserves at retirement and an actuarially determined transfer from Operating Reserves to fund the System's obligation for benefit payments and cost-of-living adjustments to current retirees and beneficiary recipients.*	1,398,620,374	1,392,753,371
Designated for Operating Expenses/Benefits to Future Retirees (Operating Reserves) – *Accumulation of employer contributions and investment income used to fund future benefit payments, interest on member accounts and administration and maintenance expenses of the System.*	737,030,741	268,524,913
Net Assets Held In Trust For Pension Benefits	$ 2,918,763,616	$ 2,404,424,630

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, 2011, the PSRS carrying amount of deposits at the depository bank was $10,712,519 and the bank balance was $13,542,793. Of the bank balance, $13,542,793 was covered by federal depository insurance. In addition the deposits were also significantly over collateralized with U.S. agency securities held by a third-party institution in the System's name, totaling $95,070,895. An additional $4,576,100 was held in overnight repurchase agreements with a book value of $4,567,100. The overnight repurchase agreements were collateralized with U.S. agency securities held by a third-party institution in the System's name totaling $4,576,100.

At June 30, 2011, the PEERS carrying amount of deposits at the depository bank was ($549,805) 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, 2011 was $2,497,045 with a book value of $2,497,045. The overnight repurchase agreements were collateralized with U.S. agency securities held by a third-party institution in the System's name totaling $2,622,804.

Investments – Funds for both Systems that are in excess of a safe operating balance are invested by the investment agents under policies and procedures established by the Board of Trustees. Chapter 169.040 RSMo as amended effective August 13, 1984, authorizes any investment which a prudent person acting in a like capacity and familiar with similar matters would use in the conduct of an enterprise of a like character and with like aims. Any person with fiduciary responsibility with respect to the retirement Systems is covered by this "prudent person" rule.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Systems' investment in a single issue. To mitigate this risk, the Systems' investment policy prohibits investing more than 5% of the total investment portfolio into any single financial institution or issuer, excluding U.S. government securities. At June 30, 2011, the Systems did not have more than 5% of total investments in a single issue except for U.S. government 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 tables include collateral pledged for deposits and repurchase agreements and securities lending collateral. The maturities of all debt securities are presented on the following page.

PSRS

Security Type	Fair Value at June 30, 2011	Less than 1 year to maturity	1 to 5 years to maturity	6 to 10 years to maturity	over 10 years to maturity
U.S. Treasuries	$4,468,396,738	$ 147,494,406	$2,082,929,634	$1,792,352,310	$ 445,620,388
Government guaranteed mortgages	234,976,298	-	14,740,082	25,111,878	195,124,338
Agencies	5,150,006	-	1,002,050	-	4,147,956
Collateralized mortgage obligations	161,285,901	792	-	3,988,735	157,296,374
Asset backed securities	607,159,791	-	25,228,968	31,607,272	550,323,551
Corporate bonds	1,908,518,105	475,047,898	428,850,451	880,108,828	124,510,928
Sovereign	53,246,997	1,169,007	15,756,186	19,358,114	16,963,690
Repurchase agreements	109,412,581	109,412,581	-	-	-
Commercial paper	69,885,581	69,885,581	-	-	-
Certificate of deposit	70,425,795	51,151,280	19,274,515	-	-
Derivatives	(20,479,784)	245,003	(19,857,633)	(901,215)	34,061
Municipals	29,655,006	-	413,392	-	29,241,614
Commingled Funds (see note)					
JPM STIF	1,213,315,012	1,213,315,012	-	-	-
BRIDGEWATER STIF II	78,099,043	78,099,043	-	-	-
PIMCO High Yield Institutional Investors	15,370,583	15,370,583	-	-	-
PIMCO Developing Markets	123,177,538	123,177,538	-	-	-
PIMCO Emerging Markets	29,183,913	29,183,913	-	-	-
PIMCO Short Term Floating NAV II	141,365,681	141,365,681	-	-	-
Currency	45,123,852	45,123,852	-	-	-
Total	$9,343,268,637	$2,500,042,170	$ 2,568,337,645	$2,751,625,922	$1,523,262,900
Percentage of Total Fixed Income	**100%**	**27%**	**28%**	**29%**	**16%**

PEERS

Security Type	Fair Value at June 30, 2011	Less than 1 year to maturity	1 to 5 years to maturity	6 to 10 years to maturity	over 10 years to maturity
U.S. Treasuries	$ 470,640,322	$ 18,887,500	$ 216,506,174	$ 188,339,447	$ 46,907,201
Government guaranteed mortgages	25,625,603	-	2,622,804	43,550	22,959,249
Agencies	1,470,829	145,594	223,566	-	1,101,669
Collateralized mortgage obligations	22,441,847	75	-	80,567	22,361,205
Asset backed securities	54,698,333	8,598	3,101,474	3,793,791	47,794,470
Corporate bonds	198,099,729	50,170,597	43,737,404	89,024,089	15,167,639
Sovereign	6,853,986	65,149	1,028,897	3,084,121	2,675,819
Repurchase agreements	21,124,476	21,124,476	-	-	-
Commercial paper	14,013,183	14,013,183	-	-	-
Certificate of deposit	13,572,373	10,348,791	3,223,582	-	-
Derivatives	(2,275,870)	44,067	(2,240,210)	(84,775)	5,048
Municipals	5,511,019	-	203,239	460,467	4,847,313
Commingled Funds (see note)					
JPM STIF	118,901,234	118,901,234	-	-	-
BRIDGEWATER STIF II	8,578,623	8,578,623	-	-	-
PIMCO High Yield Institutional Investors	2,150,289	2,150,289	-	-	-
PIMCO International	511,328	511,328	-	-	-
PIMCO Developing Markets	13,686,393	13,686,393	-	-	-
PIMCO Emerging Markets	3,386,625	3,386,625	-	-	-
PIMCO Short Term Floating NAV II	16,958,373	16,958,373	-	-	-
Currency	4,796,791	4,796,791	-	-	-
Total	$ 1,000,745,486	$ 283,777,686	$ 268,406,930	$ 284,741,257	$ 163,819,613
Percentage of Total Fixed Income	**100%**	**28%**	**28%**	**28%**	**16%**

Note: *Commingled Funds are presented at the weighted average maturity. These funds do not have a single maturity date; however, the underlying securities have maturity dates. To more accurately reflect the interest rate risk of the Systems, these weighted averages were displayed.*

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Systems do not have a single investment policy designating the minimum allowable credit rating; however, each manager must follow guidelines established specifically for its managed portfolio. The portfolios are continually monitored to ensure compliance with these guidelines. The following tables include collateral pledged for deposits and repurchase agreements and securities lending collateral. The Systems' debt investments by credit rating category as of June 30, 2011 are presented in the following tables.

PSRS

Security Type	Fair Value at June 30, 2011	%	AAA	AA	A	BBB	BB	B	CCC	Not Rated
U.S. Treasuries	$ 4,468,396,738	48%	$ 4,468,396,738	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Government guaranteed mortgages	234,976,298	3%	234,976,298	-	-	-	-	-	-	-
Agencies	5,150,006	0%	5,150,006	-	-	-	-	-	-	-
Collateralized mortgage obligations	161,285,901	2%	68,731,456	8,665,487	27,988,906	569,863	1,591,032	23,470,384	15,887,827	14,380,946
Asset backed securities	607,159,791	6%	523,879,644	25,254,296	28,786,192	10,248,532	15,402,286	836,050	2,505,873	246,918
Corporate bonds	1,908,518,105	20%	510,495,531	134,990,622	382,512,106	516,136,351	159,063,415	163,767,780	5,133,974	36,418,326
Sovereign	53,246,997	1%	14,808,522	8,129,229	792,971	20,923,124	8,593,151	-	-	-
Repurchase agreements	109,412,581	1%	-	44,123,316	65,289,265	-	-	-	-	-
Commercial paper	69,885,581	1%	2,597,045	27,017,422	40,271,114	-	-	-	-	-
Certificate of deposit	70,425,795	1%	6,800,796	24,949,627	38,675,372	-	-	-	-	-
Derivatives	(20,479,784)	0%	-	-	-	-	-	-	-	(20,479,784)
Municipals	29,655,006	0%	909,118	9,476,723	16,525,404	325,792	2,417,969	-	-	-
Commingled Funds (see note)										
JPM STIF	1,213,315,012	13%	1,213,315,012	-	-	-	-	-	-	-
BRIDGEWATER STIF II	78,099,043	1%	78,099,043	-	-	-	-	-	-	-
PIMCO High Yield Institutional Investors	15,370,583	0%	-	-	-	-	15,370,583	-	-	-
PIMCO Developing Markets	123,177,538	1%	-	123,177,538	-	-	-	-	-	-
PIMCO Emerging Markets	29,183,913	0%	-	-	-	-	-	29,183,913	-	-
PIMCO Short Term Floating NAV II	141,365,681	2%	-	141,365,681	-	-	-	-	-	-
Currency	45,123,852	0%	-	-	-	-	-	-	-	45,123,852
Total	$ 9,343,268,637	100%	$7,128,159,209	$547,149,941	$600,841,330	$548,203,662	$202,438,436	$217,258,127	$23,527,674	$75,690,258
Percentage of Total Fixed Income	**100%**		**77%**	**6%**	**6%**	**6%**	**2%**	**2%**	**0%**	**1%**

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

PEERS

Security Type	Fair Value at June 30, 2011	%	AAA	AA	A	BBB	BB	B	CCC	Not Rated
U.S. Treasuries	$ 470,640,322	48%	$470,640,322	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Government guaranteed mortgages	25,625,603	3%	25,625,603	-	-	-	-	-	-	-
Agencies	1,470,829	0%	1,470,829	-	-	-	-	-	-	-
Collateralized mortgage obligations	22,441,847	2%	10,925,156	1,517,866	2,293,644	358,881	396,866	1,952,064	3,486,910	1,510,460
Asset backed securities	54,698,333	5%	47,344,212	2,209,498	2,485,175	795,218	1,318,409	-	525,801	20,020
Corporate bonds	198,099,729	20%	51,828,513	15,749,127	45,026,647	57,702,540	14,623,516	10,728,328	320,150	2,120,908
Sovereign	6,853,986	1%	1,875,382	1,442,480	101,197	2,111,508	1,323,419	-	-	-
Repurchase agreements	21,124,476	2%	-	8,926,912	12,197,564	-	-	-	-	-
Commercial paper	14,013,183	1%	399,545	5,466,093	8,147,545	-	-	-	-	-
Certificate of deposit	13,572,373	1%	699,932	5,047,743	7,824,698	-	-	-	-	-
Derivatives	(2,275,870)	0%	-	-	-	-	-	-	-	(2,275,870)
Municipals	5,511,019	1%	660,076	2,896,279	1,662,585	-	292,079	-	-	-
Commingled Funds (see note)										
JPM STIF	118,901,234	12%	118,901,234	-	-	-	-	-	-	-
BRIDGEWATER STIF II	8,578,623	1%	8,578,623	-	-	-	-	-	-	-
PIMCO High Yield Institutional Investors	2,150,289	0%	-	-	-	-	2,150,289	-	-	-
PIMCO International	511,328	0%	-	511,328	-	-	-	-	-	-
PIMCO Developing Markets	13,686,393	1%	-	13,686,393	-	-	-	-	-	-
PIMCO Emerging Markets	3,386,625	0%	-	-	-	-	-	3,386,625	-	-
PIMCO Short Term Floating NAV II	16,958,373	2%	-	16,958,373	-	-	-	-	-	-
Currency	4,796,791	0%	-	-	-	-	-	-	-	4,796,791
Total	$1,000,745,486	100%	$738,949,427	$74,412,092	$79,739,055	$60,968,147	$20,104,578	$16,067,017	$4,332,861	$6,172,309
Percentage of Total Fixed Income	**100%**		**74%**	**7%**	**8%**	**6%**	**2%**	**2%**	**0%**	**1%**

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

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Systems do not have a single investment policy designating the allowable exposure to foreign currency; however, each manager must follow guidelines established specifically for its managed portfolio. The portfolios are continually monitored to ensure compliance with these guidelines. The Systems' exposure to foreign currency risk as of June 30, 2011 is presented on the following tables.

PSRS

Currency	Debt	Equity	Currency/Short Term	Total
Australian Dollar	$ (362,854)	$ 144,887,467	$ 1,806,797	$ 146,331,410
Brazilian Real	(10,055,559)	60,474,149	2,580,810	52,999,400
British Pound Sterling	32,085,006	541,749,052	5,395,643	579,229,701
Bulgarian Lev	-	1,404,217	-	1,404,217
Canadian Dollar	15,509,222	176,474,217	1,711,107	193,694,546
Chiliean Peso	-	1,171,145	6,243	1,177,388
Chinese Yuan	-	9,564	182,970	192,534
Colombian Peso	3,005,837	-	-	3,005,837
Czech Koruna	-	6,133,020	15,321	6,148,341
Danish Krone	-	45,226,832	513,436	45,740,268
Euro Currency	106,746,764	913,495,636	8,985,231	1,029,227,631
Hong Kong Dollar	218,568	205,254,176	4,533,865	210,006,609
Hungarian Forint	-	989,212	(273,408)	715,804
Indian Rupee	-	60,306,760	970,853	61,277,613
Indonesian Rupiah	2,167,771	18,389,027	64,998	20,621,796
Israeli Shekel	-	984,242	11,793	996,035
Japanese Yen	304,825	494,235,155	1,992,307	496,532,287
Malaysian Ringgit	-	11,474,722	135,067	11,609,789
Mexican Peso	(1,221,426)	5,019,852	407,816	4,206,242
New Romanian Leu	-	-	9	9
New Taiwan Dollar	-	55,792,689	1,764,934	57,557,623
New Turkish Lira	-	16,377,586	117,891	16,495,477
New Zealand Dollar	-	7,466,544	160,208	7,626,752
Norwegian Krone	-	14,069,327	378,692	14,448,019
Pakistan Rupee	-	1,899,741	72,336	1,972,077
Peruvian Nuevo Sol	-	-	(1,520)	(1,520)
Philippine Peso	-	274,038	(5,126)	268,912
Polish Zloty	-	14,359,115	102,517	14,461,632
Russian Ruble	-	750,124	(39,979)	710,145
Singapore Dollar	(41,722)	16,022,480	599,433	16,580,191
South African Rand	(269,096)	46,203,248	238,205	46,172,357
South Korean Won	120	103,034,608	365,093	103,399,821
Swedish Krona	2,068,422	34,536,002	(912,263)	35,692,161
Swiss Franc	1,211,401	176,156,578	5,083,489	182,451,468
Thailand Baht	-	10,950,343	197,898	11,148,241
Ukraine Hryvnia	-	950,052	-	950,052
Total	**$ 151,367,279**	**$ 3,186,520,920**	**$ 37,162,666**	**$ 3,375,050,865**

PEERS

Currency	Debt	Equity	Currency/Short Term	Total
Australian Dollar	$ 277,451	$ 16,878,507	$ 220,272	$ 17,376,230
Brazilian Real	(2,957,963)	6,336,729	174,938	3,553,704
British Pound Sterling	1,627,313	59,246,967	404,734	61,279,014
Bulgarian Lev	-	131,308	-	131,308
Canadian Dollar	849,447	21,730,839	230,962	22,811,248
Chilean Peso	-	133,293	849	134,142
Chinese Yuan	-	1,196	16,596	17,792
Colombian Peso	255,010	-	-	255,010
Czech Koruna	-	629,484	644	630,128
Danish Krone	-	5,559,788	51,217	5,611,005
Euro Currency	5,570,403	97,382,834	711,543	103,664,780
Hong Kong Dollar	23,453	23,090,726	373,914	23,488,093
Hungarian Forint	-	110,940	(30,996)	79,944
Indian Rupee	-	6,717,970	119,756	6,837,726
Indonesian Rupiah	257,244	1,899,986	9,174	2,166,404
Israeli Shekel	-	113,665	678	114,343
Japanese Yen	(7,870)	55,431,471	271,845	55,695,446
Malaysian Ringgit	-	1,437,793	31,284	1,469,077
Mexican Peso	(132,252)	571,748	55,245	494,741
New Taiwan Dollar	-	5,947,754	172,976	6,120,730
New Turkish Lira	-	1,765,189	22,849	1,788,038
New Zealand Dollar	-	1,003,421	20,023	1,023,444
Norwegian Krone	-	1,584,862	47,699	1,632,561
Pakistan Rupee	-	134,246	17,917	152,163
Peruvian Nuevo Sol	-	-	(72)	(72)
Philippine Peso	-	-	(1,079)	(1,079)
Polish Zloty	-	1,966,628	8,419	1,975,047
Russian Ruble	-	78,222	(4,495)	73,727
Singapore Dollar	(4,550)	2,068,695	78,848	2,142,993
South African Rand	(19,193)	5,004,821	29,963	5,015,591
South Korean Won	8	11,392,210	40,066	11,432,284
Swedish Krona	(29,889)	3,553,139	(113,419)	3,409,831
Swiss Franc	-	20,120,173	341,578	20,461,751
Thailand Baht	-	1,306,029	27,015	1,333,044
Ukraine Hryvnia	-	39,271	-	39,271
Total	**$ 5,708,612**	**$ 353,369,904**	**$ 3,330,943**	**$ 362,409,459**

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, 2011, classified by type are as follows.

PSRS

	Fair Value at June 30, 2011		
Investment Derivatives	**Classification**	**Amount**	**Notional**
Swaps			
Receive-fixed interest rate swap	Investments, at fair value	$ 568,463	$ 76,600,000
Pay-fixed interest rate swap	Investments, at fair value	(22,679,595)	395,100,000
Credit default swaps	Investments, at fair value	5,005,562	280,150,789
Total return swaps - equity	Investments, at fair value	2,396,898	1,573,862,389
Total swaps		**(14,708,672)**	**2,325,713,178**
Futures			
Equity futures long	Investments, at fair value	-	121,371,797
Equity futures short	Investments, at fair value	-	72,207,416
Treasury futures long	Investments, at fair value	-	11,769,469
Treasury futures short	Investments, at fair value	-	46,964,750
Currency futures long	Investments, at fair value	-	1,196,954,554
Commodity futures long	Investments, at fair value	-	44,783,440
Total futures		**-**	**1,494,051,426**
Options			
Equity written call options	Investments, at fair value	(173,465)	131,400
Equity purchased call options	Investments, at fair value	215,736	213,600
Equity written put options	Investments, at fair value	(81,235)	131,400
Equity purchased put options	Investments, at fair value	450,530	804,400
Treasury futures written call options	Investments, at fair value	(7,609)	4,400,000
Treasury futures written put options	Investments, at fair value	(7,172)	4,200,000
Fixed income written call options	Investments, at fair value	(317,074)	57,200,000
Fixed income purchased call options	Investments, at fair value	116,104	19,650,000
Fixed income written put options	Investments, at fair value	(290,839)	143,200,000
Swaptions	Investments, at fair value	(536,079)	155,400,000
Total options		**(631,103)**	**385,330,800**
Foreign currency forwards net receivable/payable	Investment sales and purchases	**(899,122)**	-
Total Investment Derivatives		**$ (16,238,897)**	**$ 4,205,095,404**

PEERS

Investment Derivatives	Fair Value at June 30, 2011 Classification	Amount	Notional
Swaps			
Receive-fixed interest rate swap	Investments, at fair value	$ 97,674	$ 12,000,000
Pay-fixed interest rate swap	Investments, at fair value	(2,639,815)	46,700,000
Credit default swaps	Investments, at fair value	585,721	32,745,249
Total return swaps - equity	Investments, at fair value	266,349	151,131,476
Total swaps		**(1,690,071)**	**242,576,725**
Futures			
Equity futures long	Investments, at fair value	-	13,717,577
Equity futures short	Investments, at fair value	-	8,395,998
Treasury futures long	Investments, at fair value	-	1,873,153
Treasury futures short	Investments, at fair value	-	9,419,922
Currency futures long	Investments, at fair value	-	142,199,062
Commodity futures long	Investments, at fair value	-	4,959,240
Total futures		**-**	**180,564,952**
Options			
Equity written call options	Investments, at fair value	(19,263)	14,600
Equity purchased call options	Investments, at fair value	23,937	23,700
Equity written put options	Investments, at fair value	(9,035)	14,600
Equity purchased put options	Investments, at fair value	49,963	89,300
Treasury futures written call options	Investments, at fair value	(1,508)	900,000
Treasury futures written put options	Investments, at fair value	(1,898)	900,000
Fixed income written call options	Investments, at fair value	(44,064)	7,900,000
Fixed income purchased call options	Investments, at fair value	12,302	2,400,000
Fixed income written put options	Investments, at fair value	(38,453)	18,700,000
Swaptions	Investments, at fair value	(62,939)	23,200,000
Total options		**(90,958)**	**54,142,200**
Foreign currency forwards net receivable/payable	Investment sales and purchases	**(177,577)**	-
Total Investment Derivatives		**$ (1,958,606)**	**$ 477,283,877**

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. Net gains on swaps of $323.0 million for PSRS and $27.1 million for PEERS were recognized for the fiscal year ended June 30, 2011.

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. PSRS and PEERS recognized net gains on future contracts of $16.1 million and $2.8 million, respectively, during the fiscal year ended June 30, 2011.

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. Net gains or losses resulting from such obligations are included in net appreciation (depreciation) in fair value of investments on the Systems' Statements of Changes in Plan Net Assets. PSRS and PEERS recognized net losses on option contracts of $3.5 million and $0.9 million, respectively, during the fiscal year ended June 30, 2011.

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. PSRS and PEERS recognized net losses on such contracts of $10.9 million and $0.8 million, respectively, during the fiscal year ended June 30, 2011.

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, 2011 the counterparties' credit ratings for currency forwards, options and swaps are subject to credit risk as shown in the chart below.

The Systems are exposed to interest rate risk on its 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 32 and 33.

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.

Derivative Counterparty Credit Ratings

PSRS				
Quality Rating	**Swaps**	**Options**	**Forwards**	**Total**
AA	$ 156,266	$ (4,822)	$ -	$ 151,444
A	(14,864,938)	(611,500)	1,159,761,957	1,144,285,519
Total subject to credit risk	**$ (14,708,672)**	**$ (616,322)**	**$ 1,159,761,957**	**$ 1,144,436,963**

PEERS				
Quality Rating	**Swaps**	**Options**	**Forwards**	**Total**
AA	$ (110,883)	$ (549)	$ -	$ (111,432)
A	(1,845,536)	(87,002)	1,781,612,568	1,779,680,030
Total subject to credit risk	**$ (1,956,419)**	**$ (87,551)**	**$ 1,781,612,568**	**$ 1,779,568,598**

The derivative financial instruments discussed involve, to varying degrees, elements of market risk to the extent of future market movements in excess of the amounts recognized in the Statements of Plan Net Assets. Market risk arises from the potential unfavorable change in the value of the underlying instruments. The contract or notional amounts of these instruments reflect the extent of the Systems' involvement in each class of financial instrument; however, these amounts do not represent the exposure to market loss. Additional derivatives may be held in limited partnerships and commingled funds that are not reflected in this disclosure.

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 securities lending program was administered by the Systems' previous custodial bank through September 30, 2010. Effective, October 1, 2010, the Systems' new custodial bank, JPMorgan Chase Bank, NA, began administering the securities lending program. Securities lending collateral and loans outstanding on September 30, 2010 were novated to JP Morgan Chase Bank, NA to administer going forward. The Systems did impose restrictions through September 30, 2010 on the amount and type of loans that the custodial banks made on their behalf. Effective October 1, 2010, the restrictions were rescinded.

The Systems and their agents 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 banks have an obligation to provide a form of indemnification to the Systems in the event of default by a borrower. There were no violations of the contractual provisions nor were there any borrower or lending agent default losses during the fiscal year.

The market value of securities on loan as of June 30, 2011 was approximately $891,810,788 for PSRS and $106,104,502 for PEERS. On June 30, 2011 the Systems had no credit risk exposure to borrowers as the cash and securities collateral amounts received exceeded amounts on loan. Loans are generally terminable on demand. However, with the prior approval of the Systems, loans may be made on the basis of a specified termination date, with or without providing for the right of the Systems to terminate or substitute equivalent securities. As of June 30, 2011, there were no term loans for either PSRS or PEERS.

PSRS and PEERS maintain investment portfolios that were novated to JPMorgan Chase, NA from the Systems' previous agent lender and custodial bank. These assets are referred to as the Legacy Portfolio. As of June 30, 2011, PSRS' Legacy Portfolio had a cost basis of $648,404,511 and an estimated market value of $621,639,862, with an unrealized loss of $26,764,649. PEERS' Legacy Portfolio had a cost basis of $55,541,276 and an estimated market value of $53,248,492, with an unrealized loss of $2,292,784.

New cash collateral is invested in separately managed accounts in accordance with the investment guidelines approved by the Systems. Assets purchased with new cash collateral are referred to as the J.P. Morgan Portfolio. The primary investment objective of the J.P. Morgan Portfolio is the preservation of principal. As of June 30, 2011, the cost basis of the J.P. Morgan Portfolio totaled $264,999,502 for PSRS and $53,613,994 for PEERS. The estimated market value of the J.P. Morgan Portfolio totaled $265,012,098 for PSRS and $53,616,542 for PEERS. The unrealized gain for PSRS was $12,596 and $2,548 for PEERS.

PSRS recognized net appreciation of $32,302,367 and PEERS recognized net appreciation of $4,267,335 for the year ended June 30, 2011 on the invested collateral accounts. Such is reported as net appreciation in fair value of security lending collateral on the Statements of Changes in Plan Net Assets.

The weighted average duration of invested collateral as of June 30, 2011 was 31 days and an average final maturity of approximately 24 years for PSRS, and 23 days and an average final maturity of approximately 17 years for PEERS. Because the loans were terminable at will, their duration did not match the duration of the investments made with cash collateral. In addition, there is the possibility that a portion of the legacy investment portfolios will be held to maturity.

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 2010-2011.

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, 2011, the most recent actuarial valuation date, is as follows:

(Dollar amounts in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)– Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
PSRS	6/30/2011	$ 29,387,486	$ 34,383,430	$ 4,995,944	85.5%	$ 4,338,976	115.1%
PEERS	6/30/2011	$ 3,028,757	$ 3,549,348	$ 520,591	85.3%	$ 1,414,442	36.8%

The schedule of funding progress, presented as required supplementary information (RSI) following the Notes to the Financial Statements, presents multi-year 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 is as follows:

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal
Amortization Method	
PSRS (1)	Closed, level percent for 30 years, effective June 30, 2011 Open level, percent for 30 years, prior to June 30, 2011
PEERS (2)	Closed, level percent for 30 years, effective June 30, 2011 Open, level percent for 30 years, prior to June 30, 2011
Asset Valuation Method	5-year smoothing of actual returns less expected returns Marked to market June 30, 2003
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increases*	
PSRS	4.0 - 10.0%, effective June 30, 2011 5.0 - 10.25%, prior to June 30, 2011
PEERS	5.0 - 12.0%, effective June 30, 2011 5.0 - 10.0%, prior to June 30, 2011
*Includes inflation at	2.5%, effective June 30, 2011 3.25%, prior to June 30, 2011
Cost-of-Living Adjustments	2.0%, effective June 30, 2011 3.25%, prior to June 30, 2011

(1) 30-year amortization assumes an ARC rate of 26.10% for fiscal year 2013. The annual statutory increase in the total contribution rate may not exceed 1% of pay. The Board of Trustees has set the fiscal year 2013 contribution rate equivalent to the fiscal year 2012 rate of 29.0%. The contribution rate was determined based on the Board of Trustees' Funding Stabilization policy and the recommendation of the independent actuary.

(2) 30-year amortization assumes an ARC rate of 13.01% for fiscal year 2013. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay. The Board of Trustees has set the fiscal year 2013 contribution rate equivalent to the fiscal year 2012 rate of 13.72%. The contribution rate was determined based on the Board of Trustees' Funding Stabilization policy and the recommendation of the independent actuary.

Note 7 – Retirement Plans

Section 401(a) Defined Benefit Plan

All full-time retirement system employees holding a valid Missouri educator 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 legal provisions of both Systems.

PSRS members were required to contribute 14.0% of their annual covered salary during 2010-2011, 13.5% during 2009-2010 and 13.0% during 2008-2009. 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 $31,319 for the 2010-2011 fiscal year, $18,215 for the 2009-2010 fiscal year and $33,289 for the 2008-2009 fiscal year. The amounts for these years are equal to the required contributions.

PEERS members were required to contribute 6.63% of their annual covered salary during 2010-2011, 6.5% during 2009-2010 and 6.25% during 2008-2009. 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 $519,055 for the 2010-2011 fiscal year, $480,626 for the 2009-2010 fiscal year and $435,590 for the fiscal year 2008-2009. 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 $91,941 for the 2010-2011 fiscal year and $97,750 for the 2009-2010 fiscal year. Employer-paid contributions totaled $51,500 for fiscal year 2010-2011 and $54,917 fiscal year 2009-2010. Employee contributions totaled $226,721 for the 2010-2011 fiscal year and $261,924 for the 2009-2010 fiscal year.

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

Note 8 – Other Post-Employment Benefit Plans

Post-Employment Staff Retiree Healthcare Plan

Plan Description and Funding Policy – The Public School Retirement System of Missouri Staff Retiree Healthcare Program (SRHP) is a single-employer defined benefit other post-employment benefit (OPEB) plan administered by PSRS. SRHP provides a healthcare premium implicit rate subsidy to eligible staff retirees and their dependents provided they pay 100% of the blended healthcare premium. The blended healthcare premium is based on all active and retired employees. Retiree healthcare benefits are funded on a pay-as-you-go basis, with premiums determined annually. The PSRS/PEERS 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	$ 237,800
Interest on net OPEB obligation	24,600
Amortization of net OPEB obligation	(17,000)
Annual OPEB cost	245,400
Contributions made	38,600
Increase in net OPEB obligation	206,800
Net OPEB obligation - beginning of year	546,100
Net OPEB obligation - end of year	$ 752,900

PSRS' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC)	% of AOC Contributed	Net OPEB Obligation
6/30/2009	$ 208,000	13.6%	$ 363,000
6/30/2010	$ 223,200	18.0%	$ 546,100
6/30/2011	$ 245,400	15.7%	$ 752,900

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

SRHP Funded Status and Funding Progress

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)
6/30/2011	$ -	$ 2,463,400	$ 2,463,400	0.0%	$ 7,582,300	32.5%

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

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

In the June 30, 2011 actuarial valuation, the following assumptions and method were used:

Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	No Assets (pay-as-you-go)
Amortization Method	Level Percent Open
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Investment Rate of Return	4.5 % per year
Wage Inflation	5.0 % per year
Healthcare Trend	8.5% in fiscal year 2011, decreasing by one-half percentage point per year to an ultimate of 4.5% in fiscal year 2019 and after

Post Employment Health Plan

PSRS maintains a Post Employment Health Plan ("PEHP") for employees. Upon termination, an employee will receive payment at the rate of one day of pay for each two days of accrued sick leave up to 100 days of accrued sick leave (50 days paid). Any days above 100 will be forfeited. All payments under the PEHP in excess of $1,000 will be transferred into a PEHP account which can be used to pay medical premiums for the employee or dependent at any time in the future. If an employee is retiring, the payments can be transferred back to PSRS on a monthly basis to cover the cost of medical insurance for the retiree. The amount paid into the PEHP was $24,641 for five employees (four retirees and one termination) during 2011 and $76,550 for seven employees (four retirees and three terminations) during 2010. 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 $3,956,370,759 on June 30, 2011 and PEERS had investment purchase commitments of $401,631,911 on June 30, 2011.

PSRS had total unfunded capital commitments to real estate, private equity and other alternative investments of $2.2 billion as of June 30, 2011. PEERS had total unfunded capital commitments to real estate, private equity and other alternative investments of $188.8 million as of June 30, 2011. 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, 2011, $5,924,940 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 their previous custodial bank are in dispute regarding the terms of the Trust agreement for the Quality D Short-Term Investment Fund (Quality D Fund). The previous 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 are proceeding with litigation to recover any amounts lost as a result of the custodial bank's action. The Systems' terminated their custodial relationship with the previous custodian on October 1, 2010.

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.

Public School Retirement System of Missouri and Public Education Employee Retirement System of Missouri

Required Supplementary Information

Schedules of Funding Progress

Public School Retirement System

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)– Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/2006	$ 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	163.0%
6/30/2010	28,931,331	37,233,602 [1]	8,302,271	77.7%	4,493,865	184.7%
6/30/2011	29,387,486	34,383,430 [3]	4,995,944	85.5%	4,338,976	115.1%

[1]*There were no legislative changes in fiscal years 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.*

[3]*There were no legislative changes in fiscal year 2011, however acturial assumptions were revised.*

Public Education Employee Retirement System

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)– Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/2006	$ 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%
6/30/2011	3,028,757	3,549,348 [3]	520,591	85.3%	1,414,442	36.8%

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

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

[3]*There were no legislative changes in fiscal year 2011, however acturial assumptions were revised.*

Public School Retirement System of Missouri and Public Education Employee Retirement System of Missouri

Required Supplementary Information

Schedules of Employer Contributions

Public School Retirement System

Year Ended June 30	Employer Contribution	Annual Required Contribution (ARC) per GASB Statement #25	Percentage Contributed	Maximum Contribution per State Statute	Percentage Contributed
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%
2011	594,732,137	684,366,766	86.9%	594,732,137	100.0%

Public Education Employee Retirement System

Year Ended June 30	Employer Contribution	Annual Required Contribution (ARC) per GASB Statement #25	Percentage Contributed	Maximum Contribution per State Statute	Percentage Contributed
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%
2011	90,816,155	90,816,155	100.0%	90,816,155	100.0%

Notes to the Schedules of Required Supplementary 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 is as follows:

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal
Amortization Method	
PSRS (1)	Closed, level percent for 30 years, effective June 30, 2011 Open level, percent for 30 years, prior to June 30, 2011
PEERS (2)	Closed, level percent for 30 years, effective June 30, 2011 Open, level percent for 30 years, prior to June 30, 2011
Asset Valuation Method	5-year smoothing of actual returns less expected returns Marked to June 30, 2003
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increases*	
PSRS	4.0 - 10.0%, effective June 30, 2011 5.0 - 10.25%, prior to June 30, 2011
PEERS	5.0 - 12.0%, effective June 30, 2011 5.0 - 10.0%, prior to June 30, 2011
*Includes inflation at	2.5%, effective June 30, 2011 3.25%, prior to June 30, 2011
Cost-of-Living Adjustments	2.0%, effective June 30, 2011 3.25%, prior to June 30, 2011

(1) 30-year amortization assumes an ARC rate of 26.10% for fiscal year 2013. The annual statutory increase in the total contribution rate may not exceed 1% of pay. The Board of Trustees has set the fiscal year 2013 contribution rate equivalent to the fiscal year 2012 rate of 29.0%. The contribution rate was determined based on the Board of Trustees' Funding Stabilization policy and the recommendation of the independent actuary.

(2) 30-year amortization assumes an ARC rate of 13.01% for fiscal year 2013. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay. The Board of Trustees has set the fiscal year 2013 contribution rate equivalent to the fiscal year 2012 rate of 13.72%. The contribution rate was determined based on the Board of Trustees' Funding Stabilization policy and the recommendation of the independent actuary.

Public School Retirement System of Missouri and
Public Education Employee Retirement System of Missouri

Required Supplementary Information

Staff Retiree Health Plan – Defined Benefit OPEB Plan

Schedule of Funding Progress

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)
6/30/2009	$ -	$ 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%
6/30/2011	$ -	$ 2,463,400	$ 2,463,400	0.0%	$ 7,582,300	32.5%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution (ARC)	Employer Contributions	Percentage Contributed
6/30/2009	$ 205,500	$ 28,300	13.8%
6/30/2010	$ 218,100	$ 40,100	18.4%
6/30/2011	$ 237,800	$ 38,600	16.2%

Schedule of Percentage of OPEB Cost Contributed

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	$ 208,000	13.6%	$ 363,000
6/30/2010	$ 223,200	18.0%	$ 546,100
6/30/2011	$ 245,400	15.7%	$ 752,900

Notes to the Schedules of Required Supplementary 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 June 30, 2011 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
Healthcare Trend	8.5% in fiscal year 2011, decreasing by one-half percentage point per year to an ultimate of 4.5% in fiscal year 2019 and after

Public School Retirement System of Missouri and Public Education Employee Retirement System of Missouri

Schedules of Administrative Expenses

for the year ended June 30, 2011

	PSRS	PEERS	Combined Totals
Personnel services	$ 5,086,579	$ 3,250,528	$ 8,337,107
Professional services			
Actuarial services	336,838	175,857	512,695
Financial audit services	38,125	24,375	62,500
Technology consulting	168,151	107,507	275,658
Insurance consulting	3,660	2,340	6,000
Legislative consulting	27,450	17,550	45,000
Other consultants	51,863	33,158	85,021
Legal services	424,755	56,151	480,906
Total professional services	1,050,842	416,938	1,467,780
Communications			
Information and publicity	400,852	293,121	693,973
Postage	68,180	43,590	111,770
Member education	26,395	13,787	40,182
Telephone	49,335	31,345	80,680
Total communications	544,762	381,843	926,605
Miscellaneous			
Building and utilities	116,150	74,260	190,410
Insurance	84,446	53,990	138,436
Office	558,895	352,437	911,332
Staff development	142,388	90,686	233,074
Miscellaneous	156,437	70,579	227,016
Total miscellaneous	1,058,316	641,952	1,700,268
Charge for use of capital assets	-	916,710	916,710
Depreciation expense	1,095,142	-	1,095,142
Total administrative expenses	$ 8,835,641	$ 5,607,971	$ 14,443,612

Public School Retirement System of Missouri and Public Education Employee Retirement System of Missouri

Schedules of Investment Expenses

for the year ended June 30, 2011

	PSRS	PEERS	Combined Totals
Investment management expenses			
U.S. Treasuries and TIPS	$ 3,310,048	$ 356,345	$ 3,666,393
U.S. public equities	52,120,275	4,977,299	57,097,574
Global public equities	18,144,402	1,921,536	20,065,938
Public credit	8,116,630	914,675	9,031,305
Private equity	80,809,559	7,975,985	88,785,544
Private credit	24,398,876	2,126,591	26,525,467
Private real estate	32,034,804	2,774,182	34,808,986
Hedged assets	102,216,013	10,536,379	112,752,392
Total investment management expenses	321,150,607	31,582,992	352,733,599
Investment consultant fees	2,981,355	279,477	3,260,832
Custodial bank fees	671,107	66,373	737,480
Investment staff expenses	1,783,415	1,129,272	2,912,687
Commission Recapture Income	(63,401)	(7,532)	(70,933)
Total investment expenses	$ 326,523,083	$ 33,050,582	$ 359,573,665
Security lending expenses			
Agent fees	$ 1,148,613	$ 117,847	$ 1,266,460
Broker rebates	4,368,523	434,167	4,802,690
Total security lending expenses	$ 5,517,136	$ 552,014	$ 6,069,150

Public School Retirement System of Missouri and Public Education Employee Retirement System of Missouri

Schedules of Professional Services

for the year ended June 30, 2011

	PSRS	PEERS	Combined Totals
Legal expenses	$ 424,755	$ 56,151	$ 480,906
Technology consulting	168,151	107,507	275,658
Actuarial services	336,838	175,857	512,695
Other consulting	51,863	33,158	85,021
Financial audit services	38,125	24,375	62,500
Legislative consulting	27,450	17,550	45,000
Insurance consulting	3,660	2,340	6,000
Total fees	$ 1,050,842	$ 416,938	$ 1,467,780

Security

One of our primary goals is to develop an investment portfolio that is well positioned to ensure that our members will receive the financial ***security*** they have earned through their hard work and dedication. PSRS/PEERS is a long-term investor that manages assets with closely monitored risk. The assets are invested in a diversified portfolio structured to withstand short-term shocks to the markets, yet positioned to provide consistent asset growth over time.

INVESTMENT SECTION

LETTER FROM TOWERS WATSON

TOWERS WATSON

1191 Second Ave
Suite 1400
Seattle, WA 98101
USA

T +1 206 343-6000
F +1 206 343 6056

towerswatson.com

November 17, 2011

To the Members of the Board:

The Systems benefited from strong global financial markets for most of the fiscal year. Volatility increased in the fourth quarter as the economic recovery and European sovereign debt woes again managed to dominate the news. GDP grew each quarter during the fiscal year which marked eight straight quarters of positive growth. Inflation concerns were once again on the horizon. Looking ahead, there are continuing concerns over a Eurozone debt crisis and little change has occurred in unemployment figures as we advance into fiscal year 2012.

The Total Fund returns for the fiscal year ended June 30, 2011 were 21.8% for PSRS and 21.4% for PEERS, ahead of the Policy Benchmark return of 20.4%. The PSRS fiscal year returns for the U.S. equity and Global equity composites were strong at 35.0% and 29.8%, respectively (34.6% and 30.1% for PEERS). Public risk assets also exceeded the Policy Benchmark return of 24.9% for the fiscal year with returns of 26.6% for PSRS and 26.1% for PEERS. Performance by the alpha overlay and private real estate composites also contributed to the overall portfolio's positive return.

Fiscal year 2011 saw the beginning of a new relationship between Towers Watson and Missouri PSRS/PEERS. We worked with staff initially on an Asset/Liability Study that was presented to the Board of Trustees on October 24, 2011. The study resulted in a reaffirmation of the current asset allocation in connection with the long-term return assumption. We will continue to work with staff throughout the year on the efficient implementation of the portfolio structure.

We at Towers Watson have enjoyed our first year working with Missouri PSRS/PEERS. It is a pleasure to serve you and we look forward to the coming year.

Regards,

Michael M. Hall, ASA, CFA
West Division Investment Leader

LETTER FROM THE CHIEF INVESTMENT OFFICER

PSRS/PEERS
PUBLIC SCHOOL & EDUCATION EMPLOYEE
RETIREMENT SYSTEMS OF MISSOURI

November 15, 2011

To the Members of the Retirement Systems:

Throughout this year's ***Comprehensive Annual Financial Report (CAFR)***, you will find mention of ***strength, stability*** and ***security***; three simple yet powerful words that describe the philosophy and values of the Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS). As you will notice throughout the Investment Section of this report, the words also aptly describe the approach and mission of the PSRS/PEERS Investment Department. One of the primary goals of the PSRS/PEERS Board of Trustees is to develop an investment portfolio that is well positioned to ensure that our more than 220,000 retirees, actively working teachers and school employees will receive the financial ***security*** they have earned through their hard work and dedication.

With that in mind, and on behalf of the PSRS/PEERS Board of Trustees and internal investment staff, I present the following report on the Systems' investments for the fiscal year ending June 30, 2011. Please note that investment performance throughout this report is calculated using a time-weighted rate of return based on market values.

Strength

The Systems achieved record high investment returns in fiscal year 2011 due to the ***strength*** of a diversified asset allocation across global financial markets. PSRS and PEERS earned returns of 21.8% and 21.4%, respectively – the strongest fiscal year return for both Systems in over 20 years. The Systems' assets increased through investment earnings by approximately $5 billion over the previous year as the total fund performance, net of all fees and expenses, was 21.6% for PSRS and 21.2% for PEERS.

The Public Risk Asset class generated a return of 26.6% for PSRS and 26.1% for PEERS during the fiscal year, well in excess of the established Policy Benchmark of 24.9%. The Safe Asset class provided downside protection to the total fund returning 3.6% and 3.7% respectively for PSRS and PEERS, as compared to the benchmark of 3.4%. The Private Risk Asset class also provided strong returns for the fiscal year, as the category moved 20.4% higher for PSRS and 20.5% higher for PEERS.

The PSRS/PEERS total fund return has exceeded the Policy Benchmark in five of the last six years, an indication that internal staff and active investment management have consistently added value to the Systems. In the most recent fiscal year, the PSRS/PEERS internal investment staff and external investment managers added value of over $355 million above the Policy Benchmark, net of all fees and expenses. The ***strong*** outperformance in 2011 was due to both tactical asset allocation decisions (overweighting and underweighting asset classes around targets), as well as active management on the part of external managers.

Location 3210 W. Truman Blvd. / Jefferson City, MO 65109 **Mail** P.O. Box 268 / Jefferson City, MO 65102 **Phone** (573) 634-5290
Toll Free (800) 392-6848 **Email** psrspeers@psrspeers.org **Member Services FAX** (573) 634-7934 **Employer Services FAX** (573) 634-7911

The PSRS investment return for fiscal year 2011 was above the public fund median while the PEERS investment return was just below median. The Systems generated competitive investment returns while taking less risk than 70% of comparable public retirement plans.

PSRS/PEERS' total assets were approximately $30.8 billion on June 30, 2011, making the combined entity larger than all other public retirement plans in Missouri combined, and the 42nd largest defined benefit plan in the United States.

Stability

The objective of the internal investment staff is to produce consistent and ***stable*** investment returns over long periods of time that exceed the actuarial assumed rate of return of 8.0%. We have been successful in achieving that goal over the last 20 years because PSRS/PEERS has a ***stable*** investment staff and a prudent and dynamic investment policy and process.

The superior investment decision-making model at PSRS/PEERS has been nationally recognized as one of the best in the industry, and the ***stability*** and experience of the investment staff have been critical to the success. The 11-member investment staff at PSRS/PEERS has over 120 years of combined investment experience, with each senior staff person averaging over 20 years. Three staff members have earned the Chartered Financial Analyst (CFA) designation. Indeed, it is the continuity provided by this deep investment experience, combined with both the dedication of the Board of Trustees and the prudent governance model, which drives the investment decision-making process at PSRS/PEERS. This ensures the ***strength*** and ***stability*** of the Systems' investment principles will continue over time and across a wide range of investment markets.

The investment staff at PSRS/PEERS has been recognized as one of the top institutional investment groups in the nation over the last two years. Specifically, the PSRS/PEERS investment team has been featured in five national publications, and received two prestigious national public pension awards.

Recognitions and Awards:

- 2011 Defined Benefit Plan Sponsor of the Year by *PLANSPONSOR* magazine,
- Large Public Plan of the Year 2010 by *Institutional Investor's* Money Management Letter,
- Best-Performing Large Public Plan Hedge Fund Portfolio in Fiscal Year 2011 by *Pensions & Investments*, an international newspaper of money management,
- Hedge Fund Portfolio featured in September 2011 issue of *Absolute Return* magazine, and
- Nominee for 2011 Hedge Fund Large Public Plan of the Year by *Institutional Investor* magazine.

Security

As the economy and the investment markets become more difficult, our focus will continue to be on the implementation and management of a portfolio that can offer long-term financial ***security*** to our members.

Since the end of the fiscal year (June 30, 2011), the public stock markets have been under significant pressure as risk, volatility and uncertainty have increased across the global investment landscape. Specifically, European sovereign debt concerns have heightened, Congress continues to debate over the deficit reduction program, there are mounting fiscal issues in the United States and the global economy is slowing.

LETTER FROM THE CHIEF INVESTMENT OFFICER (continued)

The PSRS/PEERS Board of Trustees and staff continue to embrace an investment philosophy centered on a disciplined and diversified investment approach. This philosophy has been implemented over the past few years by the internal investment staff as the portfolio has expanded into multiple asset classes including private equity, real estate and hedged assets. This diversification provides more ***stable*** investment returns, especially during a stock market downturn.

The Systems also continue to have a large investment allocation (almost $5 billion) in the safest, most ***secure*** and most liquid asset in the world, U.S. Treasury securities. These securities provide solid returns in a period of crisis (acting as a diversifier to public stocks) and also ensure the liquidity needed to pay retirement benefits.

Conclusion

Strength, stability and ***security*** are words that our internal investment staff embrace daily as part of our overall objective to manage the investment portfolio to maximize return with a prudent level of risk. We believe that the ***stable*** investment platform at PSRS/PEERS will allow us to continue to build on ***strong*** long-term performance to offer ultimate retirement ***security*** for our members.

Respectfully,

Craig A. Husting

Craig A. Husting, CFA
Chief Investment Officer

INVESTMENT POLICY SUMMARY

The Board of Trustees of the Public School and Public Education Employee Retirement Systems of Missouri (PSRS and PEERS, also referred to as the Systems) 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 and 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. In total, approximately 60% of every dollar used to pay retirees is generated from investment earnings.

Sources of Funding

15-Year Average 1996-2011

Note: The 21¢ includes member contributions and purchases.

Investment Objective

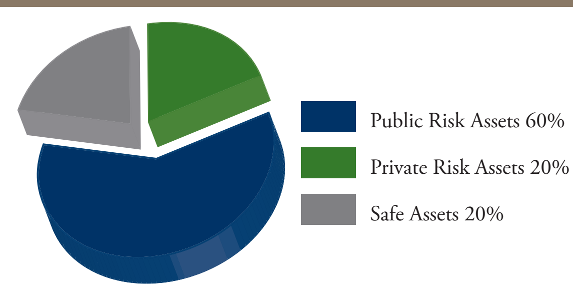
Based on the general beliefs about the long-term investment returns available from a well-diversified, prudently invested portfolio, the Board has adopted an objective to achieve a **total nominal investment return of 8.0% with a real rate of return of at least 5.5% per annum over time.**[1]

In order to achieve this rate of return, the Systems' have developed a portfolio that is prudently invested across a broad array of assets that reflects the long-term nature of the Systems' pension obligations. The principles of diversification, risk control, and competitive 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 return within a prudent level of risk.

Understanding Risk

Selection of an appropriate asset allocation is one of the most important decisions made by a retirement plan. Within that asset allocation, it has always been important to not only consider the expected investment return, but also to understand the risks. The importance of risk consideration has never been as significant as in the current global market environment. To that end, the Systems continue to employ an effective and intuitive risk-based approach to setting and reporting the asset allocation decision. The Systems developed a risk-based asset allocation to clearly define the prudent risks taken within its investment portfolios. The Systems consider a variety of risks including, but not limited to, liquidity risk, 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.

Target Risk-Based Asset Allocation



[1] *The real rate of return is the rate by which the long-term total return exceeds the long-term inflation rate. The Board shall employ an actuarial consultant for purposes of determining the inflation rate to be used in calculating the PSRS and PEERS pension obligations. The assumed inflation rate as of June 30, 2011 was 2.5% per annum.*

Roles and Responsibilities

Board of Trustees

It is the responsibility of the Board to establish and maintain policies and objectives for all aspects of the Systems' investment program including the determination of long-term policies for risk tolerance and asset allocation.

In keeping with its obligation to serve as the governing fiduciary, any changes to the Investment Policy or Investment Implementation Manuals require the Board's approval.

As one of the largest public pension funds in the United States, the Systems' operational requirements are complex. In order to properly administer the Systems and carry out investment strategies, the Board relies heavily on both internal staff and external service providers. Due to the number of parties involved, their roles as fiduciaries are clearly identified to ensure distinct lines of responsibility and proper controls exist, while providing increased operational efficiency and elimination of duplication of effort.

Executive Director

The Executive Director (Director) is appointed by, and serves at the pleasure of the Board. The Director is responsible for planning, organizing, and administering all operations of the Systems under the broad policy guidance and direction of the Board. The Director, with the assistance of the investment staff, monitors the performance of the investment portfolio; ensures that funds are invested in accordance with Board policies; and ensures that proper internal controls are developed to safeguard the assets of the Systems. In fulfilling these responsibilities, the Director relies heavily on the Chief Investment Officer and consultants.

Chief Investment Officer

The Chief Investment Officer (CIO) serves at the pleasure of the Director yet has a direct, but limited, link to the Board on investment-related issues. The CIO's sole access to the Board is for submission of investment reports, information, or communications required by the Investment Policy and any other information or opinions specifically requested by the Board with regard to the investment program. The CIO is the individual primarily responsible for providing direction for the investment program. It is the CIO's responsibility to work with the Director, the General Consultant, specialty consultants, and other external service providers with the assistance of the internal staff in advising the Board on policies related to the investment program. The CIO has responsibilities related to hiring and terminating service providers.

A main function of the CIO is to recommend implementation decisions related to the investment plan. Another primary responsibility of the CIO is to recommend the strategic allocation of the portfolio within broad ranges approved by the Board.

External Asset Consultants

The Systems employ Towers Watson as a General Consultant and Albourne America, LLC (Albourne), Pathway Capital Management (Pathway), and The Townsend Group (Townsend) as specialty consultants. Towers Watson's primary duty is to work with the Board and staff to manage the investment process. This includes regular meetings with the Board to provide an independent perspective on the Systems' goals, structure, performance and external service providers. Additionally, Towers Watson is involved with the strategic allocation shifts for the portfolio. While strategic changes are the responsibility of the CIO, good checks and balances dictate that the CIO must discuss material desired strategic changes with the General Consultant and Director.

The specialty consultants work on specific programs within the overall investment program. Albourne is utilized for the Hedged Assets and Alpha Overlay programs, Pathway is the sole consultant for the Private Equity program and Townsend consults on the Real Estate program.

External Investment Managers

The Systems employ external investment managers that include external money managers which may be structured as public or private entities in the form of a partnership, limited liability company, trust, separately managed account, commingled account, or some other form of operational structure in which assets may be held by an external custodian selected and monitored by the external manager.

Managers are given explicit written directions detailing their particular assignments or they follow the investment program outlined in their offering documents or Limited Partnership Agreements, and will construct and manage investment portfolios that are consistent with the investment philosophy and disciplines for which they were hired. Discretion is delegated to the managers to carry out investment actions as directed by the Systems.

Master Custodian

JP Morgan Chase Bank, NA (JP Morgan) serves as the master custodian for the Systems. The master custodian holds all cash and securities for PSRS and PEERS, except in cases where investment in a partnership, commingled account, or unique asset class makes it impossible to do so. The Systems thoroughly evaluate the structure of all investments and their custody arrangements prior to investing. JP Morgan is responsible for providing the official book of records for performance reporting and accounting, and serves as an additional layer of risk control in safekeeping the Systems' assets.

Asset Allocation

The asset allocation decision is generally regarded as the most important decision in the investment management process, since it is crucial to achieving the long-term objectives established by the Board. In that light, it is the Board's responsibility to determine the appropriate policy asset allocation based upon several criteria with input and guidance from internal staff and Towers Watson. These criteria are as follows:

1. The expected rate of return for each asset classification,
2. The expected risk of each asset classification (expressed as the standard deviation of the rate of return),
3. The correlation of returns between asset types,
4. The investment objectives and risk constraints of the Systems (including but not limited to liquidity needs and the expected time horizon),
5. The funded ratio and cash flow requirements for PSRS and PEERS, and
6. The impact of the Systems' return volatility on the contribution rates.

The long-term policy allocation as of June 30, 2011 is illustrated in the following table. The allocation to each investment program considers both the risk tolerance of the Systems and the long-term return objective.

Asset Allocation

Investment Type	Long-term Target	Policy Ranges
Public Risk Asset Programs		
U.S. Equity	27.00%	16% - 48%
Public Credit	12.00%	0% - 20%
Hedged Assets	6.00%	0% - 15%
Global Equity	15.00%	8% - 28%
Total Public Risk Assets	**60.00%**	**35% - 75%**
Safe Assets		
U.S. Treasuries	16.00%	0% - 40%
U.S. TIPS	4.00%	0% - 40%
Total Safe Assets	**20.00%**	**15% - 40%**
Private Risk Asset Programs		
Private Equity	10.50%	4% - 14%
Private Real Estate	7.50%	4% - 10%
Private Credit	2.00%	0% - 7%
Total Private Risk Assets	**20.00%**	**5% - 25%**
Total Fund	**100.0%**	

The Board recognizes the cyclical nature of the investment markets and it has allowed the internal staff to capitalize upon opportunities by changing the allocation of each asset class or sub-asset class within broad strategic bands or policy ranges (as indicated in the table above). The flexibility given to the internal staff in establishing the strategic mix provides opportunities for the Systems to take advantage of changing market conditions. To ensure appropriate controls, the Director, CIO and Towers Watson must unanimously agree upon all material desired strategic changes prior to implementation.

Performance Objectives and Monitoring Process

Generating a total nominal rate of return net of expenses of at least 8% and a real rate of return net of expenses of at least 5.5% per annum is an important consideration in the asset allocation decision and the primary performance objective for the Systems over long periods of time. The need for a long-term focus is necessary to preclude the temptation to overreact to events in the financial markets that have no relevance to long-term asset/liability management of the Systems. The resulting dilemma is the conflicting need to evaluate investment policy implementation over shorter time periods while maintaining a longer-term focus on meeting the return objectives. In order to determine if the Systems' shorter-term and long-term objectives are being achieved, the Board evaluates performance relative to policy and strategic benchmarks. The Policy Benchmarks allow the Systems to be judged by performance relative to a defined set of broad market indices (i.e., the Systems' long-term asset allocation objective). The strategic benchmarks allow the Board to consider the additional value generated from the latitude given to the internal staff to alter the asset class or sub-asset class allocations.

Policy Decisions

The value added through policy decisions is measured by the difference between the Policy Benchmark return and the actuarial required rate of return objective (defined as Real Return Objective + Inflation). A Policy Benchmark return greater than the actuarial required rate of return reflects value added. A Policy Benchmark return less than the actuarial required rate of return reflects losses or shortfalls in performance in funding the liabilities of the Systems. These policy decisions are measured over long periods of time.

Strategy Decisions

Strategy decisions are asset class or sub-asset class allocation choices made by the internal staff to deviate from the Policy Benchmark weights, with approval from the General Consultant and the Director that the proposed material deviation is in compliance with the Board's Investment Policy. The value added through these decisions to overweight and/or underweight these sub-asset classes is measured by the difference between the Strategy Benchmark return and the Policy Benchmark return. This difference captures the value added by internal staff. A Strategy Benchmark return greater than the Policy Benchmark return reflects value added through the allocation decisions. A Strategy Benchmark return less than the Policy Benchmark return reflects losses to the fund's performance based upon strategy decisions.

Implementation Decisions

Implementation decisions are money manager selection choices made by the internal staff with the approval of a Consultant(s) and the Director. The value added through these manager selection decisions is measured by the difference between the Actual Portfolio return and the Strategy Benchmark return. An Actual Portfolio return greater than the Strategy Benchmark return reflects value added through these manager selection decisions. An Actual Portfolio return less than the Strategy Benchmark return reflects losses to the fund's performance based upon implementation decisions.

Risk Controls

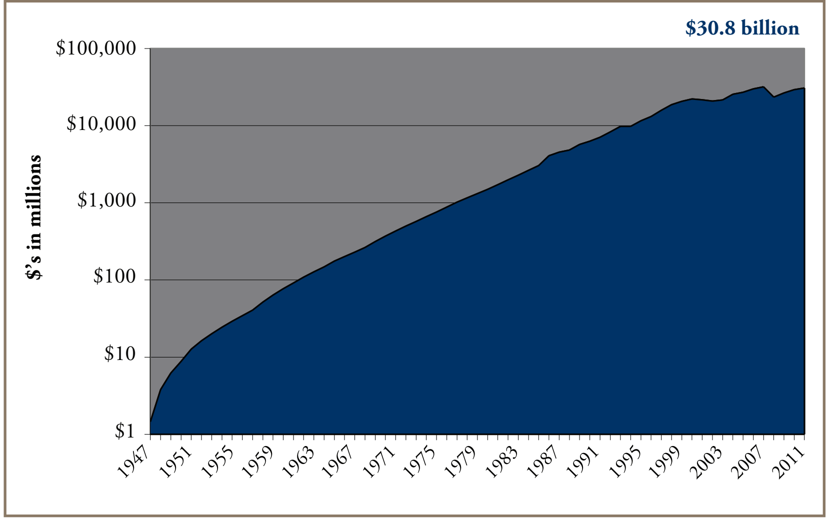
The Board recognizes that even though the Systems' investments are subject to short-term volatility, it is critical that a long-term investment focus be maintained. Given the importance of the broad asset allocation decision to the Systems' long-term investment success, internal staff is required to conduct an asset allocation/liability study at least every five years and to report the results of that study to the Board. In addition, the CIO must annually evaluate the asset allocation mix and any strategic allocation of the portfolio and provide a report to the Board on the results of that evaluation. This ongoing review of the asset allocation process helps to ensure the asset allocation is being monitored and modified as needed to meet the financial obligations of the Systems.

Towers Watson and the internal staff conducted an asset allocation/liability study in October 2011. The study was presented to the Board and the current asset allocation was reaffirmed.

TOTAL FUND REVIEW

The Systems' total assets were $30.8 billion as of June 30, 2011. There has been a consistent and long-term growth in assets since the inception of PSRS in 1946 and PEERS in 1965.

64 Years of Asset Growth



Investment Performance[1]

The Systems achieved record high investment returns in fiscal year 2011. PSRS and PEERS earned returns of 21.8% and 21.4%, respectively, for fiscal year July 1, 2010 through June 30, 2011 – the highest fiscal-year returns for both Systems in over 20 years. The PSRS and PEERS returns net of all fees and expenses were 21.6% and 21.2%, respectively.

These earnings resulted in an increase in total assets of approximately $5 billion over the previous year, largely due to strong gains in publicly traded stocks. The returns exceeded both the Systems' investment return benchmark of 20.4%, and the 8.0% actuarially assumed rate of return. Additionally, the strong returns were achieved while taking less investment risk than a large majority of other public pension funds in the nation.

As illustrated in the tables below, within the respective PSRS and PEERS investment portfolios, U.S. stocks delivered returns of 35.0% and 34.6%, global stocks returned 29.8% and 30.1%, private equity (investments in private companies) increased 20.4% in each plan, real estate produced 20.4% and 20.6% returns, and hedged assets returned 18.8% and 18.2%. Each of these asset classes strongly contributed to the total fund returns for PSRS and PEERS in fiscal year 2011.

PSRS Total Fund Performance

Assets	Total Return	Weighted Contribution*
U.S. Public Equity	35.0%	10.3%
Public Credit	6.5%	0.6%
Hedged Assets	18.8%	2.5%
Global Public Equity	29.8%	5.1%
Public Risk Assets	**26.6%**	**18.5%**
U.S. Treasuries	2.7%	0.4%
U.S. TIPS	7.6%	0.2%
Safe Assets	**3.6%**	**0.6%**
Private Equity	20.4%	1.3%
Private Real Estate	20.4%	1.2%
Private Credit	21.9%	0.2%
Private Risk Assets	**20.4%**	**2.7%**
Total PSRS	**21.8%**	**21.8%**

PEERS Total Fund Performance

Assets	Total Return	Weighted Contribution*
U.S. Public Equity	34.6%	10.2%
Public Credit	6.6%	0.6%
Hedged Assets	18.2%	2.4%
Global Public Equity	30.1%	5.4%
Public Risk Assets	**26.1%**	**18.6%**
U.S. Treasuries	2.7%	0.4%
U.S. TIPS	7.6%	0.2%
Safe Assets	**3.7%**	**0.6%**
Private Equity	20.4%	1.0%
Private Real Estate	20.6%	1.0%
Private Credit	22.0%	0.2%
Private Risk Assets	**20.5%**	**2.2%**
Total PEERS	**21.4%**	**21.4%**

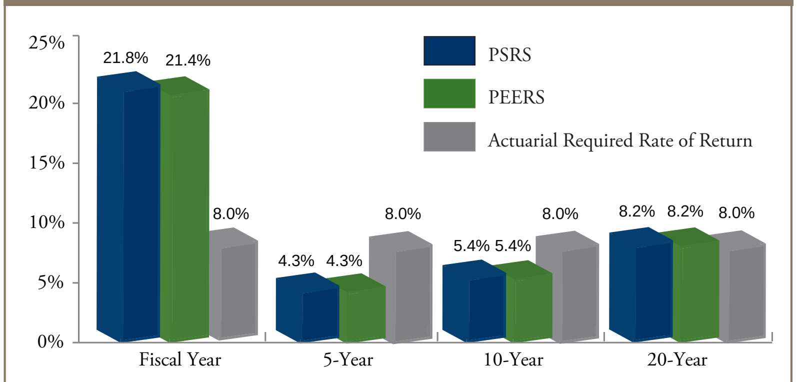
**Percentages have been adjusted to reflect compounding effects and changes in asset weights.*

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

Investment Performance Relative to Benchmarks

The Board has established a long-term goal to achieve a total investment return of at least 8.0% per annum and a real rate of return of at least 5.5% per year. The investment returns of the last two fiscal years are substantially higher than the long-term investment objective due to the strong market recovery that started in March 2009 and continued into 2011. Additionally, as the table indicates, the 20-year annualized total returns of 8.2% for PSRS and PEERS exceeds the long-term return objective of 8.0%. The annualized returns for the medium-term time periods are less than the long-term investment objective of 8.0% due to the severe credit crisis and resulting market decline experienced during 2008 and early 2009.

Total Fund Returns



As discussed previously, in order to determine if the Systems' shorter-term and long-term objectives are being achieved, the Board utilizes three benchmarks by which the Systems' progress may be judged: (1) performance relative to a **Policy Benchmark** (defined set of broad market indices that reflects the Systems' long-term asset allocation, or market beta), (2) performance relative to a **Strategic Benchmark** which indicates value added by the internal staff, and, to a lesser extent, (3) performance relative to other public pension systems and their investment managers as a reference point of oversight.

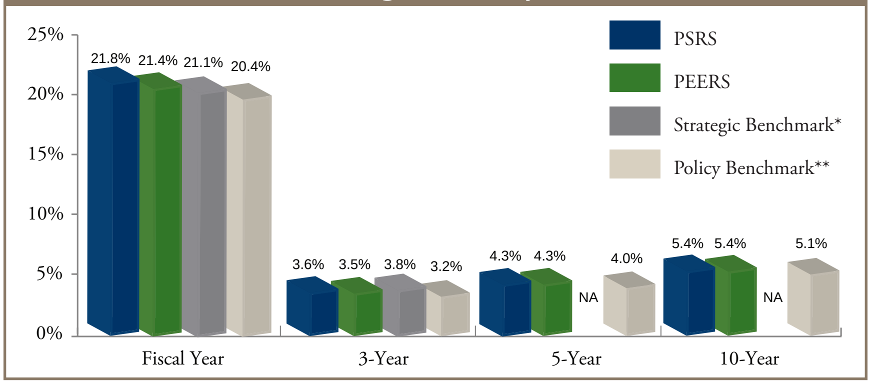
The internal staff presents to the Board a detailed attribution of the total fund performance at the end of each fiscal year. Value is added over and above the expected market returns if the Strategic Benchmark exceeds the Policy Benchmark (i.e., the internal staff made positive strategic decisions) and/or if the actual total fund return exceeds the Strategic Benchmark. The table below summarizes the value that was created in fiscal year 2011.

The total PSRS and PEERS returns exceeded the Policy Benchmark by 1.17% and 0.73% (net of all fees and expenses), respectively, for fiscal year 2011. This resulted in over $355 million in excess performance to the Systems. The PSRS and PEERS total fund returns have exceeded the Policy Benchmark in five of the last six fiscal years, an indication that internal staff and active investment management have added value to the Systems.

Performance Attribution

	PSRS	PEERS
Strategic Benchmark	21.07%	21.07%
Policy Benchmark	20.42%	20.42%
Value Added Through Strategic Decisions to Reposition Portfolio	**0.65%**	**0.65%**
Actual Fund Return	21.80%	21.36%
Strategic Benchmark	21.07%	21.07%
Value Added Through Implementation	**0.73%**	**0.29%**
Total Value Added	1.38%	0.94%
Fees Paid Outside of Investment Structures	-0.21%	-0.21%
Total Value Added (Net of Fees and Expenses)	**1.17%**	**0.73%**

Actual Returns vs. Strategic and Policy Benchmark Returns



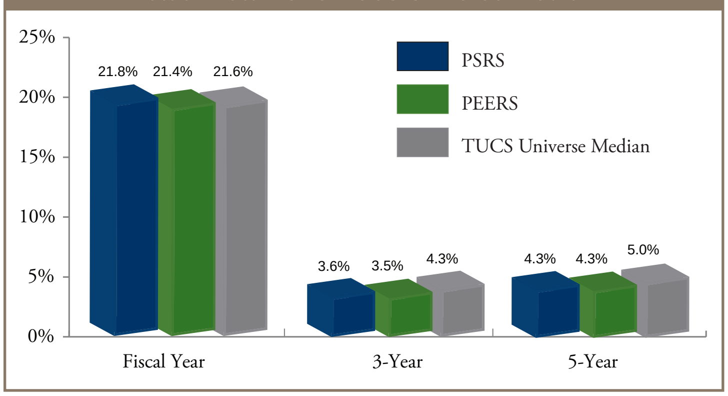
*As of June 30, 2011: 43.1% Russell 3000 Index, 18.9% MSCI All Country World ex-U.S. Free Index, 15.5% Barclays Capital Credit Intermediate Index, 12.8% Barclays Capital Treasury Blend, 5.6% NCREIF Property Index, 3.1% Barclays Capital U.S. TIPS 1-10 Year Index, and 1.0% Bank of America Merrill Lynch High Yield Master II Index. Strategic Benchmark data is not available for periods dating back five years or more.

**As of June 30, 2011: 40.5% Russell 3000 Index, 16% Barclays Capital Treasury Blend, 15% MSCI All Country World ex-U.S. Free Index, 15% Barclays Capital Credit Intermediate Index, 7.5% NCREIF Property Index, 4% Barclays Capital U.S. TIPS 1-10 Year Index, and 2% Bank of America Merrill Lynch High Yield Master II Index.

The Systems utilize the Trust Universe Comparison Services (TUCS) to compare the total return and risk levels of PSRS and PEERS relative to other public pension funds with assets in excess of $1 billion.

As the chart below indicates, the PSRS total return for the fiscal year exceeded the median returns of other large public funds. PSRS' and PEERS' total returns for the three- and five-year time periods were marginally below the public fund median return primarily due to asset allocation and risk tolerance differences. The 2011 TUCS universe data indicates that PSRS and PEERS have taken less risk than 70% of other comparable public funds over the last five years.

Actual Returns vs. TUCS Universe Median

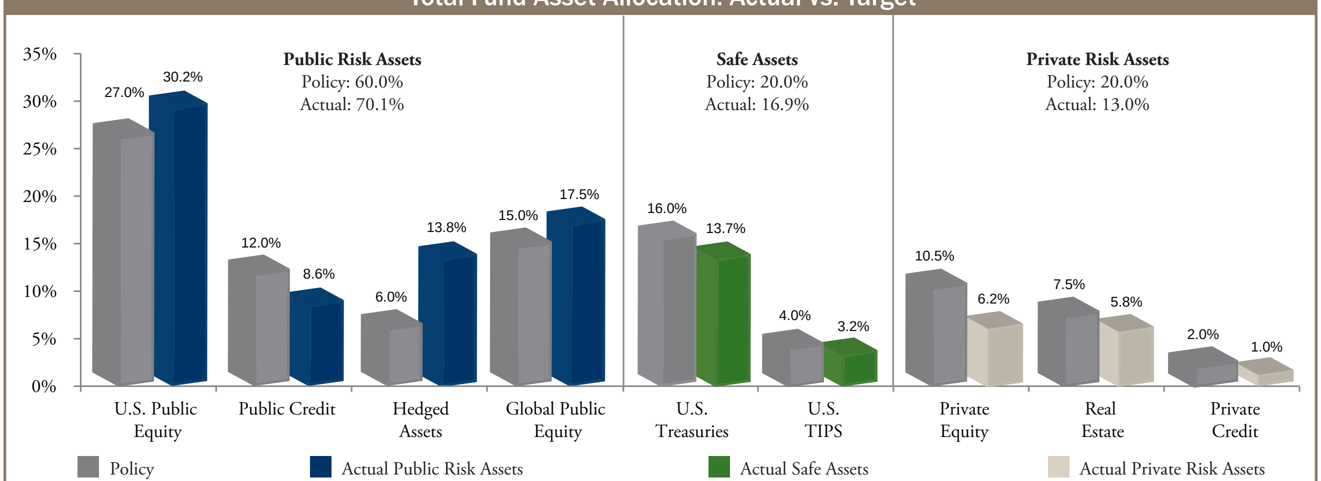


Asset Allocation: Actual Versus Target

The Board's broad Policy Allocation target as of June 30, 2011 was 60% Public Risk Assets, 20% Safe Assets and 20% Private Risk Assets. Within each broad Policy target, the Board has established sub-asset class targets. For example, as the chart below indicates, the target allocation to U.S. equity was 27% as of June 30, 2011. The Board made no changes to the policy targets during fiscal year 2011.

As illustrated in the chart, internal staff utilized the flexibility built into the Investment Policy to strategically overweight or underweight certain investment asset classes throughout the year. Two moves of significance included the strategic underweight to the Safe Assets class by approximately 3% for most of the fiscal year, and the strategic overweight to Hedged Assets (relative to Credit). Both of these strategic moves contributed significantly to the value added above the Policy Benchmark for the fiscal year.

Total Fund Asset Allocation: Actual vs. Target



Statistical Performance

One of the primary investment objectives of the Systems is to achieve returns similar to the market but at lower risk or volatility levels. To that end, the internal staff monitors a number of quantitative risk statistics related to the total investment portfolio as well as individual composites. The table below indicates that the Systems have taken less risk than the Policy Benchmark (as measured by standard deviation) over the last one-year, three-year and five-year time periods, while achieving higher returns; indicating strong risk-adjusted performance.

Beta measures the volatility, or systematic risk, of a security or portfolio in comparison to the market as a whole. If a portfolio has a beta of 1.0, it indicates that the portfolio moves in unison with the market. The Systems' portfolios have a beta of less than 1.0 relative to the Policy Benchmark, indicating less market volatility. The Systems beta relative to the world stock index (MSCI All Country World Index) is approximately 0.50. This signifies that the Systems' portfolio moves up or down approximately half as much as the world stock index.

Total Plan Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year
Annualized PSRS Return	21.8%	3.6%	4.3%
Annualized PEERS Return	21.4%	3.5%	4.3%
Annualized Policy Benchmark Return*	20.4%	3.2%	4.0%
Annualized Strategic Benchmark Return**	21.1%	3.8%	N/A
Excess return†	1.4%	0.4%	0.3%
Annualized Standard Deviation of Composite***	7.6%	12.7%	10.8%
Annualized Standard Deviation of Policy Benchmark***	8.1%	14.8%	12.3%
Beta to Policy Benchmark***	0.92	0.84	0.86
Beta to MSCI All Country World Index***	0.49	0.52	0.53

**The Total Plan Policy Benchmark is composed as follows: 16.0% Barclays Capital U.S. Treasury Blend, 4.0% Barclays Capital U.S. TIPS 1-10 Year Index, 40.5% Russell 3000 Index, 15.0% MSCI All Country World Free Ex-U.S. (Net) Index, 15.0% Barclays Capital Intermediate Credit Index, 7.5% NCREIF Property Index, and 2.0% Merrill Lynch High Yield Master II Index.*

***The Total Plan Strategic Benchmark changes monthly based on the actual asset allocation at the end of the previous month. It was established more recently so a 5 year return is not available.*

†PSRS excess return relative to the Total Plan Policy Benchmark.

****Risk statistics are calculated on the PSRS portfolio but are indicative of the PEERS portfolio.*

PUBLIC RISK ASSETS CLASS SUMMARY

As of June 30, 2011, the combined PSRS/PEERS Public Risk assets had a market value of approximately $21.6 billion, representing 70.1% of total assets.

Investment Program Description

The Board adopted an asset allocation policy at the June 8, 2009 Board meeting that includes a broad allocation to Public Risk Assets. The four programs within the Public Risk Asset composite are U.S. Public Equity, Public Credit, Hedged Assets and Global Public Equity. Each program within the Public Risk allocation is a separate multi-manager composite that is treated generally as a single portfolio. Each program serves a specific and distinct role within the overall Public Risk Composite and also within the overall total plan allocation. Over time, the Public Risk Composite and its sub-components serve as an effective and efficient vehicle to supply the underlying beta exposure to a portfolio of global risk assets required by the Systems' asset allocation policy, while providing the opportunity to achieve excess returns above that of a passive equity benchmark[1] through the prudent combination of passive investment vehicles and a wide range of active investment strategies.

Structure

As of June 30, 2011, 43.1% of the PSRS/PEERS Public Risk assets were invested in the U.S. Public Equity program, 25.0% in the Global Public Equity program, 12.3% in the Credit program and 19.6% in the Hedged Assets program. Each of these programs is discussed in more detail on the following pages.

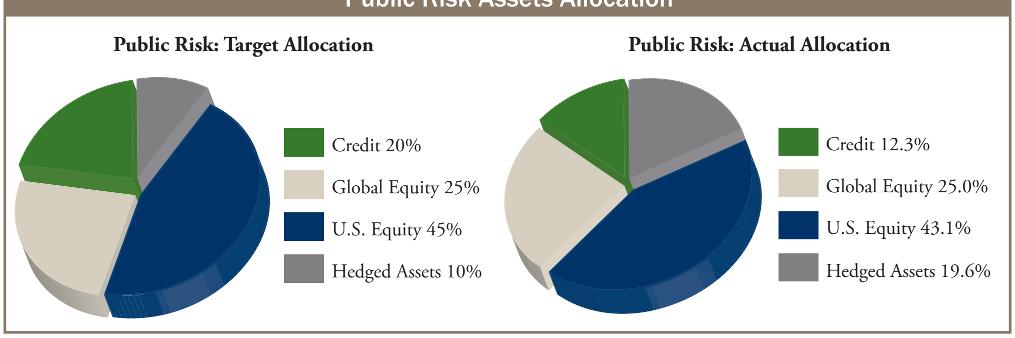
The internal staff strategically overweighted Hedged Assets relative to Public Credit within the Public Risk Asset composite for the year while maintaining weights near the Policy Benchmark to both U.S. Public Equity and Global Public Equity. Credit spreads tightened significantly in 2010, reducing the expected return for the overall Public Credit composite in fiscal year 2011. Alternatively, the internal staff continued to invest with high quality managers within the Hedged Assets composite throughout the fiscal year. The Hedged Assets program, in aggregate, offered the potential for better risk adjusted returns within the Public Risk composite.

Market Overview

The global markets were buoyed for much of fiscal year 2011 by quantitative easing and the various monetary measures undertaken by the large central banks. Although the global economy began to slow down in the fourth quarter of the fiscal year, most public risk assets performed well above expectations for the year. Equity indices were particularly strong for the year with the Russell 3000 Index (broad measure of the U.S. stock market) up 32.4% and the MSCI All Country World Free Ex-U.S. Index (broad measure of the international stock markets) up 29.7%. The Hedged Assets program provided excellent risk-adjusted returns for the year, increasing 18.8% for PSRS and 18.2% for PEERS. Bond market yields and credit spreads increased incrementally during the fiscal year, leading to a modest return for the Credit benchmark (Barclays Capital Intermediate Credit Index) of 6.1%.

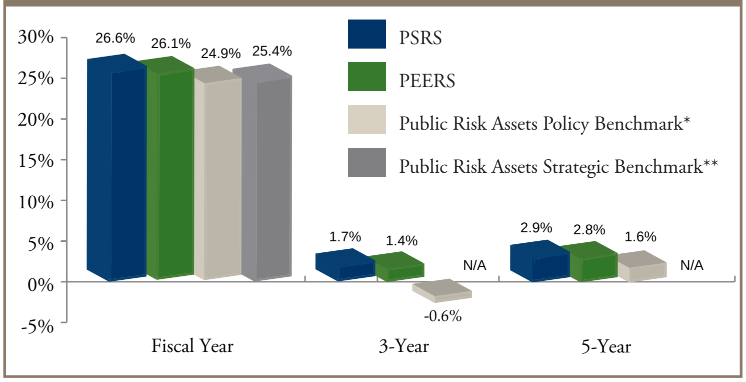
The public risk markets were very strong in the first half of the year before trailing off in the second half due to concerns domestically about retail sales, real incomes, unemployment and increased concern associated with European debt woes. The dichotomy in the year led to outsized returns in the first half of the year followed by moderate returns in the second half. For example, the Russell 3000 Index returned 24.5% for the six months ended December 31, 2010, followed by a return of 6.4% for the last six months of the fiscal year.

Public Risk Assets Allocation



[1]The customized Public Risk Policy Benchmark is comprised of 50.0% Russell 3000 Index, 25.0% MSCI All Country World Free Ex-U.S. (Net) Index and 25.0% Barclays Capital Intermediate Credit Index.

Performance



The total returns for the PSRS and PEERS Public Risk portfolios were 26.6% and 26.1%, respectively, compared to the Policy Benchmark return of 24.9% for the fiscal year ended June 30, 2011. As shown in the table and graph, the PSRS and PEERS Public Risk portfolio outperformed the Policy Benchmark by 170 basis points and 120 basis points, respectively. The strong performance relative to the benchmarks can be primarily attributed to solid active management from external money managers and the overweight of the Hedged Assets program relative to the Public Credit program. For the three- and five-year time periods, both PSRS and PEERS significantly outperformed the Policy Benchmark as noted on the chart.

Public Risk Assets Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year
Annualized PSRS Return	26.6%	1.7%	2.9%
Annualized PEERS Return	26.1%	1.4%	2.8%
Annualized Policy Benchmark Return*	24.9%	-0.6%	1.6%
Annualized Strategic Benchmark Return**	25.4%	N/A	N/A
Excess return†	1.7%	2.3%	1.3%
Annualized Standard Deviation of Composite***	11.2%	19.7%	16.9%
Annualized Standard Deviation of Policy Benchmark***	11.1%	20.7%	17.6%
Beta to Policy Benchmark***	1.00	0.95	0.96
Beta to MSCI All Country World Index***	0.73	0.82	0.84

**The Public Risk Assets Policy Benchmark is composed of: 50.0% Russell 3000 Index, 25.0% MSCI All County World Free Ex-U.S. (Net) Index, 25.0% Barclays Capital Intermediate Credit Index.*

***The Public Risk Assets Strategic Benchmark changes monthly based on the actual asset allocation at the end of the previous month. It was established more recently so three-year and five-year returns are not available.*

†PSRS excess return relative to the Public Risk Assets Policy Benchmark.

****Risk statistics are calculated on the PSRS portfolio but are indicative of the PEERS portfolio.*

The table indicates that the Systems have taken less risk than the Policy Benchmark (as measured by standard deviation) over the last three-year and five-year time periods, while achieving higher returns; indicating strong risk-adjusted performance. Additionally, the Systems' portfolios have a beta of less than 1.0 relative to the Policy Benchmark over longer time periods, indicating less market risk.

U.S. PUBLIC EQUITY PROGRAM SUMMARY

As of June 30, 2011, the combined PSRS/PEERS U.S. Public Equity assets had a market value of approximately $9.3 billion, representing 30.2% of total assets.

Investment Program Description

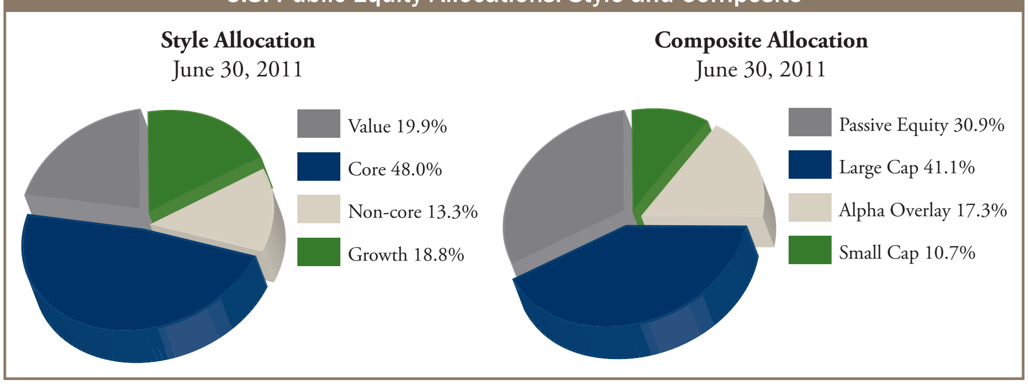
U.S. Public Equity is comprised of the Large-Cap and Small-Cap programs which seek to provide long-term capital appreciation and dividend income in excess of inflation through the investment in domestic equity securities. Returns above a purely passive investment benchmark are targeted through the use of a wide variety of active investment strategies that may employ exposure to both equity securities and other types of investments. The primary ***beta*** exposure is achieved through investments in passive investment vehicles (including derivatives); traditional long-only active domestic equity management; and active long/short approaches. ***Alpha*** (or, excess returns above a passive alternative) is expected to be achieved through traditional long-only active domestic equity management, active long/short approaches and alpha overlay strategies (described in greater detail at the end of this section).

Structure

As of June 30, 2011, 30.9% 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 encompasses alternative equity mandates including hedge fund portfolios.

Exposure to the various segments of the domestic equity market (i.e., growth-oriented, value-oriented, and core) and to the approved investment strategy types are achieved through the identification, selection and on-going management of SEC-registered investment advisors qualified to serve as fiduciaries to the Systems.

U.S. Public Equity Allocations: Style and Composite

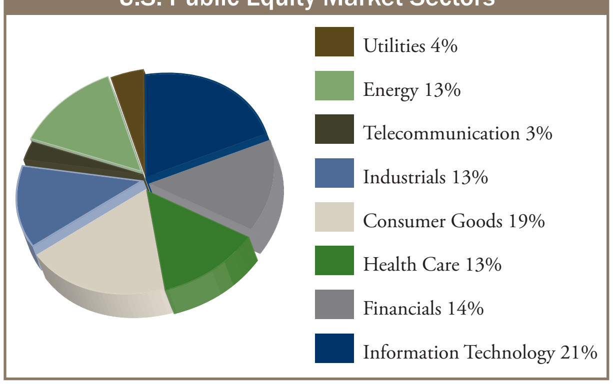


The pie charts depict the U.S. Public Equity portfolio by presenting the current style structure of the portfolio as well as the allocation by composite and market sector.

The internal staff maintained a strategic overweight to the Alpha Overlay program throughout the year to take advantage of strong skill-based managers within that program. The Systems were also overweight to small-cap stocks through S-CAP for most of the year but systematically reduced the exposure in the fourth quarter to a neutral target.

The internal staff rebalanced assets from U.S. Public Equity into Safe Assets in the last quarter of the fiscal year to reduce the overall risk in the total portfolio. The allocation to U.S. public equities reached a high of 32.6% in March 2011 and the allocation was reduced to 30.2% at the end of the fiscal year.

U.S. Public Equity Market Sectors



Market Overview

The U.S. stock markets had a strong year across both market capitalization and styles as the broad measure of the U.S. stock market (Russell 3000 Index) increased 32.4%. Small-cap stocks (Russell 2000 Index) gained 37.4% for the year with growth stocks (Russell 1000 Growth Index) outperforming value stocks (Russell 1000 Value Index) with a return of 35.0% compared to 28.9%.

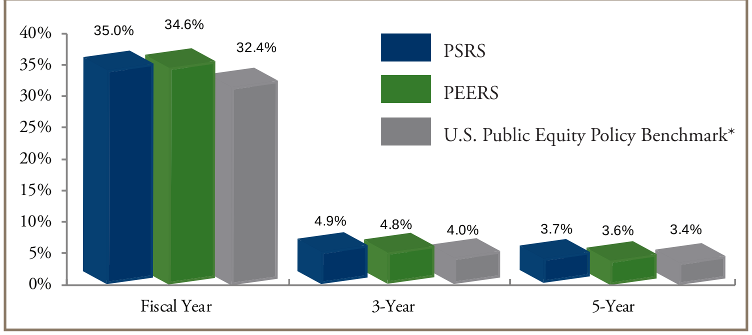
Stocks in the U.S. performed well for most of the year due to unprecedented quantitative easing from the Federal Reserve and improvement in investor sentiment regarding global growth. However, that sentiment receded in the latter part of the year as fears of historically high unemployment, a continued slow housing market and developments in Europe called into question the sustainability of U.S. stocks' year-long run. As we move into fiscal year 2012, the expectations are for slower growth, less intervention by the government and lower returns for U.S. stocks.

Performance

The total returns for the PSRS and PEERS U.S. Public Equity programs were 35.0% and 34.6%, respectively, compared to the Policy Benchmark return of 32.4% for the fiscal year ended June 30, 2011. The positive performance of the portfolio relative to the Policy Benchmark indicates value added by the internal staff through both strategic decisions (i.e. decision to overweight Alpha Overlay) and manager selection decisions. Active management strategies contributed significantly to the outperformance, with the Alpha Overlay program exceeding its Policy Benchmark by more than 900 basis points for the year for both PSRS and PEERS and S-CAP exceeding the Russell 2000 Index (its Policy Benchmark) by 470 basis points for PSRS and 420 basis points for PEERS for the same time period.

As indicated in the table and graph above, both PSRS and PEERS outperformed the Policy Benchmark by 90 basis points and 80 basis points respectively for the three-year time period. The U.S. Public Equity composites for PSRS and PEERS outperformed the Policy Benchmark by over 30 basis points and 20 basis points, respectively for the five-year time period. Over longer periods of time, the Systems' U.S. Public Equity portfolio is designed to deliver approximately 50-100 basis points of excess return through a combination of active and passive investment strategies.

U.S. Public Equity Performance



U.S. Public Equity Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year
Annualized PSRS Return	35.0%	4.9%	3.7%
Annualized PEERS Return	34.6%	4.8%	3.6%
Annualized Policy Benchmark Return*	32.4%	4.0%	3.4%
Excess return†	2.6%	0.9%	0.3%

**The U.S. Public Equity Policy Benchmark is the Russell 3000 Index.*
†PSRS excess return relative to the U.S. Public Equity Policy Benchmark

Top 10 Holdings and Characteristics

The following table displays the characteristics of the PSRS/PEERS U.S. Public Equity program as of June 30, 2011 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, 2011 are shown in the table below the characteristics.

U.S. Public Equity Characteristics

Characteristics	June 30, 2011 Combined Systems*	June 30, 2011 Russell 3000 Index
Number of Securities	1,475	2,970
Dividend Yield	1.7%	1.8%
Price-to-Earnings Ratio	17.1	15.9
Avg. Market Capitalization	$63.2 bil.	$72.3 bil.
Price-to-Book Ratio	2.6	2.2

U.S. Public Equity - Top 10 Holdings

Top 10 Largest Holdings* June 30, 2011	Combined Market Value	% of Total U.S. Public Equity
JP Morgan Chase and Co.	$86,378,610	1.0%
Qualcomm, Inc.	71,327,104	0.8%
Chevron Corp.	70,409,612	0.8%
Amazon.com Inc.	68,597,193	0.8%
Apple, Inc.	67,642,204	0.8%
Google, Inc.	62,933,413	0.7%
Priceline.com Inc.	59,389,511	0.7%
Wells Fargo and Co.	57,279,299	0.7%
Cognizant Tech Solutions	57,106,704	0.7%
AT&T, Inc.	52,663,796	0.6%
TOTAL	**$653,727,446**	**7.6%**

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

Investment Advisors

As of June 30, 2011, PSRS and PEERS had contracts with 14 external investment advisors that manage 22 portfolios comprising 82.6% of the U.S. Public Equity portfolio. The remaining 17.4% of the portfolio is in the Alpha Overlay program described in the next section.

In Fiscal Year 2011, a passive Russell 1000 Growth assignment was added and Analytic Investors was terminated from a Large-Cap Core assignment.

U.S. Public Equity Investment Advisors

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2011	% of Total Market Value
AllianceBernstein Institutional Mgmt.	Active Large Cap Growth	$ 239,897,738	0.8%
Analytic Investors	Structured Large Cap Value	376,256,828	1.2%
Analytic Investors	U.S. Low Volatility Equity	413,615,616	1.3%
AQR Capital Management	Large Cap 140/40 Core	260,689,447	0.8%
Aronson + Johnson + Ortiz	Active Large Cap 130/30 Value	231,931,835	0.7%
Aronson + Johnson + Ortiz	Active Large Cap Value	432,855,081	1.4%
Martingale Asset Management	Active Large Cap 130/30 Growth	215,402,296	0.7%
SSgA - Russell 1000 Index Fund	Passive Russell 1000 Index	1,725,377,393	5.6%
SSgA - Russell 1000 Growth Index Fund	Passive Russell 1000 Growth Index	433,032,664	1.4%
SSgA - S&P 500 Index Fund	Passive S&P 500 Index	707,654,642	2.3%
Westwood Management	Active Large Cap Value	658,852,144	2.1%
Westwood Management	Master Limited Partnerships	169,733,411	0.6%
Zevenbergen Capital	Active All Cap Growth	823,826,234	2.7%
S-CAP: Allianz	Active Micro Cap Growth	90,407,498	0.3%
S-CAP: AQR Capital Management	Active Small Cap Value	147,947,498	0.5%
S-CAP: Chartwell Investment Partners	Active Small Cap Value	151,987,781	0.5%
S-CAP: Columbus Circle	Active Small Cap Growth	110,902,769	0.4%
S-CAP: Next Century Growth Investors	Active Small Cap Growth	125,314,240	0.4%
S-CAP: Next Century Growth Investors	Active Micro Cap Growth	12,963,446	0.0%
S-CAP: NISA Investment Advisors	Russell 2000 Overlay	142,297,889	0.5%
S-CAP: Thomson, Horstmann & Bryant	Active Small Cap Core	161,342,975	0.5%
S-CAP: Thomson, Horstmann & Bryant	Active Micro Cap Core	55,355,457	0.2%
Small Cap Alpha Pool (S-CAP) Subtotal		**998,519,553**	**3.3%**
Total		**$ 7,687,644,882**	**24.9%**

**Includes manager cash.*

ALPHA OVERLAY PROGRAM SUMMARY

As of June 30, 2011, the combined PSRS/PEERS Alpha Overlay allocation had a market value of approximately $1.6 billion, representing 5.3% of total assets.

Investment Program Description

The Alpha Overlay portfolio resides within the U.S. Large-Cap Equity program. The Alpha Overlay portfolio has been constructed to assist in meeting the long-term goals established for the overall U.S. Large-Cap Equity allocation. Specifically, Alpha Overlay provides broad exposure to large-cap U.S. stocks using S&P 500 total return swaps, while the returns of a select portfolio of hedge fund strategies provides the opportunity to earn excess returns above the passive S&P 500 Index. By combining the market exposure obtained through the S&P 500 total return swaps with the diversified exposures to investment strategies focused on alpha generation, the combined portfolio is constructed and managed to produce a return stream with volatility and beta characteristics similar to the passive S&P 500 Index, while generating excess returns (or alpha) of approximately 200-250 basis points over longer periods of time.

Structure

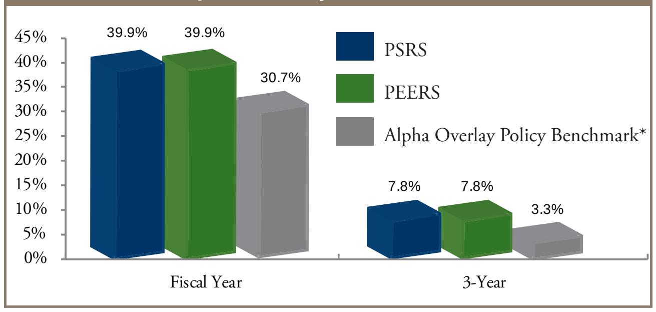
As of June 30, 2011, 25.9% of the PSRS/PEERS Alpha Overlay composite was passively managed by NISA Investment Advisors using S&P 500 total return swaps to attain equitization. An additional 65.9% of the portfolio was actively managed across a diversified range of multi-strategy and market neutral hedge fund mandates. The remaining 8.2% of the portfolio was actively managed by Zevenbergen Capital in a long-only mandate. During the fiscal year ended June 30, 2011, one additional manager assignment was added to the composite, Carlson Capital Management. No managers were eliminated. The adjacent table displays the specific investment advisor exposure within the composite as of June 30, 2011.

Performance

The total return for both the PSRS and PEERS Alpha Overlay programs was 39.9%, compared to the Policy Benchmark return of 30.7% for the fiscal year ended June 30, 2011. As shown in the table and graph below, the PSRS and PEERS annualized Alpha Overlay composite returns substantially exceeded the Policy Benchmark while maintaining a risk profile (standard deviation and beta) similar to that of the Policy Benchmark.

For the three-year time period, both PSRS and PEERS outperformed the Policy Benchmark by 450 basis points.

Alpha Overlay Performance



Alpha Overlay Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year
Annualized PSRS Return	39.9%	7.8%
Annualized PEERS Return	39.9%	7.8%
Annualized Policy Benchmark Return*	30.7%	3.3%
Excess return†	9.2%	4.5%
Annualized Standard Deviation of Composite**	14.5%	21.3%
Annualized Standard Deviation of Benchmark**	13.8%	21.2%
Beta to Benchmark**	1.05	0.99

**The Alpha Overlay Policy Benchmark is the S&P 500 Index. Five-Year returns are not available due to the age of the asset class.*

†PSRS excess return relative to the Alpha Overlay Policy Benchmark.

***Risk statistics are calculated on the PSRS portfolio but are indicative of the PEERS portfolio.*

Alpha Overlay Investment Advisors

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2011	% of Total Market Value
Algert Coldiron Investors	Multi-Strategy Market Neutral	$ 72,031,906	0.3%
Analytic Investors	Japan Market Neutral	53,866,316	0.2%
AQR Capital Management	Multi-Strategy	79,833,822	0.3%
Bridgewater Associates	Multi-Strategy	199,555,658	0.6%
Carlson Capital Management	Multi-Strategy	129,452,488	0.4%
Davidson Kempner	Multi-Strategy	172,076,542	0.6%
NISA Investment Advisors	Beta Exposure	417,571,302	1.4%
Och-Ziff	Multi-Strategy	113,455,654	0.4%
UBS O'Connor	Global Market Neutral	137,704,204	0.4%
UBS O'Connor	Multi-Strategy	104,316,482	0.3%
Zevenbergen Capital	Active All Cap Growth	132,048,817	0.4%
Total		**$1,611,913,191**	**5.3%**

** Includes manager cash.*

GLOBAL PUBLIC EQUITY PROGRAM SUMMARY

As of June 30, 2011, the combined PSRS/PEERS Global Public Equity assets had a market value of approximately $5.4 billion, representing 17.5% of total assets.

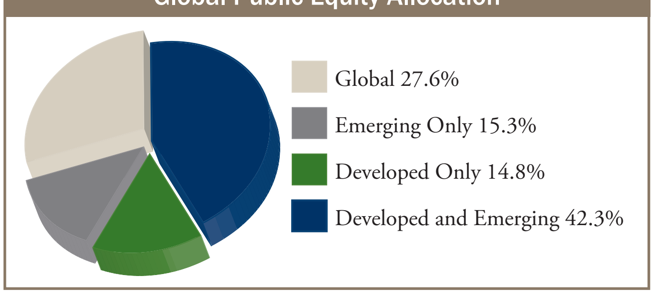
Investment Program Description

The Global Public Equity program provides long-term capital appreciation in excess of inflation and dividends through exposure to public equity securities on a global basis. Specific investment strategies approved for the Global Public Equity Program include passive investment vehicles, traditional long-only active equity management and active long/short approaches. Exposure to the various segments of the global equity market (i.e., U.S., developed non-U.S., emerging, growth-oriented, value-oriented, and core) and to the approved investment strategy types are achieved through the identification, selection and on-going management of SEC-registered investment advisors qualified to serve as fiduciaries to the Systems. The global portfolios provide an element of diversification relative to the domestic equity portfolios. Currency is another aspect of international investing that can impact performance and volatility of the asset class over the short-term; however, over the long-term no return is expected from currency.

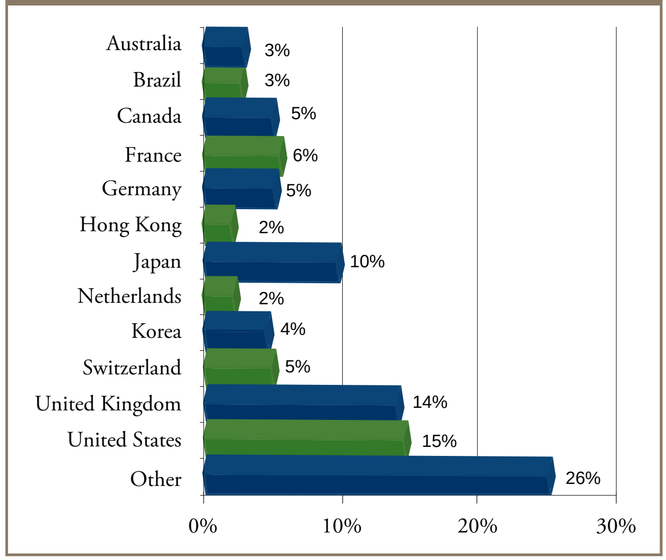
Structure

As of June 30, 2011, 10.3% of the PSRS/PEERS Global Public Equity composite was passively managed. The remainder of the portfolio was actively managed and diversified across capitalization ranges, styles and a number of developed and emerging market countries. The bar graph above displays the specific country exposure within the composite while the pie chart below indicates broader exposure by investment mandate.

Global Public Equity Allocation



Global Public Equity Country Allocation



The internal staff maintained a strategic overweight to emerging markets, relative to developed markets, throughout the year to take advantage of stronger growth prospects and improving demographics. The internal staff rebalanced assets from Global Public Equity into Safe Assets in the last quarter of the fiscal year to reduce the overall risk in the total portfolio. The allocation to global stocks reached a high of 18.6% in March 2011 and the allocation was reduced to 17.5% at the end of the fiscal year.

Market Overview

The global stock markets had a strong year across market capitalization ranges and in both developed and emerging countries. The broad measure for developed global markets (MSCI EAFE Index) increased 30.4%, emerging markets (MSCI EM Index) increased 27.8% higher and global stocks (MSCI World) increased 30.5%.

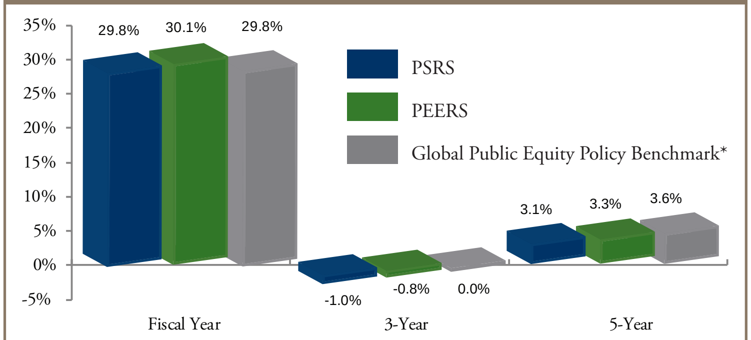
Global stocks performed well for most of the year due to unprecedented quantitative easing from central banks. The returns in developed markets moderated in the last quarter of the fiscal year due to slowing global growth and escalating concerns about European sovereign debt. Emerging markets posted negative returns in the last quarter due to sputtering global growth and falling commodity prices in addition to central bank tightening to combat inflation. As we move into fiscal year 2012, the sovereign debt crisis in Europe will be the dominant news story affecting much of the global equity markets.

Performance

The total returns for the PSRS and PEERS Global Public Equity programs were 29.8% and 30.1%, respectively, compared to the benchmark return of 29.8% for the fiscal year ended June 30, 2011. As shown in the table and graph below, the PSRS and PEERS annualized Global Public Equity composite returns were in-line with the Policy Benchmark. Active management strategies (manager selection decisions) were broadly positive within the Global Public Equity portfolio. However, the investment manager alpha was offset by our modest overweight to emerging market stocks throughout the year. The Systems are expected to maintain an overweight to emerging market stocks into fiscal year 2012 to capture higher expected growth relative to developed markets.

For the three-year time period, both PSRS and PEERS underperformed the Policy Benchmark by 100 basis points and 80 basis points respectively. The Systems' five-year returns slightly underperformed the Policy Benchmark.

Global Public Equity Performance



Global Public Equity Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year
Annualized PSRS Return	29.8%	-1.0%	3.1%
Annualized PEERS Return	30.1%	-0.8%	3.3%
Annualized Policy Benchmark Return*	29.8%	0.0%	3.6%
Excess return†	0.0%	-1.0%	-0.5%

**The Global Public Equity Policy Benchmark is composed of: 74.0% MSCI All Country World ex-U.S. Free Index and 26.0% MSCI All Country World Free Index.*

†PSRS excess return relative to the Global Public Equity Policy Benchmark.

Top 10 Holdings

The following table displays the top 10 Global Public Equity holdings as of June 30, 2011.

Global Public Equity - Top 10 Holdings

Top 10 Largest Holdings* June 30, 2011	Combined Market Value	% of Total Global Public Equity
AstraZeneca PLC	$42,746,192	0.8%
Nestle SA	35,557,614	0.7%
Rio Tinto PLC	33,576,902	0.6%
ING Groep N.V. CVA	33,562,655	0.6%
Samsung Electronics Co. Ltd.	33,438,436	0.6%
HSBC Holdings	31,472,374	0.6%
Schneider Electric	30,862,959	0.6%
Linde AG	29,869,934	0.6%
Novo-Nordisk	29,092,670	0.5%
GlaxoSmithKline	25,873,283	0.5%
TOTAL	**$326,053,019**	**6.1%**

** Includes only actively managed separate accounts.*

A complete list of portfolio holdings is available upon request.

Investment Advisors

As of June 30, 2011, PSRS and PEERS had contracts with 13 external investment advisors that manage 15 portfolios within the Global Public Equity portfolio. In fiscal year 2011, two new emerging market assignments were added with Neon Capital Management and the Rock Creek Group. No managers were terminated.

Global Public Investment Advisors

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2011	% of Total Market Value
AllianceBernstein Institutional Mgmt.	Active Intl Value	$ 332,264,050	1.1%
AllianceBernstein Institutional Mgmt.	Active Global	154,318,805	0.5%
Analytic Investors	Active Global	431,997,083	1.4%
AQR Capital Management	Active Intl Core	522,402,502	1.7%
Arrowstreet Capital	Active Emerging Markets	144,760,700	0.5%
Arrowstreet Capital	Active Global	552,530,829	1.8%
Artio Global Investors	Active Intl Core	279,548,774	0.9%
Esemplia Emerging Markets	Active Emerging Markets	383,565,722	1.2%
INVESCO Global Asset Management	Active Intl Value	467,011,413	1.5%
McKinley Capital Management	Active Intl Growth	330,237,057	1.1%
MFS Investment Management	Active Intl Core	596,307,105	1.9%
Neon Capital Management	Active Emerging Markets	51,937,700	0.2%
Rock Creek Group	Active Emerging Markets	243,195,516	0.8%
SSgA - MSCI ACWI ex-US Index	Passive Intl Core	553,533,101	1.8%
T. Rowe Price Associates	Active Global Growth	349,095,941	1.1%
Total		**$ 5,392,706,298**	**17.5%**

** Includes manager cash.*

PUBLIC CREDIT PROGRAM SUMMARY

As of June 30, 2011, the combined PSRS/PEERS Public Credit assets had a market value of approximately $2.6 billion, representing 8.6% of total assets.

Investment Program Description

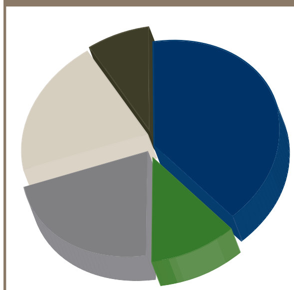
The Public Credit program is designed to provide a source of income and capital appreciation for PSRS and PEERS while creating substantial diversification to the total plan with a low correlation to other asset classes. The securities in this program exhibit high liquidity. Specific investments can include investment grade corporate securities, below investment grade debt instruments, distressed debt securities, convertible bonds, bank loans, agencies, mortgage-backed securities, asset-backed securities, and interest rate sensitive securities (including those issued or guaranteed by the United States government or its agencies). Investments in this program may include debt of both U.S. and non-U.S. issuers.

The performance objective for the Public Credit program is to exceed the returns of the investment grade credit markets through the use of a wide variety of active management approaches while incurring a level of risk that is generally consistent with the Policy Benchmark (Barclays Capital Intermediate Credit Index).

Structure

As of June 30, 2011, the Public Credit composite was actively managed and diversified across high quality corporate bonds, bank loans, mortgage-backed securities and non-dollar currencies of both developed and emerging countries. The pie chart below presents the strategy allocation of the Systems' Public Credit assets as of June 30, 2011.

Public Credit Strategy Allocation



The Systems' internal staff maintained a strategic underweight to the Public Credit program throughout the year because other asset classes within the total fund offered the potential for better risk-adjusted returns. The target allocation for the Public Credit program is 12.0% of total fund assets and the Systems allocation at the end of the fiscal year was just under 9.0%. Within the Public Credit composite, the Systems' internal staff has built a diversified portfolio with a base of almost 40% in high quality, shorter duration corporate bonds. The most significant position outside of the core bond allocation was to non-dollar bonds (and currencies) due to an expectation that the U.S. dollar would decline over the medium term.

Market Overview

Bond returns were modest in fiscal year 2011. The returns were positively impacted as credit spreads tightened (marginally for investment grade bonds but more significantly for high yield bonds) but were hurt as interest rates increased modestly across the yield curve. Specifically, the yield on the 10-year Treasury increased from 2.93% on June 30, 2010 to 3.16% on June 30, 2011. The increase in yields and the spread tightening acted as somewhat of a performance offset in the investment grade market for the year. Non-dollar bonds performed much stronger than U.S. bonds primarily because the U.S. dollar declined relative to most major currencies in the last year by approximately 13.6%.

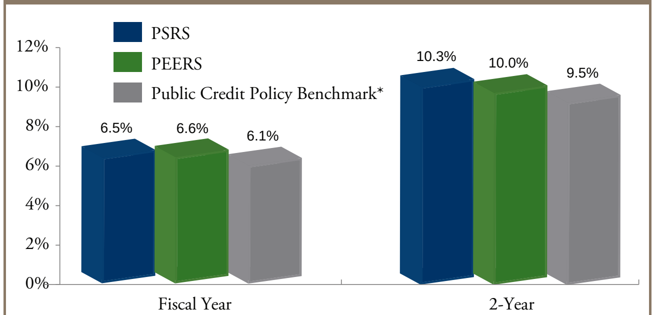
Investment grade credit corporate bonds (Barclays Capital Intermediate Credit Index) increased 6.1% for the year while a broader measure of the U.S. bond market (Barclays Capital Aggregate Index) increased 3.9%. High yield, or lower quality, bonds (Citigroup High Yield Index) increased 15.3% for the year with global bonds (Barclays Capital Global Bond Index) and emerging market bonds (JP Morgan Emerging Market Bond Index) increasing 10.5% and 18.9%, respectively.

Performance

The total returns for the PSRS and PEERS Public Credit programs were 6.5% and 6.6%, respectively, compared to the Policy Benchmark return of 6.1% for the fiscal year ended June 30, 2011. As shown in the table and graph on the following page, both the PSRS and PEERS annualized Public Credit composite returns outperformed the Policy Benchmark over the last two years.

Public risk assets in general, and specifically public stocks, offered much higher absolute returns than public credit bonds in fiscal year 2011. However, the Public Credit composite provided the Systems with stable returns. The Public Credit composite outperformed the Policy Benchmark in fiscal year 2011 primarily due to allocations to both non-dollar bonds and currencies. Each manager within the composite provided solid absolute returns for the year but the PIMCO Developing Local Markets fund and the PIMCO LIBOR Plus fund both benefited from emerging market currencies to post returns for the year of 15.1% and 9.1%, respectively, for both PSRS and PEERS.

Public Credit Performance



Public Credit Statistical Performance

Portfolio Characteristics	Fiscal Year	2-Year
Annualized PSRS Return	6.5%	10.3%
Annualized PEERS Return	6.6%	10.0%
Annualized Policy Benchmark Return*	6.1%	9.5%
Excess return†	0.4%	0.8%

**The Public Credit Policy Benchmark is the Barclays Capital Intermediate Credit Index.*

†PSRS excess return relative to the Public Credit Policy Benchmark.

The Public Credit Program was established in December 2008, so three-year and five-year returns are not available.

Top 10 Holdings

The following table displays the top 10 Public Credit holdings as of June 30, 2011.

Public Credit - Top 10 Holdings

Top 10 Largest Holdings* June 30, 2011	Combined Market Value	% of Total Public Credit
PIMCO Short Term Floating NAV II Fund	$ 158,324,055	6.2%
PIMCO Developing Local Markets Fund	136,863,931	5.3%
United States Treasury Strip, 4.625%, 2/15/40	91,157,500	3.6%
United States Treasury Note, 3.125%, 5/15/21	72,146,697	2.8%
Nevada Power Company Note, 7.125%, 5/15/19	40,580,020	1.6%
BAE Systems Holdings Inc. Note, 6.375%, 6/1/19	38,928,752	1.5%
CNOOC Finance Note, 4.25%, 1/26/21	34,323,450	1.3%
PIMCO Emerging Markets Fund	32,570,538	1.3%
Time Warner Cable Note, 8.25% 4/1/19	32,477,088	1.3%
Comcast Corp. Note, 6.3%, 11/15/17	29,036,207	1.1%
Total	**$ 666,408,238**	**26.0%**

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

Investment Advisors

As of June 30, 2011, PSRS and PEERS had contracts with four external investment advisors that manage six portfolios in the Public Credit portfolio. In fiscal year 2011, there were no managers or assignments added or terminated.

Public Credit Investment Advisors

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2011	% of Total Market Value
BlackRock Financial Management	Active Mortgages	$ 213,345,386	0.7%
NISA Investment Advisors	Corporate Credit	1,040,952,898	3.4%
Oaktree Bank Loans	Senior Bank Loans	275,425,411	0.9%
Pacific Investment Management Co.	Core Plus	590,390,401	1.9%
Pacific Investment Management Co.	LIBOR Plus	391,739,612	1.3%
Pacific Investment Management Co.	Developing Local Markets	136,863,931	0.4%
Total		**$ 2,648,717,639**	**8.6%**

**Includes manager cash.*

HEDGED ASSETS PROGRAM SUMMARY

As of June 30, 2011, the combined PSRS/PEERS Hedged Assets portfolio had a market value of approximately $4.2 billion, representing 13.8% of total assets.

Investment Program Description

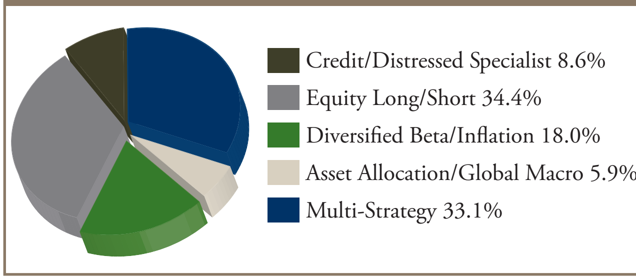
The Hedged Assets program's objective is to provide diversification to the total portfolio and reduce volatility within the Public Risk Composite. The purpose of this Program is to enhance the overall risk/return profile of the Public Risk Composite through the inclusion of specialized investment strategies that typically generate returns in a different fashion (i.e., absent a high correlation to equities or bonds). These strategies may utilize leverage as allowed within their governing documents. The returns from these strategies have historically had a low-to-moderate correlation with the traditional equity markets, thus providing diversification benefits in addition to portfolio return enhancement. These strategies seek to control risks and maintain a focus on absolute returns. The inherent nature of these vehicles to serve as a "hedge" provides for the expectation that the Program will lag the equity market during times when equities are performing above the long-term averages, however, when equities are performing below the long-term averages, the Program would be expected to outperform the equity market. In addition, managers within this asset class have historically possessed significantly lower volatility relative to traditional equity managers.

Structure

In December 2005, the Systems hired Albourne America, LLC (Albourne) as their hedge fund consultant. Albourne is an independent global advisory firm focused solely on hedge funds. PSRS and PEERS became one of the first large institutional public plans in the U.S. to embrace Albourne and the firm's alternatives consulting model. As the Systems ramped-up investments in alternatives, it was determined that direct investments into hedge funds would be utilized, as opposed to incorporating fund-of-funds. The System's Internal Staff believes that the benefits of direct investments, including lower fees, customized portfolio exposures, direct access to manager knowledge, and higher levels of transparency, outweigh the benefit of quicker implementation offered by fund-of-funds. Using this approach, the Systems hired their first hedge fund manager in January 2007.

As the chart below indicates, the Hedged Assets program is diversified across Multi-Strategy, Asset Allocation/Global Macro, Diversified Beta/Inflation, Credit/Distressed Specialists and Equity Long/Short strategies. Multi-Strategy managers include those focused on event-driven, credit, and relative value. The Systems manage the Hedged Assets portfolio to a blended Policy Benchmark of 25% Russell 3000 Index, 25% MSCI All County World Free Ex-U.S. Index, and 50% Barclays Capital Intermediate Credit Index.

Hedged Assets Diversification



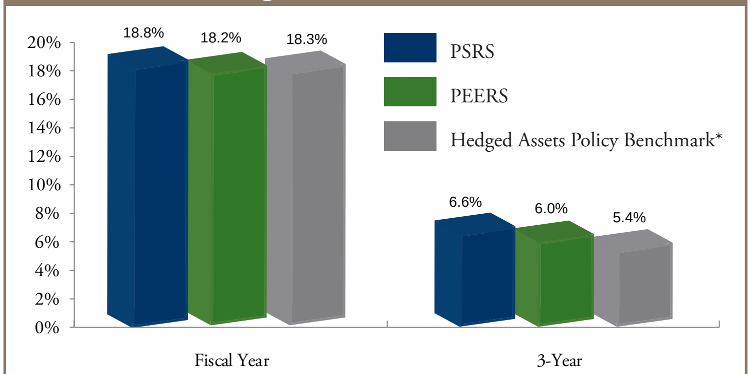
The Systems' internal staff maintained a strategic overweight to the Hedged Assets program throughout the year (relative to other parts of the total fund) due to the potential for better risk-adjusted returns and because opportunities were available to invest alongside higher alpha producing managers. The target allocation for the Hedged Assets program is 6.0% and the Systems allocation at the end of the fiscal year was almost 14.0%.

Performance

The total returns for the PSRS and PEERS Hedged Assets portfolios were 18.8% and 18.2%, respectively, for the fiscal year ended June 30, 2011. As the following table indicates, the Hedged Assets program assumed less than one-half of the volatility of the world stock index (MSCI All Country World Index) and achieved a beta of .35 to the index, signifying that the Systems' portfolios move up or down less than half as much as the world stock index.

For the three-year time period, both PSRS and PEERS outperformed the Policy Benchmark by 120 basis points and 60 basis points, respectively. The Systems' Hedged Assets program was ranked amongst the top large institutional investors in performance for the last three years and was prominently recognized in the September 2011 issue of *Institutional Investor magazine, Absolute Return*. The Program's longer term performance was accomplished with a volatility of 9.7% versus the volatility of the MSCI All Country World Index at 23.9% (a volatility level of only 40% of that of the equity index). The beta of the portfolio over this time period was only .35.

Hedged Assets Performance



Hedged Assets Fiscal Year Statistical Performance

	Fiscal Year Return	Standard Deviation	Beta
Annualized PSRS Return	18.8%	6.1%	0.35
Annualized PEERS Return	18.2%	6.2%	0.35
Annualized Policy Benchmark Return*	18.3%	7.9%	0.51
Annualized S&P 500 Return	30.7%	13.8%	N/A
Annualized MSCI AC World Index Return	30.1%	15.2%	1.00

Hedged Assets 3-Year Statistical Performance

	3-Year Return	Standard Deviation	Beta
Annualized PSRS Return	6.6%	9.7%	0.35
Annualized PEERS Return	6.0%	9.6%	0.35
Annualized Policy Benchmark Return*	5.4%	14.1%	0.58
Annualized S&P 500 Return	3.3%	21.2%	N/A
Annualized MSCI AC World Index Return	0.9%	23.9%	1.00

**The Hedged Assets Policy Benchmark is composed as follows: 50% Barclays Capital Credit Intermediate Index, 25% MSCI All Country World Index ex U.S. (Net), and 25% Russell 3000 Index.*

The first investment in the Hedged Asset composite was funded in January 2007, so a five-year return is not available.

Investment Advisors

As of June 30, 2011, PSRS and PEERS had contracts with 19 external investment advisors that manage 28 portfolios in the Hedged Assets composite.

PSRS and PEERS added four additional investment mandates to the portfolio during fiscal year 2011, putting approximately $473 million to work with new manager relationships. Furthermore, the Systems allocated an additional $1.1 billion to existing managers in the composite, bringing total capital invested in the Program during fiscal year 2011 to $1.6 billion. One manager assignment was eliminated from the portfolio during the fiscal year.

Hedged Assets Investment Advisors

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2011	% of Total Market Value
AQR Absolute Return Fund	Multi-Strategy	$ 79,833,822	0.3%
AQR Diversified Beta Fund	Diversified Beta/Inflation	260,621,859	0.8%
AQR Real Asset Fund	Multi-Strategy	101,039,661	0.3%
Bridgewater All Weather	Equity Long/short	175,061,750	0.6%
Bridgewater Inflation Pool	Diversified Beta/Inflation	229,114,327	0.7%
Bridgewater Pure Alpha II	Asset Allocation/Global Macro	107,801,269	0.4%
Bridgewater Pure Alpha Major Markets	Asset Allocation/Global Macro	140,941,497	0.5%
Brookside Capital	Equity Long/short	120,903,401	0.4%
Carlson Black Diamond	Multi-Strategy	129,452,488	0.4%
Davidson Kempner	Multi-Strategy	125,301,178	0.4%
Davidson Kempner	Distressed Debt/Credit	108,678,054	0.4%
GoldenTree Asset Management	Distressed Debt/Credit	255,743,064	0.8%
Highbridge Asia	Multi-Strategy	41,565,902	0.1%
Indus Capital Partners	Equity Long/short	184,243,707	0.6%
Karsch Capital Management	Equity Long/short	162,147,589	0.5%
Karsch Capital Fund	Equity Long/short	159,234,237	0.5%
Maverick Capital	Equity Long/short	215,890,274	0.7%
NISA Investment Advisors	Diversified Beta/Inflation	272,748,443	0.9%
Och-Ziff Domestic Partners	Multi-Strategy	113,455,654	0.4%
Och-Ziff Europe	Multi-Strategy	49,472,482	0.2%
Och-Ziff Asia	Multi-Strategy	110,191,600	0.4%
Owl Creek Overseas Fund	Multi-Strategy	174,678,733	0.6%
Paulson and Company	Multi-Strategy	131,510,169	0.4%
Pershing Square	Equity Long/short	195,594,936	0.6%
Renaissance	Equity Long/short	155,152,112	0.5%
Stark Investments	Equity Long/short	91,006,677	0.3%
UBS O'Connor	Multi-Strategy	104,316,525	0.3%
York Capital	Multi-Strategy	248,569,298	0.8%
Total		**$ 4,244,270,708**	**13.8%**

**Includes manager cash.*

SAFE ASSETS CLASS SUMMARY

As of June 30, 2011, the combined PSRS/PEERS Safe Assets had a market value of approximately $5.2 billion, representing 16.9% of total assets.

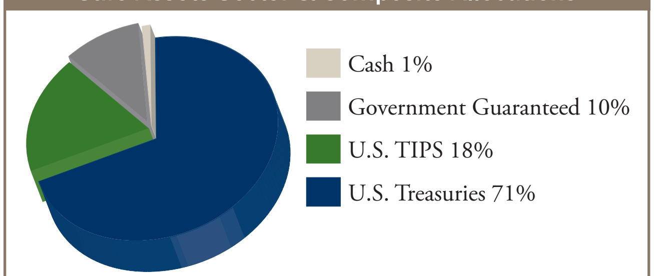
Investment Program Description

The Safe Assets program is intended to act as a source of safety and income for PSRS and PEERS. The program is designed to create substantial diversification to the total portfolio and reduce volatility through low correlation to other asset classes. Specifically, the Safe Assets portfolio should provide asset protection at the total fund level in periods of economic stress. The Policy Benchmark for the Safe Assets allocation is 80% Barclays Capital U.S. Treasury Blended Index (a combination of the Barclays Capital Treasury Intermediate Index and the Barclays Capital Treasury Long Index) and 20% Barclays Capital Intermediate U.S. TIPS 1-10 Year Index.

Structure

As of June 30, 2011, the Systems' entire Safe Assets program was actively managed by NISA Investment Advisors. The assets held within the program exhibit high liquidity and safety. The pie chart below depicts the PSRS and PEERS Safe Assets Program by showing the sector and composite allocations as of June 30, 2011.

Safe Assets Sector & Composite Allocations



Due to the historically low interest rates that created lower return expectations for U.S. government securities, the Systems' Internal Staff maintained a strategic underweight to the Safe Assets program throughout the year. The Internal Staff rebalanced assets from U.S. Public Equity into Safe Assets in the last quarter of the fiscal year to reduce the overall risk in the total portfolio. The allocation to Safe Assets was as low as 15.0% in March 2011 and the allocation was increased to 16.9% at the end of the fiscal year.

The internal staff strategically overweighted U.S. TIPS relative to U.S. Treasuries for a portion of the year as inflation expectations peaked. However, as the chart below indicates, the actual allocation was in line with the target allocation of 20% U.S. TIPS and 80% U.S. Treasuries/government guaranteed, at the end of the fiscal year.

Market Overview

The yield on the 10-year Treasury note increased from 2.93% on June 30, 2010 to 3.16% on June 30, 2011. There was an upward pressure on interest rates throughout the year due to perceived economic momentum and inflation concerns. The Systems' Treasury allocation provided some diversification and safety in the latter stages of fiscal year 2011 as there was downward pressure on yields and a flight to quality resulting from a growing uncertainty over global issues. However, the year-over-year increase in yields suppressed U.S. Treasury returns for the fiscal year as the PSRS and PEERS Treasury portfolios moved just 2.7% higher.

U.S. TIPS significantly outperformed U.S. Treasuries for the year as investors became concerned about rising core inflation, coupled with higher food and commodity prices, as an effect of the quantitative easing policies of the Federal Reserve. Real rates (TIPS) exhibited high volatility for much of the year as expectations regarding potential additional quantitative easing ("QE 2"), and then the reality of the actual QE 2 announcement, caused rates to move. Overall, the market's perception that the Federal Reserve wanted to drive real rates lower and inflation expectations higher led to a strong year for U.S. TIPS. The U.S. TIPS portfolios for both PSRS and PEERS had returns of 7.6% for the year.

Performance

The total returns for the PSRS and PEERS Safe Assets portfolios were 3.6% and 3.7%, respectively, compared to the Policy Benchmark return of 3.4% for the fiscal year ended June 30, 2011. The positive performance of the actual portfolio relative to the Policy Benchmark indicates value added by the Internal Staff primarily through strategic decisions to overweight U.S. TIPS for a portion for the year.

For the three-year time period, both PSRS and PEERS outperformed the Safe Assets Policy Benchmark by 90 basis points. Both Systems also outperformed the Safe Assets Policy Benchmark by 50 basis points for the five-year time period. The alpha generated above the Policy Benchmark for the three- and five-year time periods is much higher than expected and can be primarily attributed to the internal staff adjusting the internal strategic weights to both U.S. Treasuries and U.S. TIPS.

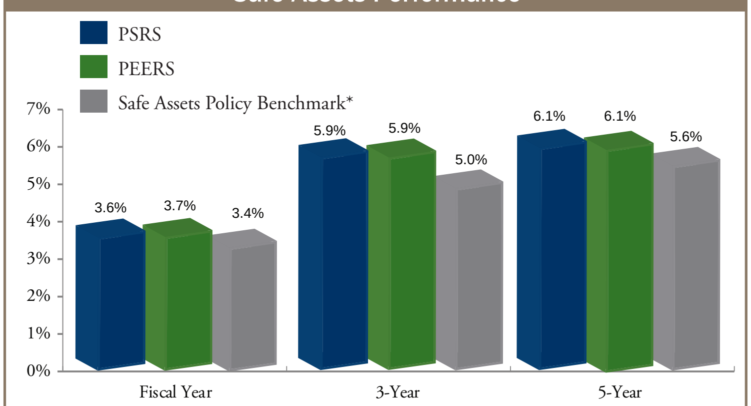
The absolute return of the Safe Assets portfolio is relatively modest over all time periods. However, the Safe Assets portfolio continues to provide asset protection at the total fund level in periods of economic stress and ultimate liquidity to PSRS and PEERS. An allocation to truly Safe Assets allows the Systems to accept market risk in other portions of the total fund portfolio.

The statistical table below indicates that the Systems have taken less risk than the Policy Benchmark (as measured by standard deviation) over all time periods, while achieving higher returns; indicating strong risk-adjusted performance. Additionally, the Systems' portfolios have a beta of less than 1.0 relative to the Policy Benchmark over longer time periods, indicating less market volatility. Most importantly, the Safe Assets portfolio exhibits a beta of zero relative to the world stock index (MSCI All Country World Index), indicating no correlation to risk assets. This statistic supports one of the primary objectives of Safe Assets: diversification for other risk assets in the total fund.

Top 10 Holdings and Characteristics

The following table displays the characteristics of the Systems' Safe Assets program as of June 30, 2011 with comparisons shown to the Barclays Capital Intermediate U.S. Treasury Index. Additionally, the top 10 Safe Assets holdings as of June 30, 2011 are shown in the table on the following page.

Safe Assets Performance



Safe Assets Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year
Annualized PSRS Return	3.6%	5.9%	6.1%
Annualized PEERS Return	3.7%	5.9%	6.1%
Annualized Policy Benchmark Return*	3.4%	5.0%	5.6%
Excess return†	0.2%	0.9%	0.5%
Annualized Standard Deviation of Composite**	2.8%	4.1%	3.7%
Annualized Standard Deviation of Policy Benchmark**	3.0%	4.3%	3.8%
Beta to Policy Benchmark**	0.94	0.95	0.96
Beta to MSCI All Country World Index**	-0.04	0.02	0.00

**The Safe Assets Policy Benchmark is composed as follows: 72% Barclays Capital Treasury Intermediate, 20% Barclays Capital U.S. TIPS 1-10 Yrs., and 8% Barclays Capital Treasury Long Term.*

†PSRS excess return relative to the Safe Assets Policy Benchmark.

***Risk statistics are calculated on the PSRS portfolio but are indicative of the PEERS portfolio.*

Safe Assets Characteristics

Characteristics	June 30, 2011 Combined Systems*	June 30, 2011 Barclays Capital Intermediate U.S. Treasury Index
Number of Securities	76	166
Average Coupon	2.6%	2.5%
Yield to Maturity	1.2%	1.3%
Average Maturity (Years)	5.3	4.2
Duration (Years)	4.5	3.9

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

Safe Assets - Top 10 Holdings		
Top 10 Largest Holdings* June 30, 2011	**Combined Market Value**	**% of Total Safe Assets**
United States Treasury Note, 1.25%, 10/31/15	$ 218,275,077	4.3%
United States Treasury Note, 2.75%, 10/31/13	202,786,500	4.0%
United States Treasury Note, 3.25%, 12/31/16	197,336,664	3.8%
United States Treasury Note, 2.375%, 10/31/14	196,391,591	3.8%
United States Treasury Note, 0.75%, 12/15/13	185,085,094	3.6%
United States Treasury Note, 2.25%, 1/31/15	184,198,161	3.6%
U.S. Treasury Inflation Protected Security, 0.625%, 4/15/13	155,869,072	3.0%
United States Treasury Note, 2.125%, 5/31/15	152,462,619	3.0%
United States Treasury Note, 2.0%, 4/30/16	151,086,263	2.9%
United States Treasury Note, 3.0%, 9/30/16	143,027,119	2.8%
TOTAL	**$ 1,786,518,160**	**34.8%**

** Includes only actively managed separate accounts.*

A complete list of portfolio holdings is available upon request.

Investment Advisors

NISA Investment Advisors managed the Safe Assets program as of June 30, 2011. The following table lists the firm's management by investment style.

Safe Assets Investment Advisor			
Investment Advisor	**Investment Style**	**Combined Portfolio Market Value* As of June 30, 2011**	**% of Total Market Value**
NISA Investment Advisors	U.S. Treasuries	$ 4,232,716,467	13.7%
NISA Investment Advisors	U.S. TIPS	979,886,113	3.2%
Total		**$ 5,212,602,580**	**16.9%**

**Includes manager cash.*

PRIVATE RISK ASSETS CLASS SUMMARY

As of June 30, 2011, the combined PSRS/PEERS Private Risk assets had a market value of approximately $4.0 billion, representing 13.0% of total assets.

Investment Program Description

The allocation to Private Risk investments is viewed as a separate asset class for inclusion in the Systems' overall investment portfolios. The process of building the Systems' Private Risk program and fully funding the target allocation is expected to occur over a period of several years. Additional new investments will be necessary beyond the initial start-up period in order to maintain the long-term 20.0% target allocation. The three programs within the Private Risk Assets composite are Private Equity, Private Real Estate and Private Credit. Each program within the Private Risk allocation is a separate multi-manager composite that is treated generally as a single portfolio. Each program serves a specific and distinct role within the overall Private Risk Composite and also within the overall total plan allocation. Over time, the Private Risk Composite serves as a long-term vehicle to supply the underlying beta exposure to a portfolio of private assets.

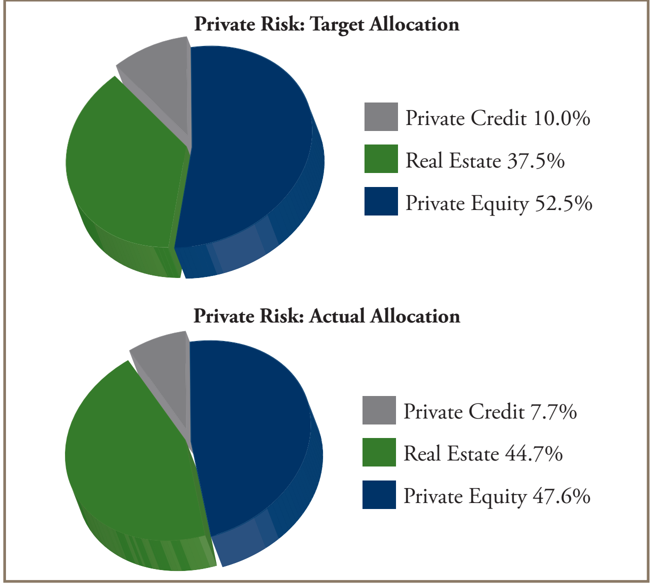
Investments in Private Risk Assets differ substantially from the Systems' public markets asset classes (Public Risk Assets and Safe Assets) in part because they are typically very long-term in nature, not publicly traded, relatively illiquid, and offer the potential for substantially higher returns (along with a commensurate level of risk). The illiquid nature of Private Risk Assets can result from the form of the asset or security itself, or it can be a function of the investment structure being utilized (e.g., a limited partnership).

Due to the fact that Private Risk Assets are not publicly traded, there is no readily available, unbiased pricing source for these investments. Thus, interim period valuations are difficult to ascertain, and are, to a great degree, subjective in nature. Consequently, pricing and performance measurement prior to realization of gains are less reliable than in the traditional publicly traded asset classes. The Systems continually monitor the valuation policies and procedures utilized for such investments.

Structure

As of June 30, 2011, 47.6% of the PSRS/PEERS Private Risk assets were invested in the Private Equity program, 44.7% in the Private Real Estate program, and 7.7% in the Private Credit program. Each of these programs is discussed in more detail on the following pages.

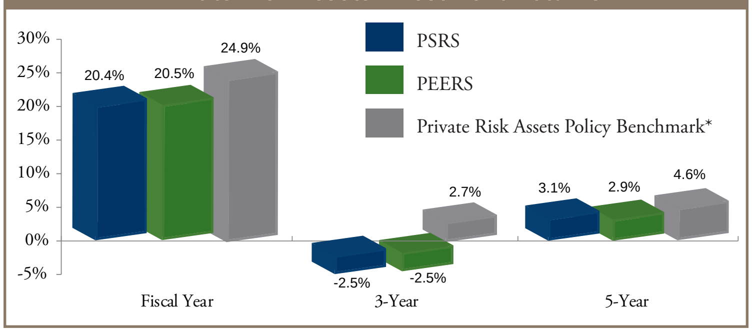
Private Risk Assets Allocation



Performance

The total returns for the PSRS and PEERS private risk portfolios were 20.4% and 20.5%, respectively, compared to the Policy Benchmark return of 24.9% for the fiscal year ended June 30, 2011. For the three- and five-year time periods, both PSRS and PEERS underperformed the Policy Benchmark as noted below. The longer-term underperformance relative to the Policy Benchmark was due primarily to the private real estate portfolio. The Systems' real estate assets experienced significant downward pressure during the credit crisis of 2008 and 2009.

Private Risk Assets Investment Returns



Private Risk Assets Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year
Annualized PSRS Return	20.4%	-2.5%	3.1%
Annualized PEERS Return	20.5%	-2.5%	2.9%
Annualized Policy Benchmark Return*	24.9%	2.7%	4.6%
Excess return†	-4.5%	-5.2%	-1.5%

**The Private Risk Assets Policy Benchmark is composed as follows: 52.5% Russell 3000 Index, 37.5% NCREIF Property Index, and 10.0% Merrill Lynch High Yield Master II.*

†PSRS excess return relative to the Private Risk Assets Policy Benchmark.

PRIVATE EQUITY PROGRAM SUMMARY

As of June 30, 2011, the combined PSRS/PEERS Private Equity assets had a market value of approximately $1.9 billion, representing 6.2% of total assets.

Investment Program Description

The Private Equity asset class is comprised of investment opportunities not typically included within the public equity and fixed income markets. Private Equity investments provide financing for start-up companies, private middle market companies, firms in financial distress and public and non-public firms seeking buyout financing. Private Equity investments can be classified into three basic sub-asset class categories:

- Venture Capital,
- Buyouts, and
- Debt-Related.

Investments in the sub-asset classes can be made in the U.S. or foreign countries. In total, the allocation to Non-U.S. Private Equity investments will not exceed 40.0% of the overall Private Equity target allocation. The risks associated with Private Equity will be viewed both in isolation and within the context of the entire fund.

Structure

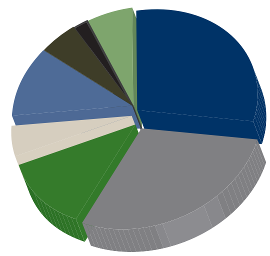
As of June 30, 2011, the combined PSRS/PEERS Private Equity assets committed* for investment were $3.4 billion. The market value of funds that have been drawn down and actually invested as of June 30, 2011 was approximately $1.9 billion, representing 6.2% of total assets. The Systems' private equity investment commitments that have not yet been funded were approximately $1.5 billion as of June 30, 2011.

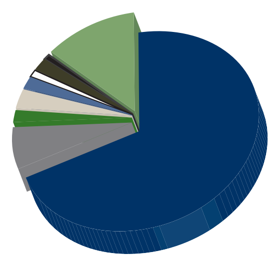
The objective for the Systems' allocation to Private Equity is to achieve returns that are higher than those attainable in the public equity markets with the added benefit of diversification. The PSRS/PEERS target allocation to Private Equity is 10.5%. However, as of June 30, 2011, the actual allocation for the Systems was just 6.2% because 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.

** 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.*

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, 2011 from both strategy and country perspectives.

Private Equity Asset Class and Geographic Diversification





Market Overview

Most private equity funds produced strong returns in fiscal year 2011, following the run-up in public equity markets and due to a favorable 'exit' market for private equity backed companies. Opportunistic private equity investments made during the 2008 and 2009 crisis also started to generate liquidity during the year.

Overall investment activity in both U.S. and European private equity markets increased considerably in fiscal year 2011. A large number of attractive opportunities existed as a result of the dislocation caused by the credit crisis and the global recession. Specifically, private equity-backed merger and acquisition (M&A) exits increased as a result of strategic acquirers with record-high cash balances opportunistically seeking acquisitions to drive growth and expand product offerings. Venture capital investment activity in fiscal year 2011 also rebounded after two consecutive years of decline. Areas of opportunity and interest in the venture market include cloud computing, mobile/wireless, social media, life sciences, and cleantech companies.

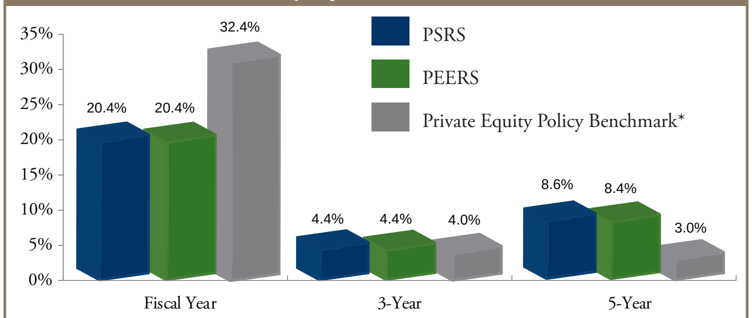
Following the end of the fiscal year, private equity market sentiment has turned cautious as a result of the volatility in public equity and credit markets. However, the overall trend in industry-wide private equity exits, performance and investment activity remains positive.

Performance

The total returns for both the PSRS and PEERS Private Equity programs were 20.4% compared to the Policy Benchmark return of 32.4% for the fiscal year ended June 30, 2011. The underperformance for the one-year time frame was due solely to the pricing and performance methodology utilized for private assets. The Systems utilize a liquid benchmark (Russell 3000 Index) to measure an illiquid (private equity) asset class. Thus, there will be significant performance differences over short time periods in volatile markets.

Due to the long-term nature of the asset class, the performance of a private equity portfolio can be more appropriately judged over a longer timeframe. As the table indicates, the PSRS and PEERS Private Equity portfolios have produced strong absolute returns of 8.6% and 8.4% respectively, over the last five years. Additionally, as expected, the Private Equity asset class has provided a significant premium over public markets as the PSRS and PEERS Private Equity portfolios outperformed the Policy Benchmark by 560 and 540 basis points, respectively, for the five-year timeframe ended June 30, 2011.

Private Equity Investment Returns



Private Equity Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year
Annualized PSRS Return	20.4%	4.4%	8.6%
Annualized PEERS Return	20.4%	4.4%	8.4%
Annualized Policy Benchmark Return*	32.4%	4.0%	3.0%
Excess return†	-12.0%	0.4%	5.6%

**The Private Equity Policy Benchmark is the Russell 3000 Index.*

†PSRS excess return relative to the Private Equity Policy Benchmark.

Investment Advisors

As of June 30, 2011, PSRS and PEERS had committed to 56 separate partnerships with 37 firms within the Private Equity asset class. Some partnerships have not called capital for investment as of June 30, 2011. In fiscal year 2011, PSRS and PEERS committed to five new partnerships for $240 million.

Private Equity Investment Advisors

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2011	% of Total Market Value
Blackstone Capital Partners V	Acquisition - Large	$ 17,620,717	0.1%
Carlyle Europe Partners III	Acquisition - Medium	24,077,226	0.1%
Carlyle Partners IV	Acquisition - Large	24,035,344	0.1%
Carlyle Partners V	Acquisition - Large	23,100,805	0.1%
Centerbridge Capital Partners	Acquisition & Debt	23,331,011	0.1%
Centerbridge Capital Partners II	Acquisition & Debt	3,689,217	0.0%
CVC European Equity Partners IV	Acquisition - Large	19,927,495	0.1%
CVC European Equity Partners V	Acquisition - Large	14,820,188	0.0%
CVC European Equity Tandem Fund	Acquisition - Large	13,489,460	0.0%
Exponent Partners II	Acquisition - Medium	10,948,172	0.0%
First Reserve Fund XI	Acquisition - Energy	22,210,000	0.1%
First Reserve Fund XII	Acquisition - Energy	16,104,000	0.1%
Genstar Capital Partners V	Acquisition - Medium	7,344,421	0.0%
GTCR Fund IX	Acquisition - Medium	30,566,797	0.1%
Hellman & Friedman Capital Prtnrs VI	Acquisition - Large	30,803,049	0.1%
Kelso Investment Associates VIII	Acquisition - Medium	10,922,543	0.0%
KKR 2006 Fund	Acquisition - Large	29,610,519	0.1%
KRG Fund IV	Acquisition - Medium	16,722,197	0.1%
Lexington Capital Partners VI-B	Secondary Fund	107,662,496	0.3%
Lexington Capital Partners VII	Secondary Fund	50,832,827	0.2%
Madison Dearborn VI	Acquisition - Large	7,859,805	0.0%
Montagu III	Acquisition - Medium	17,342,090	0.1%
Montagu IV	Acquisition - Medium	2,493,621	0.0%
Nordic VII	Acquisition - Medium	16,732,193	0.1%
New Enterprise Associates XIII	Venture Capital	12,260,352	0.0%
Oak Investment Partners XIII	Venture Capital	4,784,209	0.0%
OCM Principal Opportunities Fund IV	Debt - Distressed	38,368,327	0.1%
OCM Opportunities Fund VII	Debt - Distressed	23,610,923	0.1%
OCM Opportunities Fund VIIb	Debt - Distressed	10,391,739	0.0%
Odyssey Investment Partners IV	Acquisition - Medium	10,513,681	0.0%
Onex Partners II	Acquisition - Medium	26,513,716	0.1%
Onex Partners III	Acquisition - Medium	7,894,989	0.0%
Pantheon Global Secondary Fund III	Secondary Fund	107,591,366	0.4%
Pantheon Global Secondary Fund IV	Secondary Fund	16,405,519	0.1%
Pathway Capital Management	Fund-of-Funds (A)	391,669,132	1.3%
Pathway Capital Management	Fund-of-Funds (B)	218,043,818	0.7%
Pathway Capital Management	Fund-of-Funds (C)	187,604,941	0.6%
Paul Capital Partners IX	Secondary Fund	43,033,384	0.1%
Permira IV	Acquisition - Large	19,248,830	0.1%
Providence Equity Partners VI	Acquisition - Media	28,253,477	0.1%
Quantum Energy Partners V	Acquisition - Energy	345,040	0.0%
The Resolute Fund II	Acquisition - Medium	11,786,157	0.0%
Silver Lake Partners III	Acquisition - Technology	20,192,852	0.1%
Spectrum Equity Investors VI	Acquisition - Medium	2,439,424	0.0%
TA XI	Acquisition - Large	5,004,539	0.0%
TCV VI	Venture Capital	13,790,977	0.0%
TCV VII	Venture Capital	18,564,228	0.1%
Thoma Cressey Fund VIII	Acquisition - Medium	25,177,085	0.1%
TPG Partners V	Acquisition - Large	14,675,393	0.0%
TPG Partners VI	Acquisition - Large	13,205,015	0.0%
Wayzata Opportunities Fund	Debt - Distressed	21,137,753	0.1%
Wayzata Opportunities Fund II	Debt - Distressed	39,300,292	0.1%
Wind Point Partners VI	Acquisition - Medium	17,761,499	0.1%
Wind Point Partners VII	Acquisition - Medium	9,108,879	0.0%
Total		**$ 1,900,923,729**	**6.2%**

**Market values as reported by the Systems' Private Equity 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, 2011, the net asset values utilized were cash flow adjusted through June 30, 2011.*

PRIVATE CREDIT PROGRAM SUMMARY

As of June 30, 2011, the combined PSRS/PEERS Private Credit assets had a market value of approximately $308 million, representing 1.0% of total assets.

Investment Program Description

Investments in Private Credit are similar to Private Equity investments in that they are typically very long-term in nature, not publicly traded, relatively illiquid, and offer the potential for substantially higher returns (along with a commensurate level of risk). The Private Credit portfolio also differs from the Private Equity portfolio, and is a separate and distinct composite within Private Risk Assets. The Private Credit asset class is comprised primarily of debt-related investments that provide a current yield along with equity participation (usually warrants) referred to as an 'equity kicker.' Primary strategies are distressed debt, bankruptcy restructurings, mezzanine debt, bank loans, and other credit-driven or debt-related investment strategies. Investments can be made in the U.S. or foreign countries. In total, the allocation to Non-U.S. Private Credit investments will not exceed 40.0% of the overall Private Credit target allocation. The risks associated with Private Credit will be viewed both in isolation and within the context of the entire fund.

Structure

As of June 30, 2011, the combined PSRS/PEERS Private Credit assets committed* for investment were $728.7 million. The market value of funds that have been drawn down and actually invested as of June 30, 2011 was approximately $308.1 million, representing 1.0% of total assets. The Systems' private credit investment commitments that have not yet been funded were approximately $330 million as of June 30, 2011.

The objective for the Systems' allocation to private credit is to achieve returns that are higher than those attainable in the public 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.

** 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 Overview

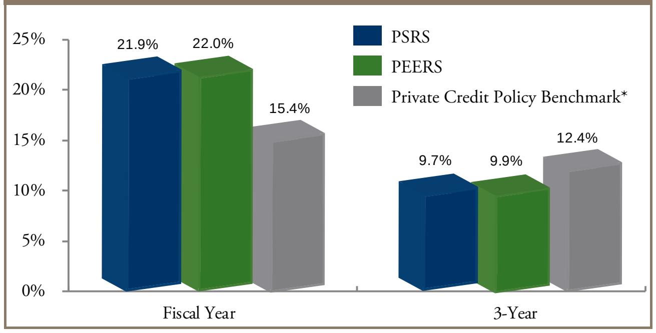
A rally in the prices of leveraged loans and high-yield bonds drove the strong absolute performance of private credit funds in fiscal year 2011. Specifically, many of the partnerships that were funded at the peak of the financial crisis in 2008 and 2009 experienced exceptional performance. However, post-crisis, there is somewhat of a diminished opportunity set in the private credit markets. The traditional distressed debt world is a fraction of what it was in 2009. For example, the dollar value of distressed debt was $39 billion at the end of the fiscal year versus $398 billion in December of 2008. Additionally, the default rates on U.S. high yield bonds have declined from 11.5% in November 2009 to 2.3% in June 2011. As such, the Systems did not commit to new private credit partnerships in the second half of fiscal year 2011. Potential areas of future opportunity could include Europe, out-of-favor asset rich industries and smaller credits.

Performance

The total returns for the PSRS and PEERS Private Credit programs were 21.9% and 22.0%, respectively, compared to the Policy Benchmark return of 15.4% for the fiscal year ended June 30, 2011. As shown in the table and graph below, the PSRS and PEERS annualized Private Credit composite returns outperformed the Policy Benchmark by 650 basis points and 660 basis points, respectively.

For the three-year time period, both PSRS and PEERS underperformed the Policy Benchmark by 270 basis points and 250 basis points, respectively. As discussed previously, private assets are more appropriately evaluated over longer timeframes.

Private Credit Investment Returns



Private Credit Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year
Annualized PSRS Return	21.9%	9.7%
Annualized PEERS Return	22.0%	9.9%
Annualized Policy Benchmark Return*	15.4%	12.4%
Excess return†	6.5%	-2.7%

**The Private Credit Policy Benchmark is the Merrill Lynch High Yield Master II Index.*
†PSRS excess return relative to the Private Credit Policy Benchmark.
The Private Credit Program was established in December 2007, so a five-year return is not available.

Investment Advisors

As of June 30, 2011, PSRS and PEERS had committed to 11 separate partnerships with 9 firms within the Private Credit asset class. Some partnerships have not called capital for investment as of June 30, 2011. In fiscal year 2011, PSRS and PEERS committed to two new partnerships for $90 million.

Private Credit Investment Advisors

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2011	% of Total Market Value
Avenue Capital Group Fund V	Debt - Distressed	$ 12,884,847	0.0%
Caltius IV	Debt - Mezzanine	1,550,148	0.0%
Centerbridge Special Capital Partners	Debt - Distressed	51,101,206	0.2%
Encap Fund VII	Acquisition - Energy	24,748,161	0.1%
Encap Fund VIII	Acquisition - Energy	2,001,121	0.0%
Indigo Capital V	Debt - Mezzanine	14,199,955	0.1%
Lone Star Real Estate Fund II	Debt - Distressed	1,168,544	0.0%
OCM Opportunities Fund VIII	Debt - Distressed	24,617,282	0.1%
Pathway Capital Management	Funds-of-Funds	167,556,644	0.5%
TA Subordianted Debt Fund III	Debt - Mezzanine	8,266,987	0.0%
Total		**$ 308,094,895**	**1.0%**

**Market values as reported by the Systems' Private Credit 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, 2011, the net asset values utilized were cash flow adjusted through June 30, 2011.*

PRIVATE REAL ESTATE PROGRAM SUMMARY

As of June 30, 2011, the combined PSRS/PEERS Private Real Estate assets had a market value of approximately $1.8 billion, representing 5.8% of total assets.

Investment Program Description

The Real Estate allocation is intended to provide exposure to a diversified portfolio of institutional quality private real estate investments that will provide meaningful, consistent returns, and act as a hedge against inflation and as a diversifier to the overall PSRS and PEERS investment portfolio. The specific objectives of the real estate allocation will be to optimize yield and return, preserve capital and enhance portfolio value across market cycles. The risks associated with Private Real Estate will be viewed both in isolation and within the context of the entire fund.

Structure

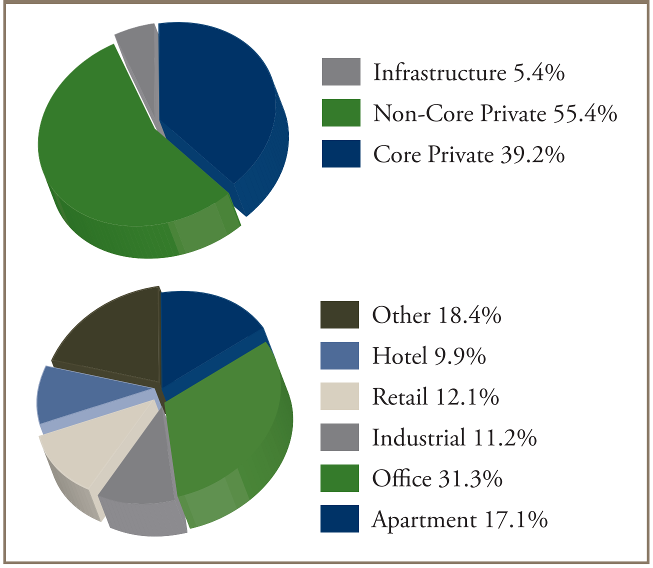
As of June 30, 2011, the combined PSRS/PEERS real estate assets committed* for investment were $2.4 billion. The market value of funds that had been drawn down and actually invested as of June 30, 2011 was approximately $1.8 billion, representing 5.8% of total assets. The Systems' real estate investment commitments that have not yet been funded were approximately $541 million as of June 30, 2011.

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. Non-Core investments represent those properties and/or investment strategies that require specialized acquisition and management expertise or skill to mitigate the business and leasing risk that may be associated with individual investments. Non-Core investments have greater associated volatility compared to Core investments. Core investments include existing, substantially leased, income-producing properties located principally in metropolitan areas that exhibit reasonable economic diversification.

The pie charts above indicate the current allocation to real estate investment strategies utilizing the market value of the Systems' invested real estate assets and 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.*

Private Real Estate Diversification



Market Overview

Real estate values declined significantly in the United States in 2008 and 2009 as a result of the global financial crisis. Since that time, real estate markets have improved, suggesting a market recovery is underway. As such, the private real estate Policy Benchmark, the NCREIF Property Index ("NPI"), increased 16.7% in fiscal year 2011.

The last 12 months have seen very encouraging returns from real estate generally, aided in many countries by government support in the form of quantitative easing and low interest rates. The real estate recovery continues to be driven by strong capital flows and the stabilization of real estate fundamentals, rather than absolute improvements in net operating income. Although the majority of the improvement has largely been driven by the apartment sector, other property types also appear to be stabilizing. However, the longer-term prognosis is for a weaker than expected recovery in fundamentals given real estate's high correlation to GDP.

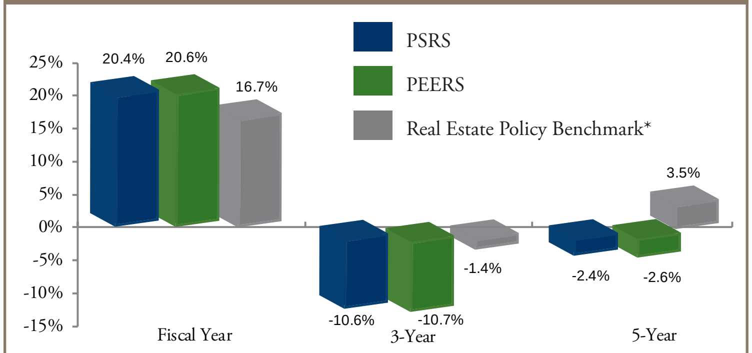
PSRS and PEERS maintain a sizable allocation to high-quality, stabilized real estate assets (core) held in primary markets due to the secure income return. Additionally, the Systems have an allocation to non-core assets to participate in the distressed sector of the real estate market. PSRS and PEERS will continue to focus their real estate efforts going forward on primary markets, which offer better entry pricing, and avoid most activity in secondary or tertiary markets where underlying fundamentals, and employment, remain weak.

Performance

The total returns for the PSRS and PEERS Private Real Estate programs were 20.4% and 20.6%, respectively, compared to the Policy Benchmark return of 16.7% for the fiscal year ended June 30, 2011. As shown in the table and graph below, the PSRS and PEERS annualized Private Real Estate composite returns outperformed the Policy Benchmark by 370 basis points and 390 basis points, respectively.

For the three-and five-year time periods, both PSRS and PEERS underperformed the Policy Benchmark as noted below. This was due to significant downward pressure on real estate valuations during the credit crisis of 2008 and 2009.

Real Estate Investment Returns



Real Estate Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year
Annualized PSRS Return	20.4%	-10.6%	-2.4%
Annualized PEERS Return	20.6%	-10.7%	-2.6%
Annualized Policy Benchmark Return*	16.7%	-1.4%	3.5%
Excess return†	3.7%	-9.2%	-5.9%

**The Real Estate Policy Benchmark is the NCREIF Property Index.*

†PSRS excess return relative to the Real Estate Policy Benchmark.

Investment Advisors

As of June 30, 2011, PSRS and PEERS had committed to 43 separate partnerships with 26 firms within the Private Real Estate asset class. Some partnerships have not called capital for investment as of June 30, 2011. In fiscal year 2011, PSRS and PEERS committed to one new partnership for $75 million.

Real Estate Investment Advisors

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2011	% of Total Market Value
Alinda Infrastructure Fund I	Infrastructure	$ 46,064,308	0.2%
AMB Alliance III	Non-Core - Private	40,037,637	0.1%
AMB Japan Fund I	Non-Core - Private	37,391,894	0.1%
AEW Core Property Fund	Core - Private	68,485,819	0.2%
Blackstone R.E. Partners V	Non-Core - Private	34,449,984	0.1%
Blackstone R.E. Partners VI	Non-Core - Private	77,273,618	0.3%
Brockton Capital II	Non-Core - Private	3,706,009	0.0%
Carlyle Europe Real Estate Partners III	Non-Core - Private	40,858,817	0.1%
Carlyle Realty V	Non-Core - Private	45,817,593	0.1%
CBRE Fund IV	Non-Core - Private	5,639,934	0.0%
CBRE Partners US Value 5	Non-Core - Private	82,830,472	0.3%
CIM Fund III	Non-Core - Private	33,022,802	0.1%
CIM Urban REIT	Non-Core - Private	35,079,662	0.1%
Colony Investors VIII	Non-Core - Private	32,240,500	0.1%
CPI Capital Partners Europe	Non-Core - Private	13,345,551	0.0%
Dune Real Estate Fund I	Non-Core - Private	16,703,975	0.1%
Forum Asian Realty Income II	Non-Core - Private	41,948,437	0.1%
Guggenheim Structured R.E. III	Non-Core - Private	21,194,984	0.1%
Heitman Value Partners	Non-Core - Private	17,146,289	0.1%
Heitman Value Partners II	Non-Core - Private	19,248,907	0.1%
JPMorgan Strategic Property Fund	Core - Private	219,825,360	0.7%
LaSalle Asia Opportunity Fund II	Non-Core - Private	11,742,848	0.0%
LaSalle Asia Opportunity Fund III	Non-Core - Private	26,938,211	0.1%
LaSalle Income & Growth IV	Non-Core - Private	14,530,006	0.0%
LaSalle Income & Growth V	Non-Core - Private	62,776,567	0.2%
LaSalle Japan Logistics Fund II	Non-Core - Private	11,192,897	0.0%
LaSalle Property Fund	Core - Private	34,349,285	0.1%
Lone Star V	Non-Core - Private	15,225,014	0.0%
Lone Star VI	Non-Core - Private	45,558,970	0.1%
Lone Star Real Estate Fund	Non-Core - Private	16,201,004	0.1%
Macquarie Infrastructure Partners	Infrastructure	49,463,587	0.2%
MSREF V International	Non-Core - Private	8,417,634	0.0%
Morgan Stanley Prime Property Fund	Core - Private	229,521,221	0.7%
NREP Real Estate Debt Fund	Non-Core - Private	5,194,700	0.0%
Noble Hospitality Fund	Non-Core - Private	19,058,272	0.1%
Principal Enhanced Property Fund	Core - Private	29,380,223	0.1%
Prudential PRISA Fund	Core - Private	117,643,643	0.4%
Prudential PRISA II Fund	Non-Core - Private	56,454,605	0.2%
RREEF America REIT III	Non-Core - Private	22,023,419	0.1%
Starwood Hospitality Fund	Non-Core - Private	25,269,710	0.2%
Westbrook R.E. Fund VII	Non-Core - Private	20,928,927	0.1%
Westbrook R.E. Fund VIII	Non-Core - Private	29,312,824	0.1%
Total		**$ 1,783,496,119**	**5.8%**

**Market values as reported by the Systems' Private Real Estate 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, 2011, the net asset values utilized were cash flow adjusted through June 30, 2011.*

U.S. Public Equity Broker Commissions Report

PSRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost Per Share
Goldman Sachs and Company	41,621,127	$1,370,324,510	$ 714,106	$ 0.02
Credit Suisse Securities, LLC	23,183,729	803,853,683	416,564	0.02
Morgan Stanley Co. Incorporated	36,645,191	924,406,150	396,727	0.01
Jefferies and Company, Inc.	15,530,199	992,001,713	308,315	0.02
Instinet, LLC	16,605,436	410,324,278	304,321	0.02
Citigroup Global Markets, Inc.	27,215,097	682,736,412	296,421	0.01
JP Morgan Chase	15,261,146	483,756,767	276,866	0.02
Deutsche Bank	30,950,260	798,594,689	265,717	0.01
Barclays Capital Inc.	18,744,560	660,217,947	254,154	0.01
Merrill Lynch, Pierce, Fenner and Smith, Inc.	20,246,442	482,921,184	249,112	0.01
Investment Technology Group, Inc.	21,574,331	736,588,774	244,664	0.01
Piper Jaffray	7,025,877	264,934,220	229,736	0.03
Deutsche Bank	9,645,595	262,814,486	200,207	0.02
UBS Securities, LLC	6,935,039	195,670,763	185,266	0.03
Liquidnet, Inc.	11,166,544	303,563,687	163,918	0.01
Weeden and Co.	7,247,845	162,356,153	145,266	0.02
Other (<$120,000)	130,601,645	3,330,128,627	2,937,800	0.02
Total	**440,200,063**	**$12,865,194,043**	**$ 7,589,160**	**$ 0.02**

PEERS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost Per Share
Goldman Sachs and Company	4,067,628	$ 140,552,047	$ 76,510	$ 0.02
Credit Suisse Securities, LLC	2,668,405	88,532,269	48,877	0.02
Morgan Stanley Co. Incorporated	3,551,453	87,712,002	39,931	0.01
Jefferies and Company, Inc.	1,629,469	107,686,904	33,167	0.02
Citigroup Global Markets, Inc.	2,752,450	69,451,565	30,543	0.01
JP Morgan Chase	1,437,933	45,504,442	30,234	0.02
Merrill Lynch, Pierce, Fenner and Smith, Inc.	1,713,888	41,371,277	29,416	0.02
Instinet, LLC	1,602,084	41,259,381	28,665	0.02
Barclays Capital Inc.	1,716,693	60,916,525	25,160	0.01
Deutsche Bank	2,505,551	64,687,472	24,401	0.01
Investment Technology Group, Inc.	2,021,561	70,639,229	23,125	0.01
Piper Jaffray	680,473	25,976,942	22,161	0.03
Pershing	1,067,581	29,449,189	22,075	0.02
UBS Securities, LLC	732,767	20,386,459	19,473	0.03
Weeden and Co.	778,164	17,592,692	14,417	0.02
Liquidnet, Inc.	1,001,310	28,028,097	13,671	0.01
Bear Stearns & Co.	521,436	16,486,375	12,015	0.02
Other (<$12,000)	12,523,350	312,892,556	283,069	0.02
Total	**42,972,196**	**$1,269,125,423**	**$ 776,910**	**$ 0.02**

Global Public Equity Broker Commissions Report

PSRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost (basis points)
Morgan Stanley Co. Incorporated	113,389,153	$ 677,191,698	$ 563,326	8.3
Merrill Lynch, Pierce, Fenner and Smith, Inc.	91,079,807	531,946,476	490,800	9.2
JP Morgan Chase	64,185,123	442,104,161	466,739	10.6
Credit Suisse Securities, LLC	89,064,258	412,970,030	460,611	11.2
Goldman Sachs and Company	74,355,710	576,515,474	459,719	8.0
UBS Securities, LLC	54,505,620	280,526,226	324,843	11.6
Deutsche Bank	54,970,715	377,079,373	324,479	8.6
Pershing	29,301,281	196,882,321	280,588	14.3
Citigroup Global Markets, Inc.	31,415,462	213,202,703	243,164	11.4
Macquarie Securites Limited	37,250,235	109,412,521	173,822	15.9
Nomura Securites International Inc.	13,954,701	116,051,095	148,754	12.8
Barclays Capital Inc.	9,547,899	88,830,895	126,644	14.3
Instinet, LLC	39,663,462	265,609,970	119,168	4.5
Other (<$100,000)	177,022,212	1,238,133,714	1,357,120	11.0
Total	**879,705,638**	**$5,526,456,657**	**$ 5,539,777**	**10.0**

PEERS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost (basis points)
Morgan Stanley Co. Incorporated	12,071,738	$ 66,292,844	$ 55,789	8.4
Goldman Sachs and Company	9,287,168	72,682,425	53,054	7.3
Merrill Lynch, Pierce, Fenner and Smith, Inc.	9,661,695	57,163,838	51,048	8.9
JP Morgan Chase	6,468,541	46,527,464	48,252	10.4
Credit Suisse Securities, LLC	8,389,064	41,829,329	47,052	11.2
Deutsche Bank	6,570,178	41,380,369	34,614	8.4
UBS Securities, LLC	4,818,346	28,405,928	33,096	11.7
Pershing	3,155,468	19,133,860	27,136	14.2
Citigroup Global Markets, Inc.	3,573,016	22,825,475	25,258	11.1
Macquarie Securites Limited	3,946,264	11,496,028	18,209	15.8
Nomura Securites International Inc.	1,449,828	11,744,309	15,013	12.8
Instinet, LLC	5,310,169	29,968,880	13,369	4.5
Barclays Capital Inc.	995,187	9,369,115	13,174	14.1
Other (<$10,000)	18,899,242	129,408,833	142,307	11.0
Total	**94,595,904**	**$ 588,228,697**	**$ 577,371**	**9.8**

Investment Summary as of June 30, 2011

Asset Type	PSRS Fair Value	PEERS Fair Value	Combined Funds	Percent of Total Fair Value FY 2011	Percent of Total Fair Value FY 2010
Public Risk Assets					
U.S. Public Equity	$ 8,418,980,353	$ 880,577,720	$ 9,299,558,073	30.2%	27.9%
Global Public Equity	4,857,038,793	535,667,505	5,392,706,298	17.5%	17.1%
Public Credit	2,371,335,107	277,382,532	2,648,717,639	8.6%	10.0%
Hedged Assets	3,848,345,039	395,925,669	4,244,270,708	13.8%	9.6%
Total Public Risk Assets	**19,495,699,292**	**2,089,553,426**	**21,585,252,718**	**70.1%**	**64.6%**
Safe Assets					
U.S. Treasuries	3,831,761,556	400,954,911	4,232,716,467	13.7%	16.2%
U.S. TIPS	885,896,163	93,989,950	979,886,113	3.2%	4.3%
Total Safe Assets	**4,717,657,719**	**494,944,861**	**5,212,602,580**	**16.9%**	**20.5%**
Private Risk Assets					
Private Real Estate	1,636,570,749	146,925,370	1,783,496,119	5.8%	4.4%
Private Equity	1,756,185,585	144,738,144	1,900,923,729	6.2%	5.5%
Private Credit	285,263,908	22,830,987	308,094,895	1.0%	1.3%
Total Private Risk Assets	**3,678,020,242**	**314,494,501**	**3,992,514,743**	**13.0%**	**11.2%**
Securities Lending Collateral	(26,752,053)	(2,290,236)	(29,042,289)	-0.1%	0.0%
Cash & Equivalents*	64,522,517	5,695,658	70,218,175	0.1%	3.7%
Total Investments*	**$ 27,929,147,717**	**$2,902,398,210**	**$30,831,545,927**	**100.0%**	**100.0%**
Reconciliation with financial statements					
Total from above	$ 27,929,147,717	$ 2,902,398,210	$ 30,831,545,927		
Accrued payable for investments purchased	3,956,370,759	401,631,911	4,358,002,670		
Accrued income payable	1,105,026	142,035	1,247,061		
Accrued receivable for investments sold	(1,927,700,680)	(209,549,833)	(2,137,250,513)		
Accrued income receivable	(64,224,855)	(7,233,238)	(71,458,093)		
Securities lending collateral	26,752,053	2,290,236	29,042,289		
Short-term investments designated for benefits	(57,906,737)	(5,086,284)	(62,993,021)		
Statement of Plan Net Assets	**$29,863,543,283**	**$3,084,593,037**	**$32,948,136,320**		

**Managers may hold cash or cash equivalents as part of an active management strategy. Cash or cash equivalents held as part of an active management strategy are not separately listed.*

*** Total Investments includes accrued income and securities lending collateral as of June 30, 2011.*

Investment Expenses for the Fiscal Year Ended June 30, 2011

Investment Managers	PSRS	PEERS	Total
Investment Management Fees			
NISA Investment Advisors - Core	$ 2,636,177	$ 286,777	$ 2,922,954
NISA Investment Advisors - TIPS	673,871	69,568	743,439
Safe Assets Fees	3,310,048	356,345	3,666,393
BlackRock Financial Management - Mortgages	452,796	76,958	529,754
NISA Investment Advisors - Corporate	768,178	82,661	850,839
Oaktree Bank Loans	1,247,541	84,330	1,331,871
Pacific Investment Management Company	5,648,115	670,726	6,318,841
Public Credit Fees	8,116,630	914,675	9,031,305
Alliance Capital Management	783,526	94,909	878,435
Analytic Investors, LLC	735,901	70,388	806,289
AQR Capital Management -140/40	856,581	76,381	932,962
Aronson & Johnson & Ortiz	1,755,782	153,785	1,909,567
Martingale Asset Management	832,249	54,590	886,839
State Street Global Advisors	620,810	68,897	689,707
Westwood Management	2,588,966	227,236	2,816,202
Zevenbergen Capital	954,305	92,894	1,047,199
U.S. Public Equity Fees	9,128,120	839,080	9,967,200
Alliance Bernstein Institutional Management	2,451,777	248,627	2,700,404
Analytic Investors, LLC - Global Low Vol	534,429	56,895	591,324
AQR Capital Management	1,667,889	198,770	1,866,659
Arrowstreet Capital	2,488,286	264,689	2,752,975
Artio Investment Management	1,406,768	150,982	1,557,750
Esemplia	1,911,775	193,292	2,105,067
INVESCO Global Asset Management	932,875	103,845	1,036,720
McKinley Capital Management	1,594,743	166,914	1,761,657
MFS Institutional Advisors	1,734,373	177,411	1,911,784
Neon Capital Management	1,091,644	121,294	1,212,938
State Street Global Advisors-ACWI EX. US GIMI PROV	425,146	37,041	462,187
The Rock Creek Group	256,615	28,513	285,128
T. Rowe Price International, Inc.	1,648,082	173,263	1,821,345
Global Public Equity Fees	18,144,402	1,921,536	20,065,938
Allianz	929,195	80,815	1,010,010
AQR Capital Management	613,140	69,315	682,455
Chartwell Investment Partners	504,274	54,398	558,672
Columbus Circle	831,508	69,342	900,850
NISA Investment Advisors	169,624	12,788	182,412
Next Century Growth Investors	1,089,131	115,993	1,205,124
Thomson, Horstmann & Bryant	1,203,573	126,985	1,330,558
S-Cap Fees	5,340,445	529,636	5,870,081
Alpha Overlay Fees	37,651,710	3,608,583	41,260,293
Hedged Assets Fees	102,216,013	10,536,379	112,752,392
Private Real Estate Fees	32,034,804	2,774,182	34,808,986
Private Credit Fees	24,398,876	2,126,591	26,525,467
Private Equity Fees	80,809,559	7,975,985	88,785,544
Commission Recapture Income	(63,401)	(7,532)	(70,933)
Investment Management Expense	321,087,206	31,575,460	352,662,666
Custodial Services			
State Street Bank & Trust Co.	313,404	30,996	344,400
JP Morgan Chase, NA	357,703	35,377	393,080
Custodial Fees	671,107	66,373	737,480
Investment Consultants			
Albourne America, LLC	364,000	36,000	400,000
Frank Russell Co.	307,816	37,102	344,918
Pathway Consulting	1,845,290	160,460	2,005,750
Risk Metrics - ISS	50,050	4,950	55,000
R.V. Kuhns and Associates, Inc.	38,824	3,840	42,664
Towers Watson	56,875	5,625	62,500
Townsend	318,500	31,500	350,000
Investment Consultant Fees	2,981,355	279,477	3,260,832
Staff Investment Expenses	1,783,415	1,129,272	2,912,687
Total Investment Expenses	$ 326,523,083	$ 33,050,582	$ 359,573,665

Strength

With a focus on the complexities of the plan and the utilization of theories to study uncertain future events, sound actuarial practices reflect the ***strength*** of the Systems- past, present and future. Our overall strength is built on consistent investment returns and contributions, and reinforced by ongoing actuarial analysis and study.

ACTUARIAL SECTION

CERTIFICATION OF ACTUARIAL RESULTS

October 25, 2011

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, 2011. 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 a fixed 30-year period, where a new 30-year gain or loss amortization base is established each year.

d. *Actuarial Assumptions* - The actuarial assumptions used in the valuation of each System are summarized in the following pages. An experience study was performed for each System during fiscal 2011 and, as a result, certain assumptions have been modified since the prior year. The Board adopted this set of assumptions effective for the actuarial valuations as of June 30, 2011 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.

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 (continued)

pwc

The Board's statement of funding policy provides that:

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

2. The actuarial funding method used shall be the Entry Age Normal Method with normal costs allocated as a percentage of payroll.

3. It shall be the general objective to maintain a fixed amortization period of 30 years or less in the funding of the UAAL. Effective with the 2007 Legislative session, any changes in the UAAL due to such changes in benefit structure shall be amortized over a fixed 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 by smoothing investment gains and losses 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.

It is the Board's intent to maintain the current contribution rates until the unfunded actuarial accrued liability of each System is fully amortized.

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,

Sheldon Gamzon, FSA, EA, MAAA	Brandon Robertson, ASA, EA, MAAA
Principal	Director

Calculation of Unfunded Actuarial Accrued Liability

PSRS
As of June 30, 2011

		Amount
(1) Present value of future benefits for:		
	Active members	$ 21,703,753,808
	State members	16,348,681
	Service retirees	19,055,450,501
	Disability retirees	177,188,558
	Tax-sheltered annuitants	618,704
	Beneficiaries and survivors	719,525,190
	Death benefits	70,918,046
	Inactive members	447,864,738
	Total	42,191,668,226
(2) Present value of future normal costs		7,808,237,651
(3) Actuarial accrued liability ((1)-(2))		34,383,430,575
(4) Actuarial value of assets		29,387,486,429
(5) Unfunded actuarial accrued liability ((3)-(4))		$ 4,995,944,146

Calculation of Unfunded Actuarial Accrued Liability

PEERS
As of June 30, 2011

		Amount
(1) Present value of future benefits for:		
	Active members	$ 3,241,175,659
	Service retirees	1,319,734,994
	Disability retirees	26,840,462
	Beneficiaries and survivors	52,044,918
	Inactive members	122,420,024
	Total	4,762,216,057
(2) Present value of future normal costs		1,212,867,594
(3) Actuarial accrued liability ((1)-(2))		3,549,348,463
(4) Actuarial value of assets		3,028,757,171
(5) Unfunded actuarial accrued liability ((3)-(4))		$ 520,591,292

Required Contribution Rate & Amortization of Unfunded Liability	
PSRS	
For the fiscal year ending June 30, 2013	
	Percentage of Payroll
(1) Total contribution rate, member plus employer	29.00%
(2) Normal cost rate	19.16%
(3) Approximate rate available for unfunded actuarial accrued liability ((1) - (2))	9.84%
(4) Rate needed to fund UAAL	6.94%
(5) Benchmark contribution rate - normal cost plus a rate to fund the UAAL over 30 years	26.10%
(6) Recommended rate for Fiscal Year 2013	29.00%

Required Contribution Rate & Amortization of Unfunded Liability	
PEERS	
For the fiscal year ending June 30, 2013	
	Percentage of Payroll
(1) Total contribution rate, member plus employer	13.72%
(2) Normal cost rate	10.80%
(3) Approximate rate available for unfunded actuarial accrued liability ((1) - (2))	2.92%
(4) Rate needed to fund UAAL	2.21%
(5) Benchmark contribution rate - normal cost plus a rate to fund the UAAL over 30 years	13.01%
(6) Recommended rate for Fiscal Year 2013	13.72%

Analysis of Actuarial Gains and Losses

PSRS
As of June 30, 2011
(Dollar amounts in thousands)

(1) Unfunded actuarial liability as of July 1, 2010		$ 8,302,271
(2) Normal cost for 2011 plan year (mid-year)		987,255
(3) Contribution expected to be received during year		(1,408,377)
(4) Interest to year end at 8.00% on (1), (2) and (3)		647,337
(5) Expected unfunded actuarial liability as of June 30, 2011		8,528,486
(6) Contribution shortfall		175,288
(7) Actuarial (gain)/loss during the year		
a. From investment	$ 1,156,342	
b. From actuarial liabilities	(283,575)	
c. From assumption changes	(4,580,597)	
d. Total		(3,707,830)
(8) Actual unfunded actuarial liability as of June 30, 2011		$ 4,995,944

Analysis of Actuarial Gains and Losses

PEERS
As of June 30, 2011
(Dollar amounts in thousands)

(1) Unfunded actuarial liability as of July 1, 2010		$ 766,302
(2) Normal cost for 2011 plan year (mid-year)		157,889
(3) Contribution expected to be received during year		(196,702)
(4) Interest to year end at 8.00% on (1), (2) and (3)		59,752
(5) Expected unfunded actuarial liability as of June 30, 2011		787,241
(6) Contribution shortfall		10,094
(7) Actuarial (gain)/loss during the year		
a. From investment	$ 106,908	
b. From actuarial liabilities	(84,511)	
c. From assumption changes	(299,141)	
d. Total		(276,744)
(8) Actual unfunded actuarial liability as of June 30, 2011		$ 520,591

Schedule of PSRS Active Member Valuation Data

Actuarial Valuation Date	Number of Members	Covered Annual Payroll (000's)	Average Annual Salary	% Increase in Average Salary	Average Attained Age	Average Years of Service
6/30/2002	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
6/30/2011	77,708	4,338,976	55,837	-1.5	42.3	11.5

Schedule of PEERS Active Member Valuation Data

Actuarial Valuation Date	Number of Members	Covered Annual Payroll (000's)	Average Annual Salary	% Increase in Average Salary	Average Attained Age	Average Years of Service
6/30/2002	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	7.5
6/30/2010	50,363	1,433,691	28,467	2.9	47.5	8.0
6/30/2011	48,800	1,414,442	28,984	1.8	47.9	8.3

Solvency Test

PSRS
(Dollar amounts in thousands)

	Actuarial Accrued Liability for:						
Actuarial Valuation Date	Member Contributions	Current Retirees & Beneficiaries	Active & Inactive Members Employer Financed Portion	Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Assets for:		
	(1)	(2)	(3)		(1)	(2)	(3)
6/30/2002	$ 4,354,507	$ 10,589,546	$ 8,389,885	$ 22,236,105	100.00 %	100.00 %	86.90%
6/30/2003	4,687,227	11,387,543	8,644,680	20,047,982	100.00	100.00	46.00
6/30/2004	4,954,080	12,625,925	8,645,254	21,501,572	100.00	100.00	45.40
6/30/2005	5,119,055	13,976,901	8,785,557	23,049,441	100.00	100.00	45.00
6/30/2006	5,453,906	15,371,279	9,211,945	24,801,644	100.00	100.00	43.20
6/30/2007	5,787,667	17,059,613	9,549,443	27,049,004	100.00	100.00	44.00
6/30/2008	6,174,718	18,548,552	9,767,182	28,751,241	100.00	100.00	41.20
6/30/2009	6,299,067	19,745,129	10,015,925	28,826,075	100.00	100.00	27.80
6/30/2010	6,506,803	20,532,011	10,194,788	28,931,331	100.00	100.00	18.60
6/30/2011	6,571,916	20,023,701	7,787,813	29,387,486	100.00	100.00	35.80

Solvency Test

PEERS
(Dollar amounts in thousands)

	Actuarial Accrued Liability for:						
Actuarial Valuation Date	Member Contributions	Current Retirees & Beneficiaries	Active & Inactive Members Employer Financed Portion	Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Assets for:		
	(1)	(2)	(3)		(1)	(2)	(3)
6/30/2002	$ 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
6/30/2011	783,112	1,398,620	1,367,616	3,028,757	100.00	100.00	61.9

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
2010-2011									
Service Retirees	3,145	$ 115,976,129	891	$ 25,543,283	43,718	$ 1,667,760,851	$ 38,148	5.77 %	0.31 %
Disability Retirees	76	2,095,095	36	885,453	761	18,538,146	24,360	6.98	1.36
Beneficiaries	347	7,794,495	194	3,208,289	3,435	82,616,257	24,051	5.86	1.14
Note: 151 retirees and beneficiaries had their benefit on hold at June 30, 2011 and were not included in the payment rolls at the end of the year.									
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	868,872	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	$ 1,159,507,692	$ 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

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
2010-2011									
Service Retirees	1,675	$ 16,740,804	595	$ 2,955,819	19,354	$ 137,682,745	$ 7,114	9.86 %	3.73 %
Disability Retirees	73	411,908	31	165,052	617	2,838,986	4,601	9.53	2.06
Beneficiaries	114	672,098	73	276,872	1,263	5,980,471	4,735	7.08	3.61
Note: 94 retirees and beneficiaries had their benefit on hold at June 30, 2011 and were not included in the payment rolls at the end of the year.									
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

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 acts as an advisor to the Board on all matters pertaining to the System.

Member Participation – PSRS membership is automatic 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. The vast majority of PSRS members are not covered by Social Security. However, there are a few exceptions due to specific guidance from the Social Security Administration. Those members who are also covered by Social Security contribute to PSRS at two-thirds the rate of other members and receive two-thirds benefits.

Members working in covered employment are considered active members. Such members contribute 14.0% (14.5% effective July 1, 2011) 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, 2011 was 1%. Since PSRS is a defined benefit plan, benefits are based upon the member's final average salary and years of credit. 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 14.0% (14.5% effective July 1, 2011) 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 needed data when members apply for monthly 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 Joint-and-Survivor 100% benefit plan. Such benefits are payable when the member would have been eligible for early or normal service retirement.

Refund of Contributions – Member contributions and interest are fully refundable upon termination of covered employment or death. All credit and benefit rights are forfeited upon voluntary refund 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 have met service and eligibility requirements and 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 credit.

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 months to arrive at a monthly average; the applicable factor is determined by the type of retirement eligibility; total credit is the amount accumulated at retirement for covered employment and purchased credit; and the age-reduction factor, when 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 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 credit.

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% with no age-reduction factor applied.

Payment Options – A retiring member may choose to receive the maximum benefits payable under the Single Life benefit plan, or may elect to receive a reduced benefit under one of three Joint-and-Survivor benefit plans or under one of two Term-Certain benefit plans, 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 benefit plan is elected and/or if an age-reduction 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 benefit plan is selected.

The Partial Lump Sum Option (PLSO) is available to qualified members. This option allows qualified members to choose 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. Lifetime COLAs are limited to 80% of the original retirement benefit.

The Department of Labor Consumer Price Index for Urban Consumers (CPI-U) for the previous fiscal year is used as a guideline for the annual COLA which is set by the PSRS/PEERS Board of Trustees. By law, if the change in CPI-U is 2% or more, the COLA must be at least 2%, but no more than 5%. If the change in CPI-U is between 0% and 2%, the Board may grant a COLA of 0% to 5%. If the change in CPI-U is less than 0%, no increase can be given. If it is more than 5%, the Board is required to give a 5% increase. Under the Funding Stabilization Policy adopted by the Board in August 2011, a 2% COLA will be given whenever the change in CPI-U for the previous year is between 0% and 5%.

Member Handbook – A ***Member Handbook*** containing detailed information concerning the retirement program is available on our website or 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, routine operation of the System, and acts as an 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 PSRS 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 6.63% (6.86% effective July 1, 2011) 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 members are also covered by Social Security.

PEERS membership can be elected by employees with Missouri educator 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, 2011. Since PEERS is a defined benefit plan, benefits are based upon the member's final average salary and years of credit. 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 6.63% (6.86% effective July 1, 2011) 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 a lump-sum refund, survivors with an insurable interest and beneficiaries of disability retirees may elect to receive monthly benefits under the Joint-and-Survivor 100% benefit plan. Such benefits are payable when the member would have been eligible for early or normal service retirement.

Refund of Contributions – Member contributions and interest are fully refundable upon termination of covered employment or death. All credit and benefit rights are forfeited upon voluntary refund 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 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 covered employment and who 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 months to arrive at a monthly average; the applicable factor is determined by the type of retirement eligibility; total credit is the amount accumulated at retirement for covered employment and purchased credit; and the age-reduction factor, when 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 credit equals 80 or more (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 reaching 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% with no age-reduction factor applied.

Payment Options – A retiring member may choose to receive the maximum benefits payable under the Single Life benefit plan, or may choose to receive a reduced benefit under one of three Joint-and-Survivor benefit plans or under one of two Term-Certain benefit plans, 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 choose 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. Lifetime COLAs are limited to 80% of the original retirement benefit.

The Department of Labor Consumer Price Index for Urban Consumers (CPI-U) for the previous fiscal year is used as a guideline for the annual COLA which is set by the PSRS/PEERS Board of Trustees. By law, if the change in CPI-U is 2% or more, the COLA must be at least 2%, but no more than 5%. If the change in CPI-U is between 0% and 2%, the Board may grant a COLA of 0% to 5%. If the change in CPI-U is less than 0%, no increase can be given. If it is more than 5%, the Board is required to give a 5% increase. Under the Funding Stabilization Policy adopted by the Board in August 2011, a 2% COLA will be given whenever the change in CPI-U for the previous year is between 0% and 5%.

Member Handbook – A ***Member Handbook*** containing detailed information concerning the retirement program is available on our website or can be obtained from the retirement office upon request.

PSRS AND PEERS SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Inflation

Inflation is assumed to be 2.50% per year (effective 6/30/11).

Payroll Growth

Total payroll growth for PSRS is assumed to be 3.50% per year, consisting of 2.50% inflation, 0.50% additional inflation due to the inclusion of healthcare costs in pension earnings, and 0.50% of real wage growth (effective 6/30/11).

Total payroll growth for PEERS is assumed to be 3.75% per year, consisting of 2.50% inflation, 0.75% additional inflation due to the inclusion of healthcare costs in pension earnings, and 0.50% of real wage growth (effective 6/30/11).

Individual Salary Growth

Salaries are assumed to increase each year with general inflation of 2.50%, plus healthcare inflation of 0.50% for PSRS and 0.75% for PEERS (since healthcare costs are included in pension earnings), plus a longevity adjustment that accounts for merit, promotion, and other real wage growth (effective 6/30/11).

PSRS – Individual Salary Growth

Service	General Inflation	Healthcare Inflation	Longevity	Total Increase
0	2.50%	0.50%	7.00%	10.00%
1-4	2.50%	0.50%	4.00%	7.00%
5	2.50%	0.50%	3.80%	6.80%
6	2.50%	0.50%	3.60%	6.60%
7	2.50%	0.50%	3.40%	6.40%
8	2.50%	0.50%	3.20%	6.20%
9	2.50%	0.50%	3.00%	6.00%
10	2.50%	0.50%	2.80%	5.80%
11	2.50%	0.50%	2.60%	5.60%
12	2.50%	0.50%	2.40%	5.40%
13	2.50%	0.50%	2.20%	5.20%
14	2.50%	0.50%	2.00%	5.00%
15	2.50%	0.50%	2.00%	5.00%
16	2.50%	0.50%	1.90%	4.90%
17	2.50%	0.50%	1.90%	4.90%
18	2.50%	0.50%	1.80%	4.80%
19	2.50%	0.50%	1.80%	4.80%
20	2.50%	0.50%	1.70%	4.70%
21	2.50%	0.50%	1.70%	4.70%
22	2.50%	0.50%	1.60%	4.60%
23	2.50%	0.50%	1.60%	4.60%
24	2.50%	0.50%	1.50%	4.50%
25	2.50%	0.50%	1.50%	4.50%
26	2.50%	0.50%	1.40%	4.40%
27	2.50%	0.50%	1.30%	4.30%
28	2.50%	0.50%	1.20%	4.20%
29	2.50%	0.50%	1.10%	4.10%
30+	2.50%	0.50%	1.00%	4.00%

PEERS – Individual Salary Growth

Service	General Inflation	Healthcare Inflation	Longevity	Total Increase
0	2.50%	0.75%	8.75%	12.00%
1	2.50%	0.75%	4.00%	7.25%
2	2.50%	0.75%	3.50%	6.75%
3	2.50%	0.75%	3.25%	6.50%
4	2.50%	0.75%	3.00%	6.25%
5	2.50%	0.75%	2.90%	6.15%
6	2.50%	0.75%	2.80%	6.05%
7	2.50%	0.75%	2.70%	5.95%
8	2.50%	0.75%	2.60%	5.85%
9	2.50%	0.75%	2.50%	5.75%
10	2.50%	0.75%	2.40%	5.65%
11	2.50%	0.75%	2.30%	5.55%
12	2.50%	0.75%	2.20%	5.45%
13	2.50%	0.75%	2.10%	5.35%
14	2.50%	0.75%	2.00%	5.25%
15	2.50%	0.75%	1.95%	5.20%
16	2.50%	0.75%	1.90%	5.15%
17	2.50%	0.75%	1.85%	5.10%
18	2.50%	0.75%	1.80%	5.05%
19	2.50%	0.75%	1.75%	5.00%
20+	2.50%	0.75%	1.75%	5.00%

Investment Return

It is assumed that investments of the System will return a yield of 8.0% per year, net of System expenses (investment and administrative) (effective 1980).

Cost-of-Living Adjustments

The cost of living adjustment assumed in the valuation is 2.0% per year, based on the current policy of the Board to grant a 2.0% COLA whenever annual inflation, as measured by the CPI-U index for a fiscal year, increases between 0.00% and 5.0%. The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over age 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. Future COLAs for current benefit recipients reflect actual cumulative adjustments granted at the time of valuation (effective 6/30/11).

Mortality Rates

Mortality Rates for active members are based on the RP 2000 Mortality Table, set back one year for males and six years for females, then projected to 2016 using Scale AA. Illustrative rates per 1,000 members at various ages are as follows (effective 6/30/11):

PSRS and PEERS Active Member Mortality

Age	Male	Female
20	0.244	0.131
30	0.380	0.171
40	0.898	0.342
50	1.492	0.782
60	4.593	2.237
70	15.549	7.955
80	49.322	22.752
90	156.083	66.254
100	324.963	179.896
110	400.000	279.055

Mortality Rates for non-disabled retirees and beneficiaries are based on the RP 2000 Mortality Table, set back one year for both male and female members of PSRS and one year for male members of PEERS, then projected to 2016 using Scale AA. Illustrative rates per 1,000 members at various ages are as follows (effective 6/30/11):

PSRS Service Retiree, Beneficiary and Survivor Mortality

Age	Male	Female
40	0.898	0.509
50	1.492	1.178
60	4.593	4.099
70	15.549	13.715
80	49.322	37.094
90	156.083	113.562
100	324.963	227.712
110	400.000	351.544

PEERS Service Retiree, Beneficiary and Survivor Mortality

Age	Male	Female
20	0.263	0.148
30	0.461	0.225
40	1.004	0.554
50	1.831	1.274
60	5.930	4.665
70	19.292	15.452
80	61.340	41.002
90	187.360	125.502
100	352.933	233.696
110	400.000	364.617

Mortality Rates for disabled retirees are based on the RP 2000 Disabled Retiree Mortality Table. Illustrative rates per 1,000 members at various ages are as follows (effective 6/30/11):

PSRS and PEERS Disability Retiree Mortality

Age	Male	Female
40	22.571	7.450
50	28.975	11.535
60	42.042	21.839
70	62.583	37.635
80	109.372	72.312
90	183.408	140.049
100	344.556	237.467
110	400.000	364.617

Retirement Rates

Prior to July 1, 2013, retirement is assumed in accordance with the following rates per 1,000 eligible PSRS members (effective 6/30/11):

PSRS Active Member Retirement Prior to July 1, 2013

	Years of Credit											
Age	<=20	21	22	23	24	25	26	27	28	29	30	>=31
<50	0	0	0	0	0	50	50	50	50	50	200	400
50	0	0	0	0	0	50	50	50	50	50	200	400
51	0	0	0	0	0	50	50	50	50	200	200	400
52	0	0	0	0	0	50	50	50	200	200	200	400
53	0	0	0	0	0	50	50	300	200	200	200	400
54	0	0	0	0	0	50	300	200	200	200	200	400
55	50	50	50	50	50	400	200	200	200	200	200	400
56	50	50	50	50	400	200	200	200	200	200	200	400
57	50	50	50	400	200	200	200	200	200	200	200	400
58	50	50	400	200	200	200	200	200	200	200	200	400
59	50	400	200	200	200	200	200	200	200	200	200	400
60	150	150	150	150	150	200	200	200	200	200	200	400
61	150	150	150	150	150	200	200	200	200	200	200	400
62	150	150	150	150	150	200	200	200	200	200	200	400
63	150	150	150	150	150	200	200	200	200	200	200	400
64	150	150	150	150	150	200	200	200	200	200	200	400
65	250	250	250	250	250	400	400	400	400	400	400	400
66	250	250	250	250	250	300	300	300	300	300	300	400
67	250	250	250	250	250	300	300	300	300	300	300	400
68	250	250	250	250	250	300	300	300	300	300	300	400
69	250	250	250	250	250	300	300	300	300	300	300	400
>70	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000

After June 30, 2013, retirement is assumed in accordance with the following rates per 1,000 PSRS eligible members (effective 6/30/11):

PSRS Active Member Retirement After June 30, 2013

	Years of Credit											
Age	<=20	21	22	23	24	25	26	27	28	29	30	>=31
<50	0	0	0	0	0	0	0	0	0	0	450	450
50	0	0	0	0	0	0	0	0	0	0	450	450
51	0	0	0	0	0	0	0	0	0	200	450	450
52	0	0	0	0	0	0	0	0	200	200	450	450
53	0	0	0	0	0	0	0	300	200	200	450	450
54	0	0	0	0	0	0	300	200	200	200	450	450
55	50	50	50	50	50	400	200	200	200	200	450	450
56	50	50	50	50	400	200	200	200	200	200	450	450
57	50	50	50	400	200	200	200	200	200	200	450	450
58	50	50	400	200	200	200	200	200	200	200	450	450
59	50	400	200	200	200	200	200	200	200	200	450	450
60	150	150	150	150	150	200	200	200	200	200	450	450
61	150	150	150	150	150	200	200	200	200	200	450	450
62	150	150	150	150	150	200	200	200	200	200	450	450
63	150	150	150	150	150	200	200	200	200	200	450	450
64	150	150	150	150	150	200	200	200	200	200	450	450
65	250	250	250	250	250	400	400	400	400	400	450	450
66	250	250	250	250	250	300	300	300	300	300	450	450
67	250	250	250	250	250	300	300	300	300	300	450	450
68	250	250	250	250	250	300	300	300	300	300	450	450
69	250	250	250	250	250	300	300	300	300	300	450	450
70	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000

PEERS retirement is assumed in accordance with the following rates per 1,000 eligible members (effective 6/30/11):

PEERS Retirement Rates

	Years of Credit						
Age	<=25	25	26	27	28	29	30+
<50	0	50	50	50	50	50	150
50	0	50	50	50	50	50	250
51	0	50	50	50	50	250	150
52	0	50	50	50	250	150	150
53	0	50	50	250	150	150	150
54	0	50	250	150	150	150	150
55	30	270	170	170	170	170	170
56	30	170	170	170	170	170	170
57	30	170	170	170	170	170	170
58	30	170	170	170	170	170	170
59	30	170	170	170	170	170	170
60	160	160	160	160	160	160	160
61	100	100	100	100	100	100	100
62	240	240	240	240	240	240	240
63	200	200	200	200	200	200	200
64	140	140	140	140	140	140	140
65	260	260	260	260	260	260	260
66	200	200	200	200	200	200	200
67	200	200	200	200	200	200	200
68	200	200	200	200	200	200	200
69	200	200	200	200	200	200	200
70	200	200	200	200	200	200	200
71	200	200	200	200	200	200	200
72	200	200	200	200	200	200	200
73	200	200	200	200	200	200	200
74	200	200	200	200	200	200	200
75+	1000	1000	1000	1000	1000	1000	1000

Refund Rates

Termination of membership prior to eligibility for retirement from all causes other than death, disability or retirement, whether resulting in a refund or a deferred benefit, is assumed in accordance with the following illustrative rates per 1,000 members (2006).

PSRS

Years of Credit	Rate
0	190.0
1	105.0
2	85.0
3	73.0
4	62.0
5	52.0
10	23.0
15	12.0
20	5.0
25+	0.0

PEERS

Years of Credit	Rate
0	300.0
1	220.0
2	150.0
3	120.0
4	100.0
5	81.0
10	48.0
15	33.0
20	18.0
25+	0.0

Refund of Contributions

It is assumed that 88% of those leaving after earning five years of credit with PSRS leave their contributions in the fund and receive a vested benefit. The remaining 12% are assumed to take an immediate refund of their contributions, thus forfeiting their vested retirement benefit. If the present value of the deferred benefit is less than the member account balance, the member's account balance is valued (effective 6/30/11).

It is assumed that 80% of those leaving after earning five years of credit with PEERS leave their contributions in the fund and receive a vested benefit. The remaining 20% are assumed to take an immediate refund of their contributions, thus forfeiting their vested retirement benefit. If the present value of the deferred benefit is less than the member account balance, the member's account balance is valued (effective 6/30/11).

It is assumed that 100% of those leaving prior to earning five years of credit will take an immediate refund of their contributions.

Disability Rates

Retirement for disability prior to age 60 is assumed in accordance with the following illustrative rates per 1,000 eligible members (effective 6/30/11):

PSRS

Age	Rates
25	0.017
30	0.080
35	0.160
40	0.320
45	0.610
50	0.960
55	1.310

PEERS

Age	Rates
30	0.080
35	0.160
40	0.320
45	0.640
50	1.040
55	1.680
	0.000

Interest on Member Accounts

1.00% per annum (6/30/10).

Service Purchases

A 2.0% load is added to the Normal Cost to account for anticipated losses resulting from credit purchases and reinstatements (effective 6/30/11).

Provisions for Expenses

There is no specific provision for expenses. The implicit assumption is that administrative expenses are paid from investment income in excess of 8.0% per year (effective 1980).

Dependent Assumptions

(Effective 6/30/11)

- 80% of male members and 70% of female members are assumed to be married.
- Beneficiaries are assumed to be of the opposite sex from the member.
- Male and female members are assumed to be four years older than their beneficiary.

Joint-and-Survivor Election

To recognize the subsidy present in the joint-and-survivor reduction factors calculated without provision for cost-of-living adjustments, the active member costs resulting from all decrements except disability and refunds were loaded by 0.4%.

Survivor Benefits (PSRS only)

All active members under age 50 are assumed to have two dependent children. Each child is assumed to receive payments of $860 per month for 18 years if the member is under age 32, and grading down to 0 years if the member is age 50 (effective 6/30/11).

Return of Unused Member Account Balance

Under the Single Life benefit plan, any unused balance of contributions and interest in the member account balance at the time of death is paid in a lump sum to a designated beneficiary. This benefit is approximated with a five-year certain benefit.

Actuarial Cost Method

The actuarial cost method is Entry Age Normal-Level Percent of Payroll.

The normal cost is calculated separately for each active member and is equal to the level percentage of payroll needed as an annual contribution from entry age to retirement age to fund projected benefits. The actuarial accrued liability on any valuation date is the accumulated value of such normal costs from entry age to the valuation date (effective 1947).

Asset Valuation Method

The Actuarial Value of Assets is a smoothed value of assets. The actuarial value for a year is computed by taking the actuarial value at June 30 of the prior year, subtracting all expenses (including benefit payments), and adding contributions and expected investment return at 8% of actuarial value of assets. The difference between the actual returns at market value for the year and expected returns is determined. Twenty percent of that difference is added to the actuarial value along with corresponding amounts from each of the prior four years. The Actuarial Value of Assets was reset to market value at June 30, 2003 (effective 1994).

Amortization of Unfunded Actuarial Accrued Liability

Gains and losses occurring from census experience different than assumed and assumption changes are amortized over a 30-year period as a level percent of payroll. A new gain or loss base is established each year based on the additional gain or loss during that year and that base is amortized over a new 30-year period. The purpose of the method is to give a smooth progression of the costs from year to year and, at the same time, provide for an orderly funding of the unfunded liabilities. Increases or decrease in the Actuarial Accrued Liability caused by changes in the benefit provisions are amortized over 20 years, as determined in the 2007 session of the Legislature.

The method for amortizing the unfunded Actuarial Accrued Liability was changed from a rolling 30-year method to the closed 30-year method described above effective June 30, 2011.

Note: Dates reflect the effective date as adopted by the Board of Trustees. The most recent assumption analysis was performed as of June 30, 2011. The revised assumptions were used for the June 30, 2011 valuation.

Strength

Statistics, it is often said, can demonstrate any "facts" we choose. But statistics, when used properly and insightfully, provide a barometer of achievement. Measurement and statistical analysis are a necessary part of maintaining the financial ***strength*** of the Retirement Systems.

STATISTICAL SECTION

STATISTICAL SUMMARY

Benefit Recipients

The largest percentage of the Systems' benefit recipients are service retirees. Service retirement benefits are payable to members who have met age and service requirements. The number of PSRS service retirees on the payment rolls increased by 2,254 from 41,464 at June 30, 2010 to 43,718 at June 30, 2011. The number of PEERS service retirees on the payment rolls increased by 1,080 from 18,274 at June 30, 2010 to 19,354 at June 30, 2011. An additional 61 PSRS service retirees and 90 PEERS service retirees had their benefit on hold at June 30, 2011.

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 on the payment rolls increased by 40 from 721 at June 30, 2010 to 761 at June 30, 2011. An additional two disability retirees had their benefit on hold. The number of PEERS disability retirees on the payment rolls increased by 42 from 575 at June 30, 2010 to 617 at June 30, 2011. An additional three disability retirees had their benefit on hold.

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

The charts on page 108 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 116 show a comparison of the assets and liabilities of the Systems over time. At June 30, 2011, PSRS was 85.5% pre-funded and PEERS was 85.3% pre-funded. These percentages have increased from the June 30, 2010 pre-funded percentages of 77.7% for PSRS and 79.1% for PEERS.

Changes in Net Assets

The charts on page 109 detail a 10-year history of the additions (revenue) and deductions (expenses) of the Systems.

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

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

PSRS Summary of Benefits By Type

Amount of Monthly Benefit	Service Retirement	Disability Retirement	Beneficiary Recipients: Disability	Survivors	Beneficiary	Term-Certain	Total
<$1,000	3,727	43	102	741	378	3	4,994
$1,000 - $1,999	5,995	367	56	3	762	3	7,186
$2,000 - $2,999	10,593	278	12	-	641	6	11,530
$3,000 - $3,999	11,409	67	2	-	447	8	11,933
$4,000 - $4,999	7,290	6	1	-	215	4	7,516
$5,000 - $5,999	3,033	2	-	-	100	1	3,136
$6,000+	1,732	-	-	-	38	-	1,770
Total	43,779	763	173	744	2,581	25	48,065

PEERS Summary of Benefits By Type

Amount of Monthly Benefit	Service Retirement	Disability Retirement	Beneficiary Recipients: Disability	Survivors*	Beneficiary	Term-Certain	Total
<$500	11,645	456	132	-	802	17	13,052
$500 - $599	4,544	147	17	-	206	6	4,920
$1,000 - $1,999	2,549	17	2	-	70	3	2,641
$2,000 - $2,999	493	-	-	-	7	-	500
$3,000 - $3,999	140	-	-	-	2	-	142
$4,000+	73	-	-	-	-	-	73
Total	19,444	620	151	-	1,087	26	21,328

** benefit not available in PEERS*

PSRS Schedules of Changes in Plan Net Assets, Last 10 Fiscal Years

(Dollar amounts in thousands)

	Fiscal Year 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Additions by source										
Member contributions	$ 356,685	$ 378,434	$ 405,614	$ 432,500	$ 502,980	$ 514,163	$ 572,810	$ 599,582	$ 636,633	$ 638,357
Employer contributions	340,000	355,979	359,763	389,416	429,579	472,217	521,242	563,454	594,326	594,732
Investment income	(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	5,018,518
Other income	2,761	351	488	476	264	280	370	627	867	930
Total additions by source	116,488	1,608,104	3,168,431	2,781,014	3,168,659	5,111,824	(291,279)	(4,137,711)	3,954,858	6,252,537
Deductions by type										
Monthly benefits										
Service retirement	810,898	877,538	958,181	1,057,430	1,152,217	1,254,164	1,363,571	1,490,693	1,584,382	1,674,931
Service retirement-PLSO	-	-	9,176	32,479	40,177	52,122	59,793	74,042	52,117	69,956
Disability	11,621	11,901	12,720	13,613	14,297	14,982	15,599	16,355	17,284	18,406
Beneficiary	37,916	41,011	44,663	49,056	54,148	59,295	64,011	70,518	75,922	82,327
Lump-sum refunds										
Death	6,872	6,781	7,173	6,131	7,188	6,801	7,058	7,274	7,075	7,763
Refunds/transfers	24,907	21,693	28,845	28,215	29,206	37,209	39,243	39,134	41,084	45,876
Administrative expenses/other	4,486	4,675	5,274	5,614	6,754	7,113	8,074	10,135	10,430	8,838
Total deductions by type	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	1,908,097
Changes in plan net assets	$(780,212)	$ 644,505	$2,102,399	$1,588,476	$ 1,864,672	$3,680,138	$(1,848,628)	$(5,845,862)	$2,166,564	$4,344,440

PEERS Schedules of Changes in Plan Net Assets, Last 10 Fiscal Years

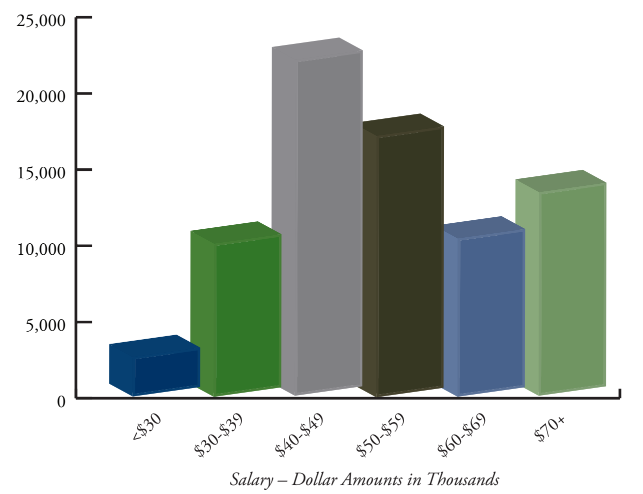
(Dollar amounts in thousands)

	Fiscal Year 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Additions by source										
Member contributions	$ 46,217	$ 48,994	$ 50,625	$ 55,699	$ 68,018	$ 73,071	$ 81,370	$ 89,427	$ 95,924	$ 95,792
Employer contributions	45,773	48,933	49,977	53,110	61,746	69,235	77,989	85,916	91,479	90,816
Investment income	(46,732)	73,188	198,389	170,921	197,629	373,198	(130,619)	(489,552)	261,135	502,934
Other income	26	16	10	9	3	-	-	1	-	-
Total additions by source	45,284	171,131	299,001	279,739	327,396	515,504	28,740	(314,208)	448,538	689,542
Deductions by type										
Monthly benefits										
Service retirement	56,305	63,333	69,899	77,333	84,664	93,716	104,352	115,757	124,928	136,912
Service retirement-PLSO	-	-	520	1,527	2,487	3,454	3,133	3,676	2,972	5,178
Disability	1,304	1,448	1,503	1,686	1,840	1,968	2,125	2,353	2,514	2,798
Beneficiary	2,262	2,618	2,949	3,360	3,670	4,044	4,454	4,881	5,382	5,881
Lump-sum refunds										
Death	425	475	593	647	542	816	675	765	790	1,047
Refunds/transfers	7,441	7,559	9,827	11,245	11,502	12,883	14,833	14,908	15,921	17,776
Administrative expenses/other	2,575	2,946	3,210	3,564	4,358	4,427	4,682	5,440	5,280	5,611
Total deductions by type	70,312	78,379	88,501	99,362	109,063	121,308	134,254	147,780	157,787	175,203
Changes in plan net assets	$ (25,028)	$ 92,752	$ 210,500	$ 180,377	$ 218,333	$ 394,196	$ (105,514)	$ (461,988)	$ 290,751	$ 514,339

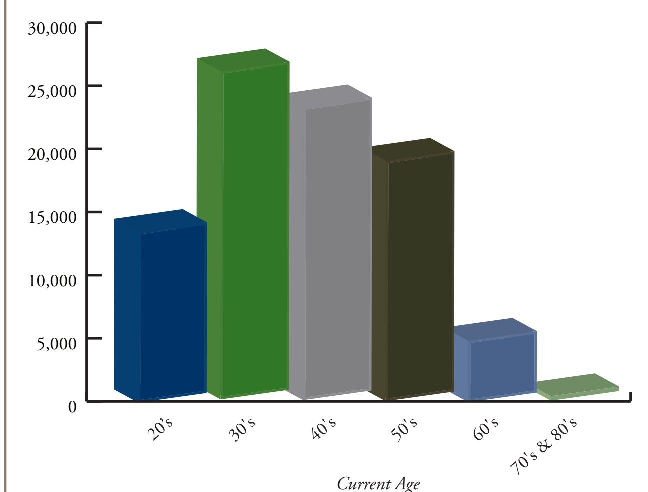
PSRS Summary of Changes in Membership During 2010-2011

		Male	Female	Total
Membership July 1, 2010		19,803	70,612	90,415
New members added		1,070	3,325	4,395
Less:	Service retirements	650	2,472	3,122
	Disability retirements	16	59	75
	Refunds	477	1,407	1,884
	Deaths	37	57	94
	Memberships terminated	72	323	395
	Other	(25)	(23)	(48)
		1,227	4,295	5,522
Net change in membership 2010-2011		(157)	(970)	(1,127)
Membership June 30, 2011		19,646	69,642	89,288

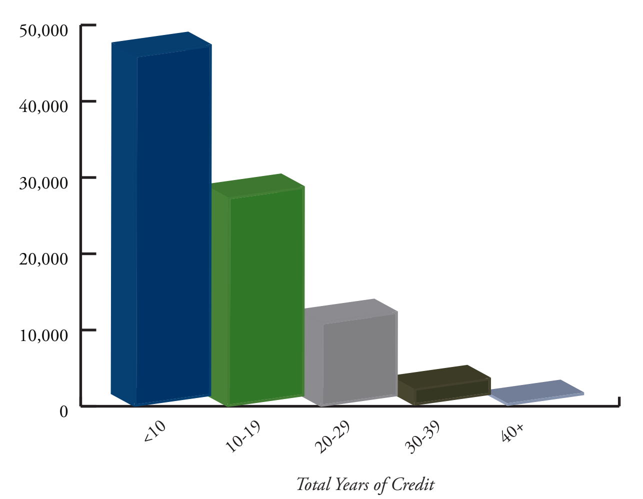
2010-2011 PSRS Members by Annual Salary



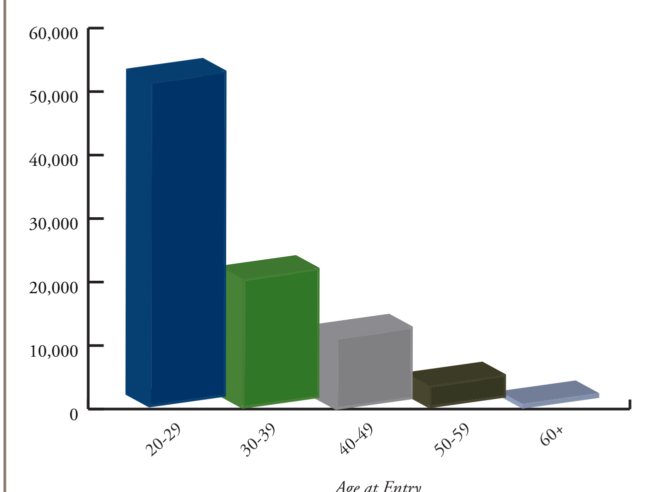
2010-2011 PSRS Members by Current Age



2010-2011 PSRS Members by Total Years of Credit



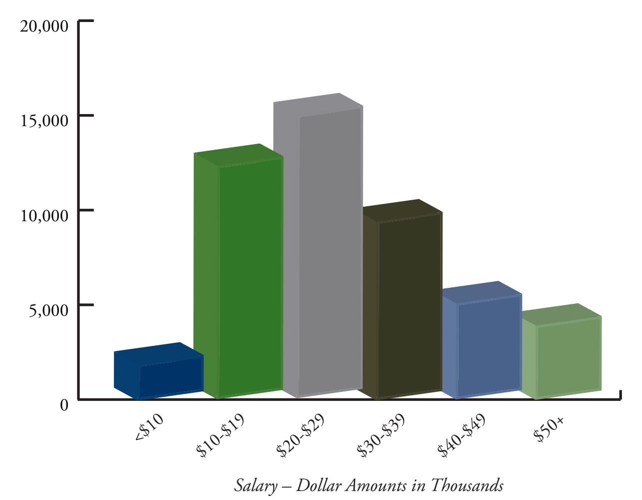
2010-2011 PSRS Member Age at Entry Into System



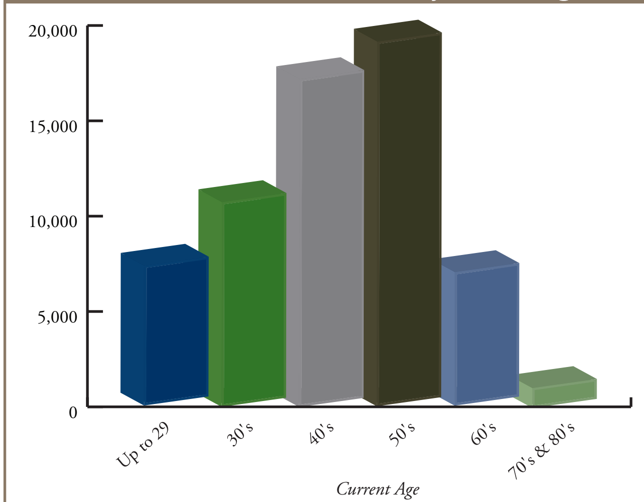
PEERS Summary of Changes in Membership During 2010-2011

		Male	Female	Total
Membership July 1, 2010		15,929	49,789	65,718
New members added		1,810	3,598	5,408
Less:	Service retirements	452	1,204	1,656
	Disability retirements	19	53	72
	Refunds	1,091	2,633	3,724
	Deaths	45	67	112
	Memberships terminated	363	991	1,354
	Other	(3)	9	6
		1,967	4,957	6,924
Net change in membership 2010-2011		(157)	(1,359)	(1,516)
Membership June 30, 2011		15,772	48,430	64,202

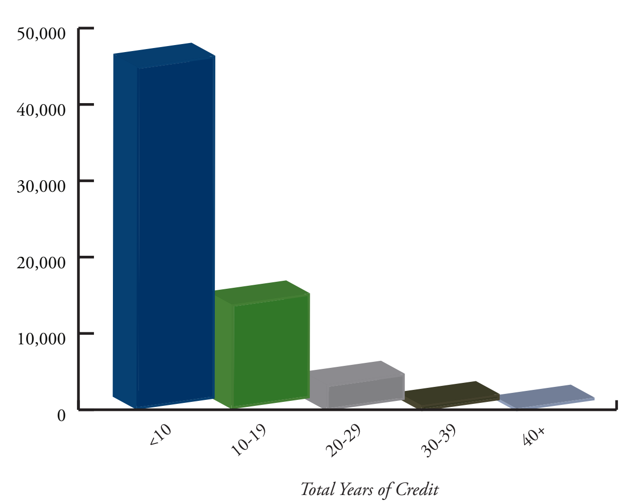
2010-2011 PEERS Members by Annual Salary



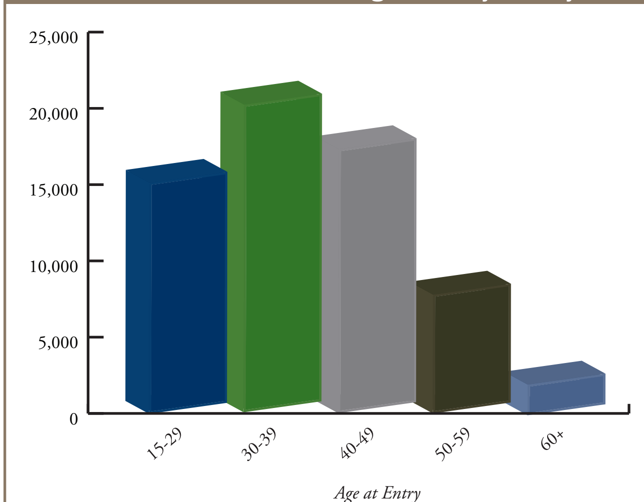
2010-2011 PEERS Members by Current Age



2010-2011 PEERS Members by Total Years of Credit



2010-2011 PEERS Member Age at Entry Into System

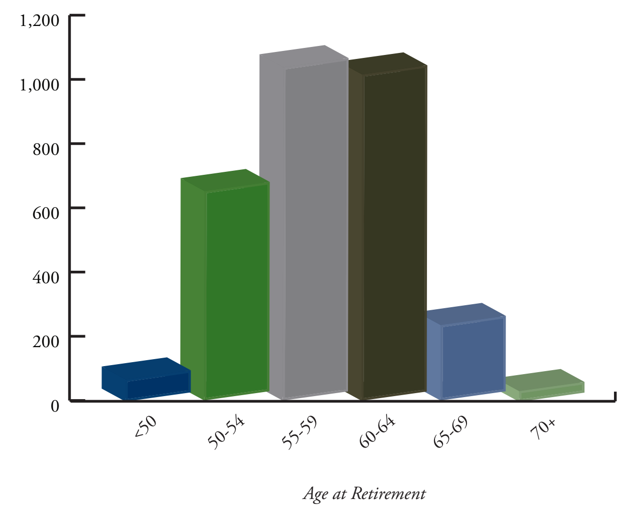


PSRS 2010-2011 New Service Retirees

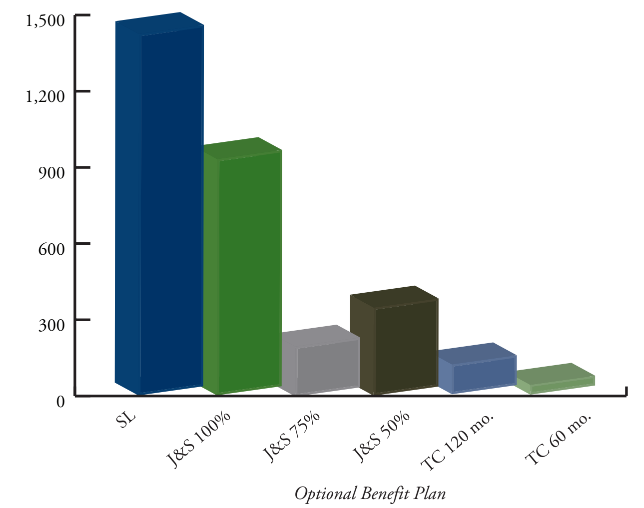
	Service Retirees	Disability Retirees	Beneficiaries
Retirees July 1, 2010	41,464	721	3,282
Added during the year	3,122	75	339
Died during the Year	(871)	(32)	(150)
Other	3	(3)	(36)
Retirees June 30, 2011	43,718	761	3,435

Totals do not include 151 retirees and beneficiaries whose benefits were on hold at June 30, 2011.

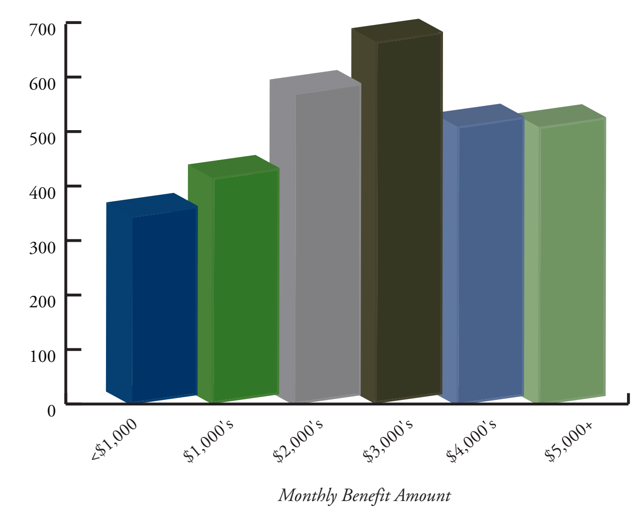
2010-2011 PSRS New Service Retirees by Age at Retirement



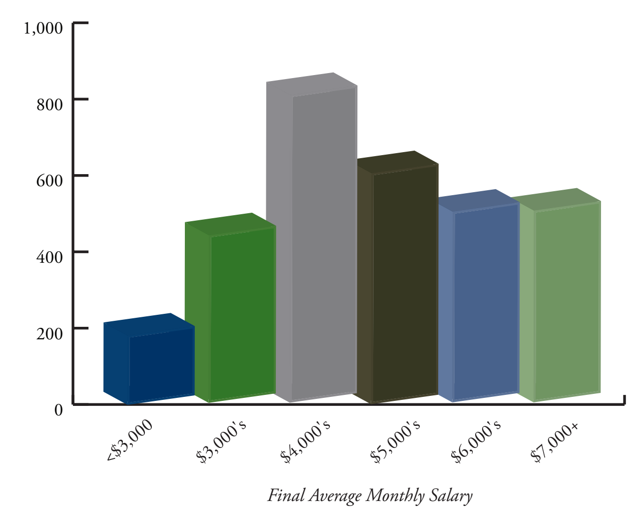
2010-2011 PSRS New Service Retirees by Benefit Plan Option



2010-2011 PSRS New Service Retirees by Single Life Monthly Benefit Amount



2010-2011 PSRS New Service Retirees by Final Average Monthly Salary

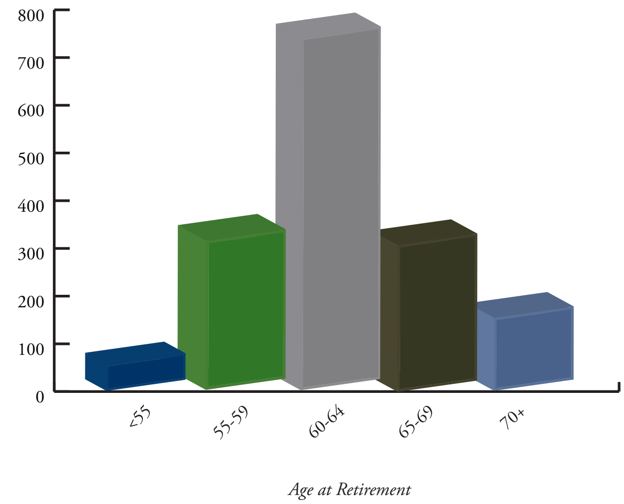


PEERS 2010-2011 New Service Retirees

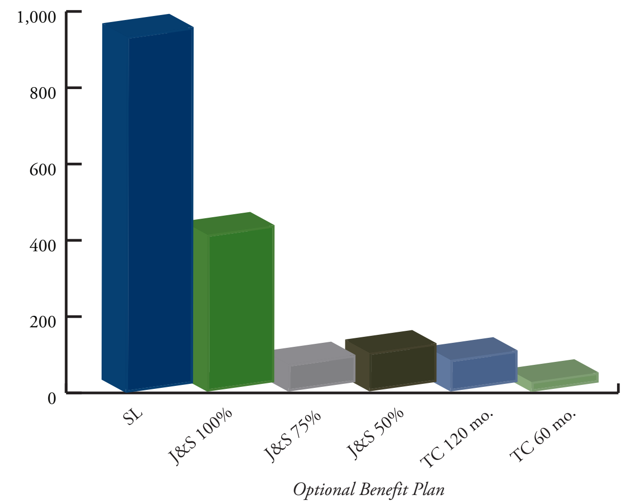
	Service Retirees	Disability Retirees	Beneficiaries
Retirees July 1, 2010	18,274	575	1,222
Added during the Year	1,656	72	114
Died during the Year	(570)	(29)	(67)
Other	(6)	(1)	(6)
Retirees June 30, 2011	19,354	617	1,263

Totals do not include 94 retirees and beneficiaries whose benefits were on hold at June 30, 2011.

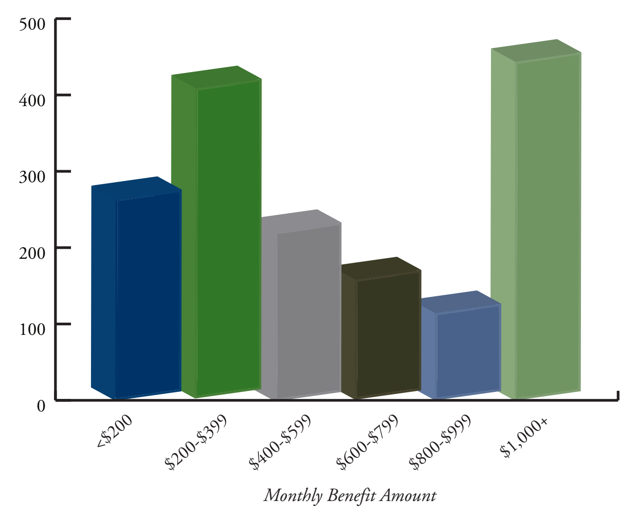
2010-2011 PEERS New Service Retirees by Age at Retirement



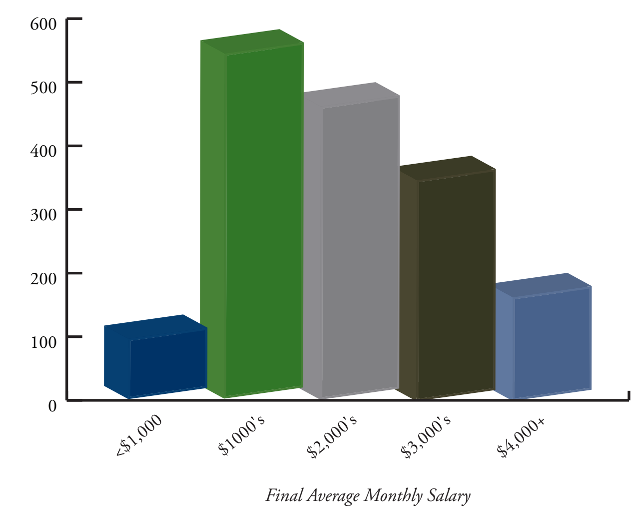
2010-2011 PEERS New Service Retirees by Benefit Plan Option



2010-2011 PEERS New Service Retirees by Single Life Monthly Benefit Amount



2010-2011 PEERS New Service Retirees by Final Average Monthly Salary



PSRS Schedule of Average Benefit Payments to New Retirees

	Years of Credit							
	5 - 9.9	10 - 14.9	15 - 19.9	20 - 24.9	25 - 29.9	30 - 34.9	35 - 39.9	40+
2010-2011								
Average monthly benefit	$ 661	$ 1,262	$ 1,969	$ 3,010	$ 3,792	$ 4,815	$ 6,231	$ 6,595
Average final average salary	$ 4,074	$ 4,298	$ 4,754	$ 5,366	$ 5,642	$ 5,974	$ 6,662	$ 6,595
Number of retirees	267	322	289	540	733	832	126	13
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	$ 1,014	$ 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

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

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

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

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

PEERS Schedule of Average Benefit Payments to New Retirees

	Years of Credit					
	5 - 9.9	10 - 14.9	15 - 19.9	20 - 24.9	25 - 29.9	30+
2010-2011						
Average monthly benefit	$ 221	$ 410	$ 707	$ 1,052	$ 1,389	$ 1,947
Average final average salary	$ 1,965	$ 2,176	$ 2,628	$ 2,920	$ 3,195	$ 3,611
Number of retirees	487	345	231	244	185	164
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

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

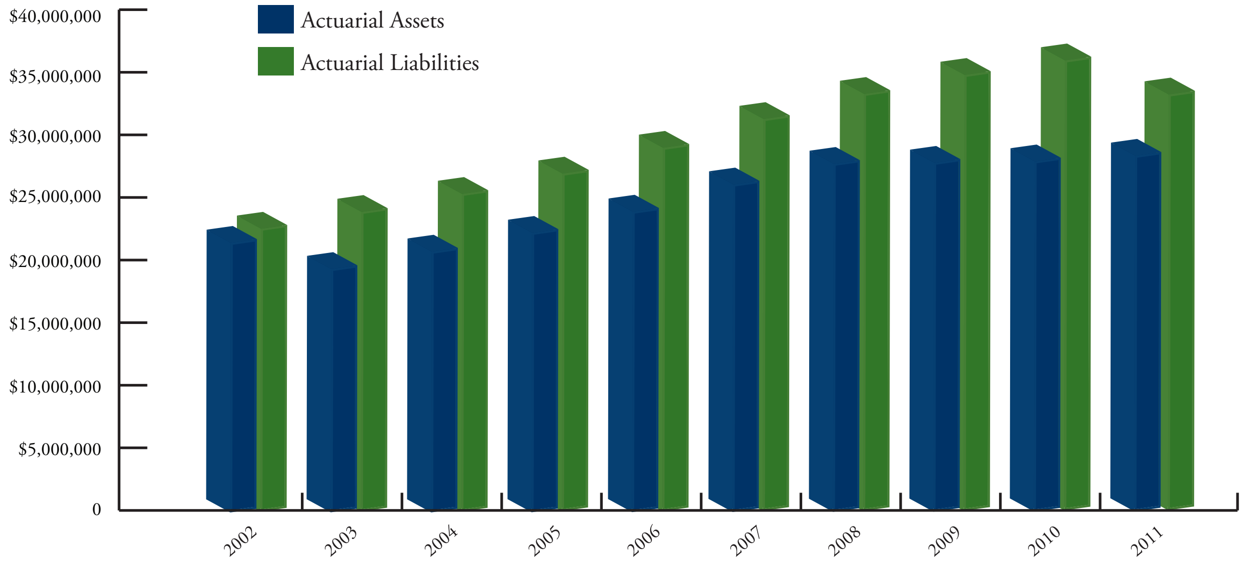
(1) Column to the left covers those with 10 to 19.9 years of credit.

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

Comparisons of Actuarial Assets and Total Actuarial Liabilities

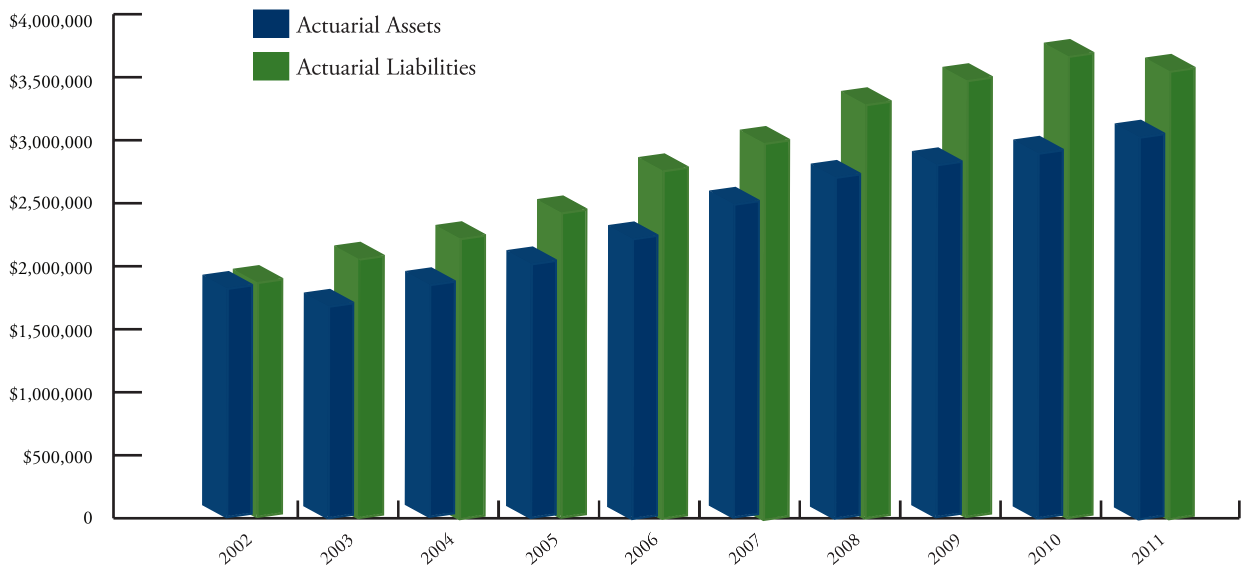
PSRS

Dollar Amounts in Thousands



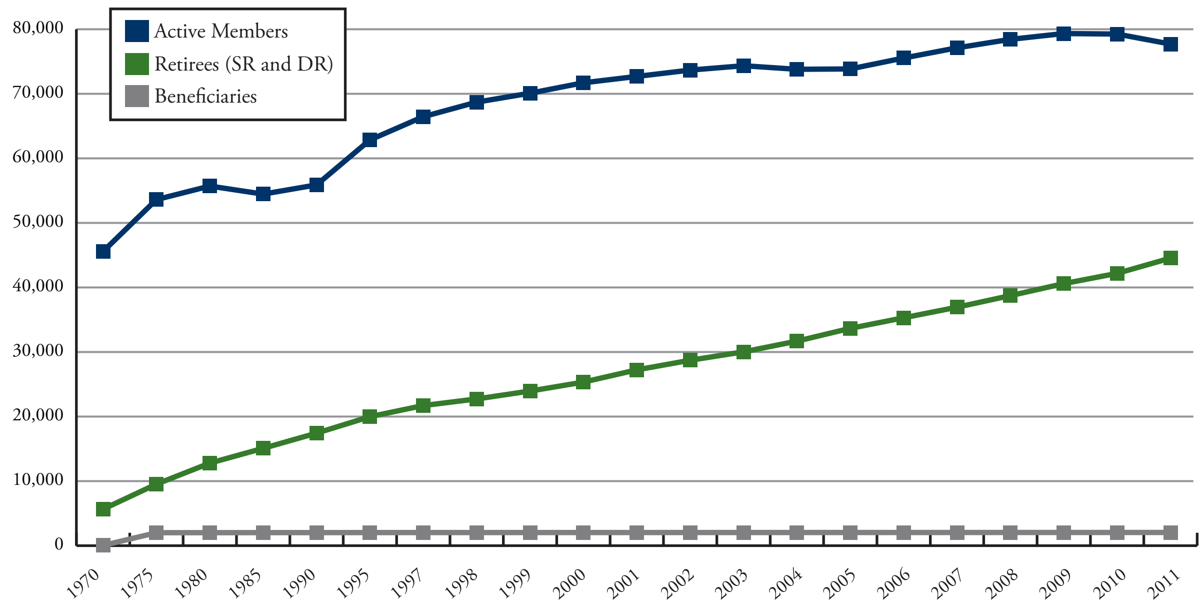
PEERS

Dollar Amounts in Thousands

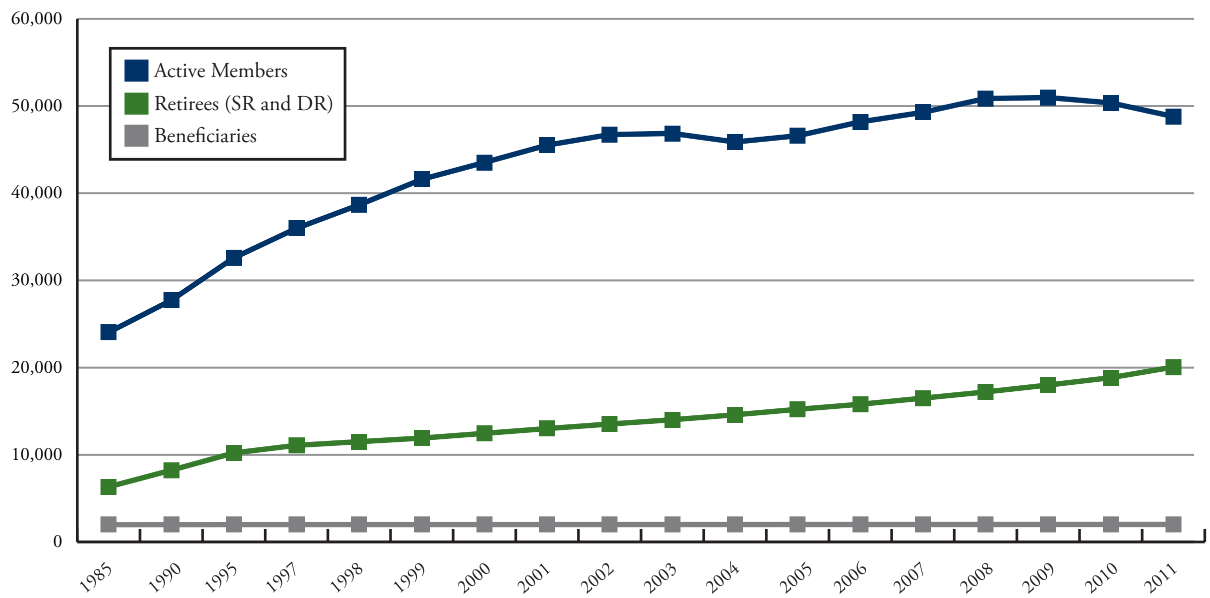


Growth in Membership

PSRS



PEERS



PSRS Schedule of Covered Employees in the Top 10 Employers for the 10 Years Ended June 30, 2011

Employer	2011 Covered Employees	2011 Percentage of Total	2010 Covered Employees	2010 Percentage of Total
Special School District - St. Louis	3,020	4%	3,021	4%
Springfield R-XII Schools	2,116	3%	2,132	3%
Rockwood R-VI Schools	1,936	2%	1,990	2%
Parkway C-2 Schools	1,789	2%	1,745	2%
North Kansas City Schools	1,663	2%	1,630	2%
Columbia Public Schools	1,592	2%	1,612	2%
Francis Howell R-III Schools	1,559	2%	1,573	2%
Ft. Zumwalt R-II Schools	1,525	2%	1,493	2%
Hazelwood R-I Schools	1,510	2%	1,549	2%
Lee's Summit R-VII Schools	1,412	2%	1,435	2%
All Others	62,525	77%	63,994	77%
Total - 538 Employers during 2011 and 539 during 2010	80,647	100%	82,174	100%

Employer	2009 Covered Employees	2009 Percentage of Total	2008 Covered Employees	2008 Percentage of Total
Special School District - St. Louis	2,931	4%	2,913	4%
Springfield R-XII Schools	2,089	3%	2,037	3%
Rockwood R-VI Schools	1,893	2%	1,773	2%
Parkway C-2 Schools	1,656	2%	1,589	2%
North Kansas City Schools	1,497	2%	1,517	2%
Columbia Public Schools	1,594	2%	1,626	2%
Hazelwood R-I Schools	1,578	2%	1,639	2%
Francis Howell R-III Schools	1,462	2%	1,468	2%
Ft. Zumwalt R-II Schools	1,441	2%	1,395	2%
Lee's Summit R-VII Schools	1,358	2%	1,337	2%
All Others	63,490	77%	62,964	77%
Total - 541 Employers during 2009 and 543 during 2008	80,989	100%	80,258	100%

Employer	2007 Covered Employees	2007 Percentage of Total	2006 Covered Employees	2006 Percentage of Total
Special School District - St. Louis	2,861	4%	2,809	4%
Springfield R-XII Schools	2,031	3%	1,983	3%
Rockwood R-VI Schools	1,751	2%	1,724	2%
Parkway C-2 Schools	1,520	2%	1,522	2%
North Kansas City Schools	1,483	2%	1,450	2%
Columbia Public Schools	1,560	2%	1,533	2%
Hazelwood R-I Schools	1,481	2%	1,461	2%
Francis Howell R-III Schools	1,459	2%	1,444	2%
Ft. Zumwalt R-II Schools	1,351	2%	1,340	2%
Lee's Summit R-VII Schools	1,285	2%	1,262	2%
All Others	61,939	77%	60,766	77%
Total - 544 Employers during 2007 and 545 during 2006	78,721	100%	77,294	100%

PSRS Schedule of Covered Employees in the Top 10 Employers for the 10 Years Ended June 30, 2011 (continued)

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

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

PEERS Schedule of Covered Employees in the Top 10 Employers for the 10 Years Ended June 30, 2011

Employer	2011 Covered Employees	2011 Percentage of Total	2010 Covered Employees	2010 Percentage of Total
Special School District - St. Louis	2,532	5%	2,584	5%
Springfield R-XII Schools	1,502	3%	1,473	3%
Rockwood R-VI Schools	1,206	2%	1,251	2%
North Kansas City Schools	1,203	2%	1,229	2%
Lee's Summit R-VII Schools	1,174	2%	1,198	2%
Ft. Zumwalt R-II Schools	1,128	2%	1,131	2%
Parkway C-2 Schools	1,106	2%	1,091	2%
Independence Public Schools	1,082	2%	1,149	2%
Hazelwood R-I Schools	977	2%	1,015	2%
Columbia Public Schools	906	2%	932	2%
All Others	38,146	76%	39,295	76%
Total - 534 Employers during 2011 and 535 during 2010	50,962	100%	52,348	100%

Employer	2009 Covered Employees	2009 Percentage of Total	2008 Covered Employees	2008 Percentage of Total
Special School District - St. Louis	2,685	5%	2,619	5%
Springfield R-XII Schools	1,463	3%	1,464	3%
Rockwood R-VI Schools	1,248	2%	1,241	2%
North Kansas City Schools	1,266	2%	1,213	2%
Lee's Summit R-VII Schools	1,203	2%	1,203	2%
Ft. Zumwalt R-II Schools	1,129	2%	1,131	2%
Parkway C-2 Schools	1,102	2%	1,106	2%
Independence Public Schools	1,167	2%	1,058	2%
Hazelwood R-I Schools	995	2%	1,017	2%
Columbia Public Schools	950	2%	1,026	2%
All Others	39,754	76%	39,715	76%
Total - 535 Employers	52,962	100%	52,793	100%

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

PEERS Schedule of Covered Employees in the Top 10 Employers for the 10 Years Ended June 30, 2011 (continued)

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

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

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Email: psrspeers@psrspeers.org

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PSRS/PEERS

PUBLIC SCHOOL & EDUCATION EMPLOYEE
RETIREMENT SYSTEMS OF MISSOURI

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