Comprehensive Annual Financial Report

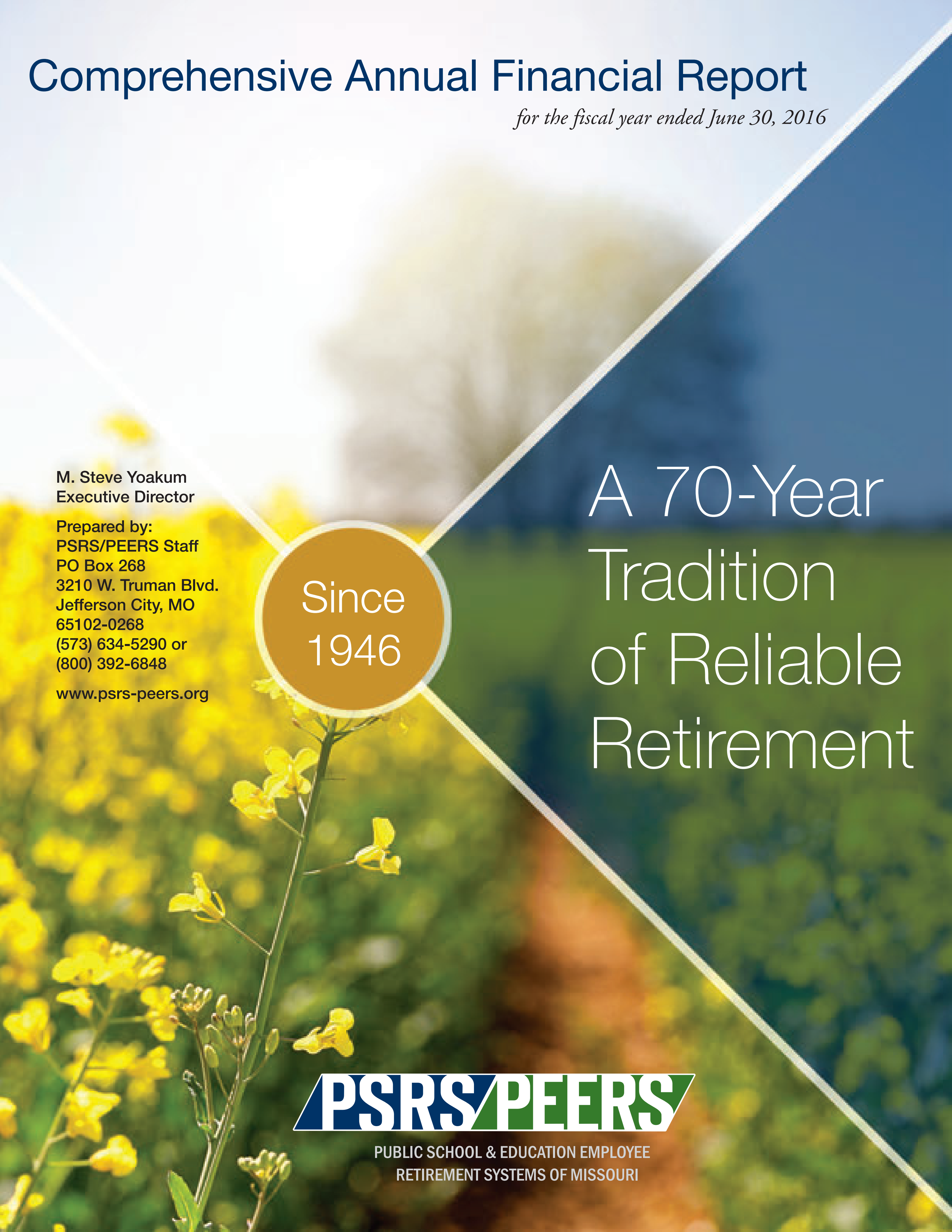
for the fiscal year ended June 30, 2016

Since 1946

A 70-Year Tradition of Reliable Retirement

PSRS/PEERS

PUBLIC SCHOOL & EDUCATION EMPLOYEE
RETIREMENT SYSTEMS OF MISSOURI



Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2016

M. Steve Yoakum
Executive Director

Prepared by:
PSRS/PEERS Staff
PO Box 268
3210 W. Truman Blvd.
Jefferson City, MO
65102-0268
(573) 634-5290 or
(800) 392-6848

www.psrs-peers.org

Since 1946

A 70-Year Tradition of Reliable Retirement

PSRS/PEERS

PUBLIC SCHOOL & EDUCATION EMPLOYEE
RETIREMENT SYSTEMS OF MISSOURI

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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 the 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.

A tradition of dedicated service to our members.

This year, our teacher retirement system, the Public School Retirement System of Missouri (PSRS), proudly marks its 70th anniversary serving members. As we celebrate this achievement, we reflect on the many ways both PSRS and the Public Education Employee Retirement System (PEERS) have changed over the years, and how our dedication to providing outstanding service and retirement security has remained constant.

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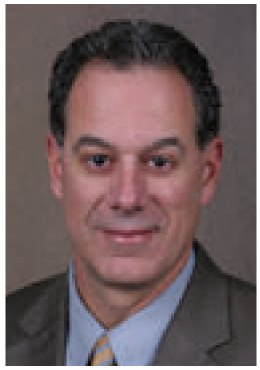
Board of Trustees

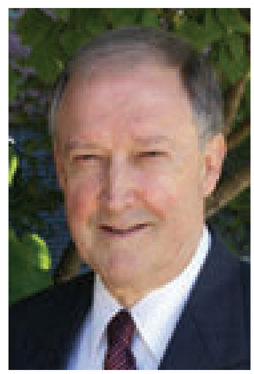
As of June 30, 2016



Dr. Aaron Zalis
Chair
Elected PSRS
Member

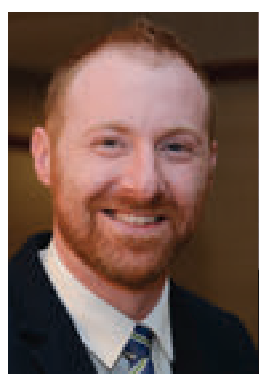
Jason Hoffman
Vice Chair
Elected PEERS
Member

Yvonne Heath
Elected PSRS
Member



Wayne Wheeler
Appointed Retired
Member

Scott Hunt
Appointed
Member



Jason Steliga
Elected PSRS
Member

NOTE: As of June 30, 2016, one appointed Board position was vacant.

Transmittal Letter

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

December 1, 2016

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, 2016. ***A 70-year Tradition of Reliable Retirement***…this year PSRS proudly marks its 70th anniversary of serving members. As we celebrate this achievement, we reflect on the many ways both PSRS and PEERS have changed over the years, and how our dedication to providing outstanding service and retirement security has remained constant.

In addition to providing information to our Board of Trustees and members concerning the financial condition of the Systems, this report also meets our reporting requirements under Sections 169.020.(4).16 and 169.450(4).11 of the Revised Statues of Missouri (RSMo). Printed copies are available to the public upon request and the complete report is also posted on our website, **www.psrs-peers.org**.

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 15 to 20 for a more detailed analysis of our financial position for the fiscal year.

Report Contents and Structure

Responsibility for the preparation, accuracy and completeness of this report, including all disclosures, rests with the management staff of PSRS/PEERS (the Systems). 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). To the best of our knowledge, the enclosed data is accurate in all material respects and fairly presents our financial position and operating results.

The management of the Systems is responsible for internal accounting controls, which are designed to provide reasonable but not absolute assurance for the safeguarding of assets and the reliability of financial records. The cost of internal controls should not exceed the benefits to be derived. The objective of internal controls is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. The Systems employ two internal auditors who perform operational reviews to ensure that the internal controls are functioning effectively. We believe the internal controls in place are adequate to meet the purpose for which they were intended.

Our independent external auditors, selected by the Board of Trustees, have conducted an audit of the basic financial statements in accordance with U.S. generally accepted auditing standards. This audit and the financial statements and related footnotes are presented on pages 13 to 52 of this report.

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

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.

Unlike most public pension systems, the members of PSRS and PEERS share equally in funding the contributions to the Retirement Systems. This funding mechanism has kept the employer contributions lower than many public plans; however, the employee contributions are substantially higher than many similar public plans.

The combined Systems serve approximately 260,000 total members in 535 districts and other employers. In excess of $2.6 billion is paid annually to over 85,000 service retirees and beneficiary recipients. At June 30, 2016, PSRS/PEERS had a market value of invested assets of approximately $38.1 billion, making it larger than all other retirement systems in the state of Missouri combined.

Funding Status and Valuation Results

Consistent with industry best practices and the Board of Trustees' fiduciary duty, the Systems conducted the following studies during the current fiscal year: an actuarial audit, actuarial experience study, asset/liability study and a discount rate study. The results of each of the studies are detailed throughout the financial, investment and actuarial sections of the CAFR. A brief description of what each study entails is included below. The Board of Trustees' revised the Actuarial Funding Policies for the Systems at their June 14, 2016 Board meeting. The revisions incorporate the recommendations from each of the above studies conducted during the fiscal year. The revisions are effective with the June 30, 2016 valuations. All of the study results indicated two significant themes facing pension plans across the nation: member longevity has increased and sustained low interest rates have led to lower future expected investment returns. As a result, the most significant revisions to the Funding Policies are to assumed mortality rates, assumed total payroll growth, the assumed investment rate of return and cost-of-living adjustments. The Systems' funding objective continues to be to achieve a funded ratio of 100% over a closed 30-year period. For this purpose, funded ratio is defined as the actuarial value of assets divided by the actuarial accrued liability determined under the entry age normal cost method and the actuarial assumptions adopted by the Board of Trustees.

The Systems are required to perform an actuarial audit at least every ten years. An actuarial audit involves engaging the services of an outside independent actuary (reviewing actuary) to scrutinize the work of the Systems retained independent actuary. The actuarial audit results indicated the valuation provided a fair and reasonable assessment of the financial condition of the Systems.

PricewaterhouseCoopers (PwC), the Systems' retained actuary, performed an actuarial experience study for PSRS and PEERS during the current year. An actuarial experience study reviews the differences between a plan's assumed and actual experience over multiple years (typically three to five), with the

Transmittal Letter, continued

goal of examining the trends related to actual experience and recommending changes to assumptions, if needed. The current year studies compared actual experience over the previous five years to the actuarial assumptions utilized over the same time period. In some cases, the studies reviewed ten years of prior actual experience to ensure the trends of the past five years were not an anomaly. The Systems perform an actuarial experience at least every five years.

An asset/liability study models and projects the plans future assets and liabilities under various scenarios. However, an asset/liability study differs from projections in that it focuses more on the risks associated with the plans' asset allocation and investment performance. An asset/liability study is often used for examining changes to asset allocations or testing potential approaches to manage investment risks. A discount rate study is the process for establishing and reviewing investment return assumptions that consider various financial, economic, and market factors, and is based on a very long-term view, typically 30 years. The asset/liability study and discount rate study are conducted at least every five years in conjunction with the actuarial experience studies. More frequent studies are conducted if there is a significant change in assets or liabilities. Willis Towers Watson performed the asset/liability study and the discount rate study.

As of June 30, 2016, PSRS was 84.8% pre-funded, while PEERS was 86.4% pre-funded. PSRS showed a slight increase in funding from the June 30, 2015 funded percentage of 83.9% while PEERS showed a slight decrease from the June 30, 2015 funded percentage of 86.8%. The changes in funded status are direct results of the revisions to the Actuarial Funding Policies made during the current year as well as investment results. Additional information on actuarial assumptions and funding can be found in the actuarial section of this report. Based upon the June 30, 2016 valuations and overall financial projections, the Board of Trustees set the fiscal year 2018 contribution rates at the fiscal year 2017 level for both members and employers.

Investment Activities

The Systems earned an investment return of 1.8% (1.6% net of all investment expenses and fees) for the fiscal year ended June 30, 2016. The total plan, net of all investment expenses and fees, was marginally below the total plan policy benchmark of 1.8% and fell short of the long-term objective (actuarial assumption) of 8.0%. However, over long periods of time, the Systems continue to produce investment returns that exceed the Systems' objective. The annualized investment return for the Systems over the last five years is 7.4% (7.2% net of all investment expenses and fees), and 8.2% (8.1% net of all investment expenses and fees) over the last 30 years. As a result of the asset/liability and discount rate studies performed during the current year, the assumed investment rate of return was lowered to 7.75%, effective with the June 30, 2016 actuarial valuations and for investment performance measurement beginning with fiscal year 2017.

The Systems' investment returns were low on an absolute basis, but were in the top quartile of performance on a relative basis. The Systems' investment return for fiscal year 2016 exceeded 75% of the peer group as defined by the Wilshire TUCS universe of public pension plans with assets in excess of $1 billion. Additionally, the Systems generated the fiscal year 2016 return (and longer-term investment returns) while taking less risk than approximately two-thirds of comparable public funds in the United States.

Detailed information regarding the Systems' investments, including policies and strategies, can be found in the Investment Section of this report beginning on page 53.

Legislative Changes During Fiscal Year 2016

There was no legislation during the 2016 legislative session that directly affected the Systems.

Awards

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

PSRS and PEERS each received the Public Pension Standards Awards in 2016 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 for the fiscal year ended June 30, 2015. 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, applicable legal requirements and GFOA standards. 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, LLP, 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 Willis Towers Watson.

Acknowledgements

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

Respectfully submitted,

M. Steve Yoakum
Executive Director

Anita Brand, CPA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting


Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

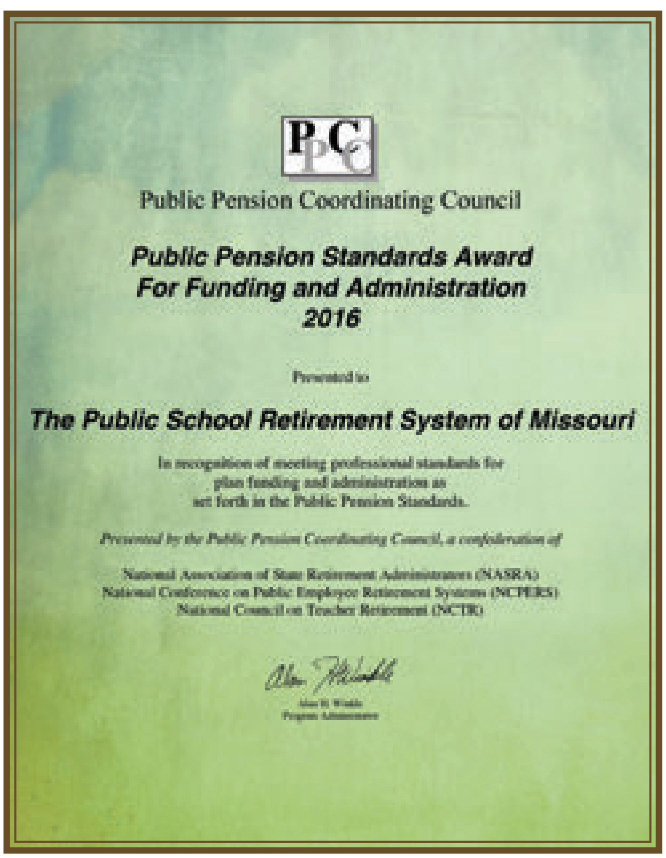
The Public School and Education Employee Retirement Systems of Missouri

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Public Pension Coordinating Council Public Pension Standards Awards


Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2016

Presented to

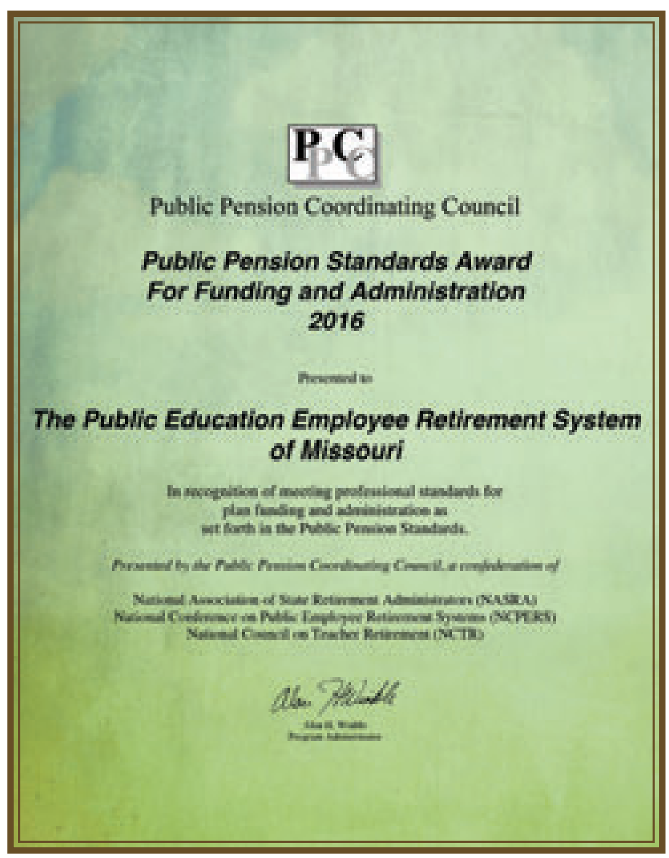
The Public School Retirement System of Missouri

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator


Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2016

Presented to

The Public Education Employee Retirement System of Missouri

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

Presented by the Public Pension Coordinating Council, a confederation of

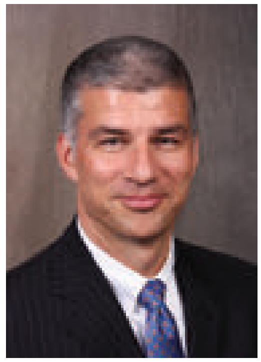
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

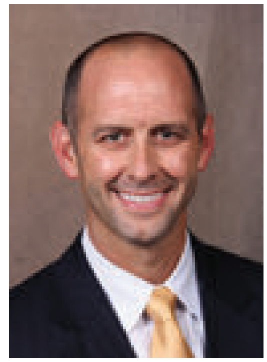
Administrative Organization

As of June 30, 2016

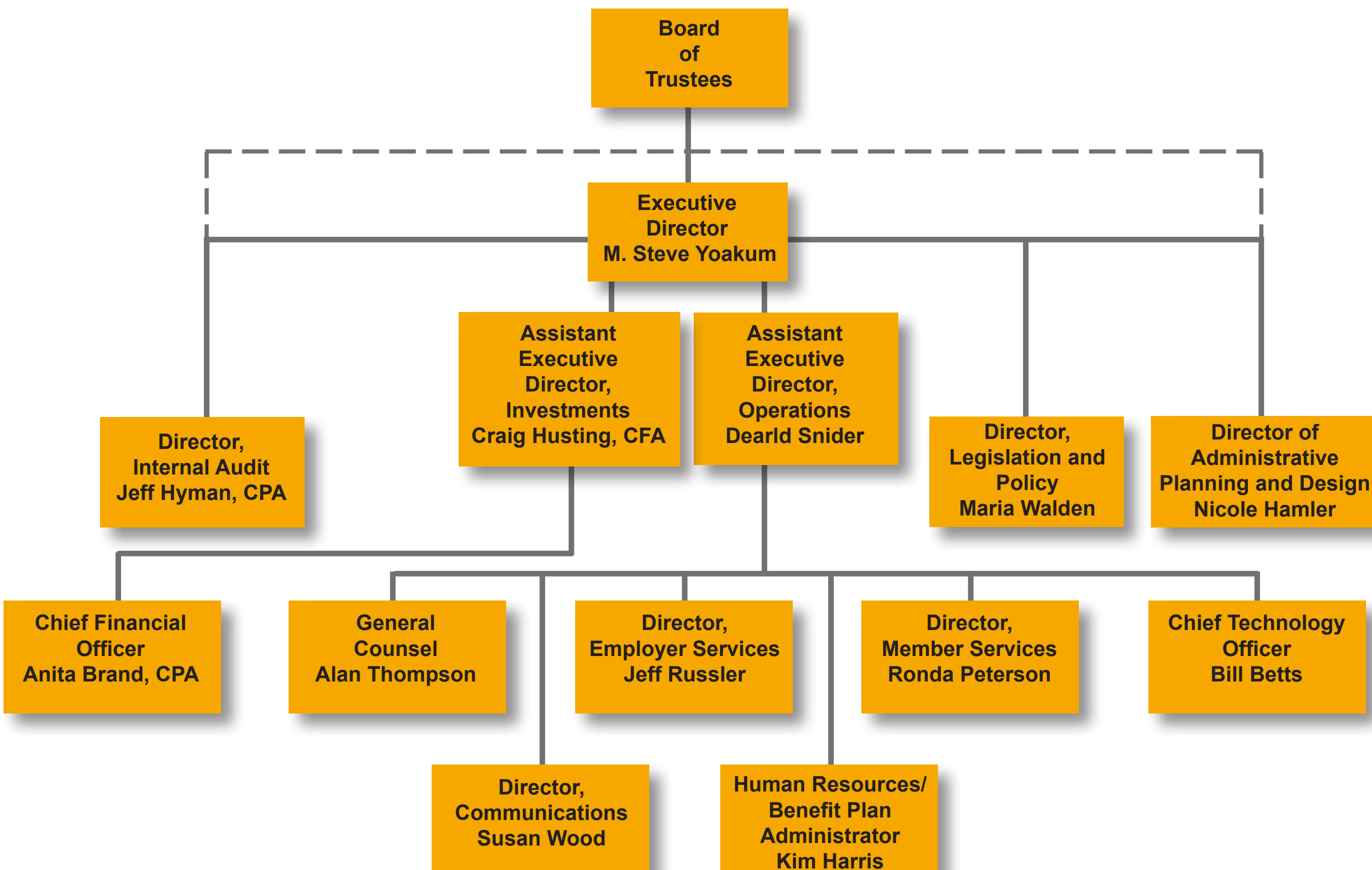
M. Steve Yoakum
Executive Director



Craig Husting, CFA
Assistant Executive Director, Investments



Dearld Snider
Assistant Executive Director, Operations



Professional Services

As of June 30, 2016

Actuaries

PricewaterhouseCoopers, LLP
Cindy Fraterrigo, FSA, EA, MAAA
Brandon Robertson, ASA, EA, MAAA
Chicago, Illinois
New York, NY

Auditors

Williams Keepers, LLC
Heidi A. Chick, CPA
Kelly Schwartze, CPA
Columbia, Missouri

Technology Consultants

Analytics 8
Annelise Lynch
Chicago, Illinois

Huber & Associates
James Huber
Jefferson City, Missouri

Nexum
Mike Scher
Chicago, Illinois

Sagitec Solutions, LLC
Paul Eberhart
Roseville, Minnesota

Insurance Consultants

Charlesworth & Associates
Bob Charlesworth
Overland Park, Kansas

The Insurance Group
Jason Swindle
Columbia, Missouri

Other Consultants

CBIZ Human Capital Services
Tammy Washington
St. Louis, Missouri

Cortex
Tom Iannucci
Toronto, Ontario

Legal Counsel

Groom Law Group
David Levine
Washington, D.C.

Haynes Benefits
Andrew Haynes
Lee's Summit, Missouri

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

Thompson Coburn, LLP
Allen Allred
St. Louis, Missouri

Legislative Consultant

Statehouse Strategies, LLC
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 98. Schedules of broker commissions can be found on page 96. Additional information on Investment Managers can also be found in the Investment Section of this report.

A tradition of providing retirement security.

PSRS/PEERS has helped our members meet their financial goals for the past 70 years, providing them with well-deserved, lifetime monthly retirement benefits after a full career of service to Missouri's public school system.

PSRS/PEERS will continue to work to meet economic and political challenges with a strong, well-funded pension plan dedicated to providing lifetime retirement benefits to our members.

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Independent Auditors' Report

WILLIAMS KEEPERS LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2005 West Broadway, Suite 100, Columbia, MO 65203
OFFICE (573) 442-6171 FAX (573) 777-7800
3220 West Edgewood, Suite E, Jefferson City, MO 65109
OFFICE (573) 635-6196 FAX (573) 644-7240
www.williamskeepers.com

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

We have audited the accompanying financial statements of the Public School and Public Education Employee Retirement Systems of Missouri (the Systems), which comprise the statements of fiduciary net position as of June 30, 2016, the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public School and Public Education Employee Retirement Systems of Missouri as of June 30, 2016, and the respective changes in financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Independent Auditors' Report, continued

Other Matters

Prior Year Information

The prior year combined total information has been derived from the Systems' 2015 financial statements and, in our report dated October 26, 2015, we expressed unqualified opinions on the respective financial statements of the Systems' net position.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 15-20, schedules related to the defined benefit plans (schedules of changes in the employers' net pension liability, employers' net pension liability, employer contributions, investment returns, and notes to schedules) on pages 45-49, and schedules related to the defined benefit OPEB plan (schedules of funding progress, employer contributions, and notes to schedules) on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Public School and Public Education Employee Retirement Systems of Missouri basic financial statements. The introductory, investment, actuarial and statistical sections and the additional information presented on pages 51-52 are presented for purposes of additional analysis and are not a required part of the financial statements.

The additional information presented on pages 51-52 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the additional information presented on pages 51-52 is fairly stated in all material respects in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Williams Keepers LLC

October 20, 2016

Management's Discussion and Analysis

Introduction

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, 2016. 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 Systems implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* during fiscal year 2016. GASB Statement No. 72 addresses accounting and reporting issues related to fair value measurements. The Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.
- The Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience for the Systems, derived from experience studies conducted every fifth year. The most recent comprehensive experience study was completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the study and effective with the June 30, 2016 valuation. The significant actuarial assumptions are detailed in the notes to the financial statements and the notes to the schedules of required supplementary information.
- As of June 30, 2016, PSRS' fiduciary net position as a percentage of the total pension liability was 82.2% and the net pension liability approximated $7.4 billion. PEERS' fiduciary net position as a percentage of the total pension liability was 83.3% and the net pension liability approximated $802.3 million as of June 30, 2016. The net pension liability is calculated utilizing the market value of assets in accordance with GASB No. 67 for accounting presentation purposes. For funding purposes, investment gains and losses that vary from the assumed rate of return are amortized over five years. As of June 30, 2016, the pre-funded ratios for funding purposes were 84.8% for PSRS and 86.4% for PEERS.
- The funded status of the Systems is measured as the ratio of assets available for benefits to a benefit liability measure for the System. While there are several such measures that could be appropriately used, the benefit liability measure that ties most closely to the Systems' funding policies is the actuarial accrued liability (AAL) computed in accordance with assumptions and methods approved by the Board of Trustees. Using the actuarial value of assets (AVA), a smoothed asset value that recognizes 20% of the total investment gain or loss on the AVA for each of the preceding five years. This is the significant difference between accounting measurements in accordance with GASB No. 67 and funding calculations. As of June 30, 2016, the pre-funded ratios for funding purposes were 84.8% for PSRS and 86.4% for PEERS.
- The Systems conduct a full asset-liability study at least every five years in conjunction with the actuarial experience studies. More frequent studies are conducted if there is a significant change in the assets or liabilities. The key goal of the asset-liability study is the development of an asset allocation that maximizes the likelihood that the investment portfolio assets will, over the long-term planning horizon, fund plan benefits within appropriate risk parameters. The most recent study was completed during the current year.
- The Systems earned an investment return of 1.8% (1.6% net of all investment expenses and fees) for the fiscal year ended June 30, 2016. The total plan net of all investment expenses and fees was marginally below the total plan policy benchmark of 1.8% and fell short of the long-term objective (actuarial assumption) of 8.0%. However, over long periods of time, the Systems continue to produce investment returns that exceed the Systems' objective. The annualized investment return for the Systems over the last five years is 7.4% (7.2% net of all investment expenses and fees), and 8.2% (8.1% net of all investment expenses and fees) over the last 30 years.
- Fiscal year 2016 proved to be a difficult environment for institutional investors. The Systems' returns were low on an absolute basis, but were in the top quartile of performance on a relative basis. The Systems' investment return for fiscal year 2016 exceeded 75%

of the peer group as defined by the Wilshire TUCS universe of public pension plans with assets in excess of $1 billion. Additionally, the Systems generated the fiscal year 2016 return (and longer-term investment returns) while taking less risk than approximately two-thirds of comparable public funds in the United States.

- Current year investment earnings include securities lending income of $123.0 million from the settlement of legal proceedings with the Systems' prior custodian. Please refer to additional discussion in Note 9 – *Commitments and Contingencies.*
- The net position of the combined Systems decreased by $509.8 million. The net position of PSRS decreased by $533.7 million while the net position of PEERS increased by $23.9 million.
- Total revenues for fiscal year 2016 were comprised of contribution revenue of $1.6 billion and investment gains of $593.5 million, compared to contribution revenue of $1.56 billion and investment gains of $1.61 billion for fiscal year 2015.
- Expenses increased 4.8% over the prior year from $2.6 billion to $2.7 billion. Retirement benefits and member refunds increased by $120.0 million from the prior year, while administrative expenses increased by $2.9 million during the same time period. Administrative expenses include $0.8 million in additional depreciation expense for the newly implemented pension administration software and additional actuarial expenses for the completion of the actuarial experience studies.

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 Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position, the notes to the basic financial statements, required supplementary information and other supplementary information.

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

The Statements of Changes in Fiduciary Net Position present information detailing the changes in net position that occurred during the current fiscal year. All changes in net position 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 23 through 44.

The report also contains required supplementary information in addition to the basic financial statements themselves. The required supplementary information consists of the following schedules and related notes:

- The Schedules of Changes in the Employers' Net Pension Liability include historical trend information about the annual changes of the net pension liability, including assumption changes and variances of assumed experience. These schedules were effective June 30, 2014, under GASB No. 67. Additional years of data will be displayed as they become available.
- The Schedules of Employers' Net Pension Liability include historical trend information about whether each System's net position is increasing or decreasing over time relative to the total pension liability. The schedules provide a long-term, ongoing perspective of the accumulation of assets to pay benefits when due. These schedules were effective June 30, 2014, under GASB No. 67. Additional years of data will be displayed as they become available.
- The Schedules of Employer Contributions present historical trend information about the annual determined contributions of employers and the actual contributions made by employers.
- The Schedules of Investment Returns present historical annual money-weighted rate of returns. These schedules were effective June 30, 2014, under GASB No. 67. Additional years of data will be displayed as they become available.
- The Schedule of Funding Progress 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 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 Notes to the Schedules of Required Supplementary Information provide additional information that is essential to a full understanding of the data provided in the schedules.

Other supplementary schedules are also included. The Schedules of Administrative Expenses present the overall cost of administering the Systems. The Schedules of Professional Services further detail this category of administrative expense. The Schedules of Investment Expenses 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 Fiduciary Net Position.

Financial Analysis of the Public School Retirement System of Missouri (PSRS)

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 14.5% of their annual covered salary during fiscal year 2016. The employer was required to match that amount. Most PSRS members do not contribute to Social Security, except for employees hired after 1986 who contribute to Medicare only. In some instances, positions may be determined not to be exempt from Social Security contributions. 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.

Public School Retirement System of Missouri
Fiduciary Net Position (000's)

	2016	2015	Change
Cash & investments	$ 34,857,203	$ 35,420,157	$ (562,954)
Receivables	1,725,180	1,694,592	30,588
Other	25,523	26,100	(577)
Total assets	36,607,906	37,140,849	(532,943)
Total liabilities	2,303,936	2,303,169	767
Fiduciary net position	$ 34,303,970	$ 34,837,680	$ (533,710)

Assets

Total assets of PSRS as of June 30, 2016 were $36.6 billion and were mostly comprised of cash, investments, investment sales receivables and contributions due from employers. Total assets decreased by $532.9 million or 1.4% from the prior year due to benefit payments exceeding contribution revenue and investment earnings during the year.

Liabilities

Total liabilities as of June 30, 2016, were $2.3 billion and were mostly comprised of payables from the purchase of investments and obligations under security lending arrangements. Total liabilities increased by $0.8 million from the prior year. This was due to an increase in investment purchase liabilities that was partially offset by a decrease in accounts payable and obligations under security lending arrangements.

Net Position

PSRS assets exceeded liabilities at June 30, 2016, by $34.3 billion. This was a decrease of $533.7 million from the 2015 net position. This decrease was a result of investment earnings that totaled $533.2 million for the year offset by benefit payments and other expenses which exceeded contribution revenue by $1.1 billion.

Public School Retirement System of Missouri
Changes in Fiduciary Net Position (000's)

	2016	2015	Change
Additions			
Member contributions	$ 704,786	$ 689,187	$ 15,599
Employer contributions	670,794	656,925	13,869
Investment income	533,174	1,447,144	(913,970)
Other	6	26	(20)
Total additions	1,908,760	2,793,282	(884,522)
Deductions			
Monthly benefits	2,376,276	2,270,259	106,017
Refunds of contributions	54,631	55,938	(1,307)
Administrative expenses	11,548	10,012	1,536
Other	15	2	13
Total deductions	2,442,470	2,336,211	106,259
Change in fiduciary net position	$ (533,710)	$ 457,071	$ (990,781)

Revenues – Additions to Fiduciary Net Position

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 $29.5 million to $1.4 billion. This was a 2.2% increase over the prior year. Retirement contributions were calculated at 14.5% of retirement salary for each member during fiscal year 2016. The employer matched this amount. Contribution rates were unchanged from the prior year. In addition to contributions on salary, members may also pay contributions to reinstate previously refunded service or to purchase various types of elective service. Such contributions for the year increased by $2.3 million. An increased retirement salary base and the addition of new members resulted in the overall increase in contributions.

The net investment gain was $533.2 million as compared to a net investment gain of $1.5 billion in 2015. Current year investment earnings include $113.3 million of securities lending revenue from the settlement of legal proceedings with the System's prior custodian. The current year gains are reflective of a 1.6% net return on the Systems' diversified investment portfolio. 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 Fiduciary Net Position

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 2016 were $2.4 billion, an increase of 4.6% over fiscal year 2015.

Benefit expenses increased by $106.0 million to $2.38 billion. This was a result of an overall increase of 1,899 monthly benefit recipients from the prior year end. There were no changes to the benefit formula during 2016. Refunds of contributions decreased by $1.3 million during the current year to a total $54.6 million.

Administrative expenses increased by $1.5 million to $11.5 million. The increase in expenditures is related to the first year of depreciation on the newly implemented pension administration system, as well as software maintenance agreements and actuarial costs for the completion of the five year actuarial experience study. The cost of administrative items was charged 62% to PSRS and 38% 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 when prudent.

Financial Analysis of the Public Education Employee Retirement System of Missouri (PEERS)

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 6.86% of their annual covered salary during 2016. The employer was required to match that amount. PEERS members also contribute to Social Security.

Public Education Employee Retirement System of Missouri
Fiduciary Net Position (000's)

	2016	2015	Change
Cash & investments	$ 4,076,435	$ 4,053,592	$ 22,843
Receivables	202,284	193,689	8,595
Total assets	4,278,719	4,247,281	31,438
Total liabilities	271,389	263,871	7,518
Fiduciary net position	$ 4,007,330	$ 3,983,410	$ 23,920

Assets

Total assets of PEERS as of June 30, 2016 were $4.3 billion and were mostly comprised of cash, investments, investment sales receivables and contributions due from employers. Total assets increased by $31.4 million or 0.7% from the prior year due to investment gains and contribution revenue exceeding benefit payments and other expenses.

Liabilities

Total liabilities as of June 30, 2016 were $271.4 million and were mostly comprised of payables from the purchase of investments and obligations under security lending arrangements. Total liabilities increased by $7.5 million. This was due to an increase of investment purchase liabilities and payables due PSRS, that were partially offset by a decrease in accounts payable and obligations under security lending arrangements.

Net Position

PEERS assets exceeded liabilities at June 30, 2016 by $4.00 billion. This was up from the 2015 net position of $3.98 billion by $23.9 million. This increase was a result of investment earnings that totaled $60.3 million for the year offset by benefit payments and other expenses which exceeded contribution revenue by $36.4 million.

Public Education Employee Retirement System of Missouri
Changes in Fiduciary Net Position (000's)

	2016	2015	Change
Additions			
Member contributions	$ 114,258	$ 110,444	$ 3,814
Employer contributions	106,717	103,624	3,093
Investment income	60,317	163,718	(103,401)
Total additions	281,292	377,786	(96,494)
Deductions			
Monthly benefits	230,686	215,242	15,444
Refunds of contributions	19,705	19,828	(123)
Administrative expenses	6,981	5,629	1,352
Total deductions	257,372	240,699	16,673
Change in fiduciary net position	$ 23,920	$ 137,087	$ (113,167)

Revenues – Additions to Fiduciary Net Position

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 $6.9 million to $221.0 million. Retirement contributions were calculated at 6.86% of retirement salary for each member during fiscal year 2016. The employer matched this amount. Contribution rates were unchanged from the prior year. Overall contribution revenue increased by 3.2%. In addition to contributions on salary, members may also pay contributions to reinstate previously refunded service or to purchase various types of elective service. Such contributions for the year increased by $0.6 million. The remainder of the increase in total contributions is attributable to a higher retirement salary base and the addition of new members.

The net investment gain was $60.3 million as compared to a net investment gain of $163.7 million in 2015. Current year investment earnings include $9.7 million of securities lending revenue from the settlement of legal proceedings with the System's prior custodian. The current year gains are reflective of a 1.6% net return on the Systems' diversified investment portfolio. 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 Fiduciary Net Position

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 2016 were $257.4 million, an increase of 6.9% over fiscal year 2015.

Benefit expenses increased by $15.4 million to $230.7 million. This was a result of an overall increase of 1,285 monthly benefit recipients from the prior year end. There were no changes to the benefit formula during 2016. Refunds of contributions of $19.7 million were consistent with the prior year.

Administrative expenses increased by $1.4 million. The increase in expenditures is related to the first year of depreciation on the newly implemented pension administration system, as well as software maintenance agreements and actuarial costs for the completion of the five year actuarial experience study. The cost of administrative items was charged 62% to PSRS and 38% 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 when prudent.

Summary

The total net returns of 1.6% for PSRS and PEERS was below the long-term objective (actuarial assumption) of 8.0%. 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. Over long periods of time, the Systems continue to produce investment returns that meet or exceed the Systems' objectives. The annualized investment return for the Systems over the last 30 years is 8.1%, net of all fees and expenses. The actuarial assumed rate of return was 8.0% from 1980 through fiscal year 2016. The Board of Trustees adopted a new actuarial assumed rate of return of 7.75% that is effective with the June 30, 2016 actuarial valuations and fiscal year 2017 investment performance measurement.

The Board of Trustees' revised the Actuarial Funding Policies at their June 14, 2016 Board meeting. The revisions incorporate the recommendations from the actuarial experience studies and asset-liability study conducted during the current year. The revisions are effective with the June 30, 2016 valuations. The Systems' funding objective is to achieve a funded ratio of 100% over a closed 30-year period. For this purpose, funded ratio is defined as the actuarial value of assets divided by the actuarial accrued liability determined under the entry age normal cost method and the actuarial assumptions adopted by the Board.

The economic factor that is of primary significance to the Systems is the investment rate of return earned in global capital markets. Legislative, demographic, and actuarial assumption changes can also have a significant impact on the funded status of the Systems. All of these factors are incorporated into the annual actuarial valuations, which determine the contribution rates at which participating employers must contribute in order to appropriately fund benefits.

The actuary recommended the fiscal year 2018 contribution rates remain unchanged from the fiscal year 2017 rates. The recommended fiscal year 2018 contribution rate for PSRS remains 29.0%. The recommended fiscal year 2018 contribution rate for PEERS remains 13.72%. The fiscal year 2018 contribution rates are in compliance with the PSRS/PEERS' Board of Trustees' Actuarial Funding Policies and represent the continued stability of contribution rates for employers and members.

The Board of Trustees, management and staff continually strive to improve the financial position of the Systems through a prudent investment program and long-term strategic planning.

Requests for Information

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

Public School Retirement System of Missouri
Public Education Employee Retirement System of Missouri
Statements of Fiduciary Net Position

as of June 30, 2016
with comparative totals for June 30, 2015

	PSRS	PEERS	Combined Totals June 30, 2016	Combined Totals June 30, 2015
ASSETS				
Cash	$ 75,849,297	$ 13,096,817	$ 88,946,114	$ 108,437,929
Receivables				
Contributions	192,196,993	23,388,247	215,585,240	229,995,040
Accrued interest and dividends	63,519,053	7,417,614	70,936,667	69,989,802
Investment sales	1,468,462,731	171,475,886	1,639,938,617	1,588,159,927
Receivable from PEERS for allocated expenses	994,703	-	994,703	103,806
Other	6,811	1,838	8,649	31,946
Total receivables	1,725,180,291	202,283,585	1,927,463,876	1,888,280,521
Investments, at fair value				
U.S. Treasuries and TIPS	5,898,759,716	688,812,201	6,587,571,917	6,753,343,996
U.S. public equities	10,813,068,761	1,262,667,756	12,075,736,517	11,881,418,478
Non-U.S. public equities	5,152,924,108	601,719,203	5,754,643,311	5,935,766,632
Short term investments	500,150,729	60,241,824	560,392,553	739,394,010
Public debt	2,078,784,716	242,744,635	2,321,529,351	2,441,713,596
Private equity	2,731,251,511	318,934,735	3,050,186,246	2,885,830,062
Private credit	224,330,322	26,195,585	250,525,907	296,258,462
Private real estate	2,699,586,635	315,237,152	3,014,823,787	2,779,650,360
Hedged assets	4,317,185,809	504,128,054	4,821,313,863	5,236,252,683
Total investments	34,416,042,307	4,020,681,145	38,436,723,452	38,949,628,279
Invested securities lending collateral	365,310,827	42,658,214	407,969,041	415,683,769
Prepaid expenses	308,247	-	308,247	85,515
Capital assets, net of accumulated depreciation	25,214,511	-	25,214,511	26,014,091
Total assets	36,607,905,480	4,278,719,761	40,886,625,241	41,388,130,104
LIABILITIES				
Accounts payable	12,413,426	1,499,741	13,913,167	17,761,427
Interest payable	153,290	17,900	171,190	120,467
Securities lending collateral	365,311,695	42,658,315	407,970,010	415,680,317
Investment purchases	1,923,244,694	224,581,857	2,147,826,551	2,129,529,626
Payable due PSRS for allocated expenses	-	994,703	994,703	103,806
Accrued medical claims	161,200	98,800	260,000	75,000
Net other post employment benefit obligation	1,209,495	743,305	1,952,800	1,697,600
Compensated absences	1,441,848	794,465	2,236,313	2,071,535
Total liabilities	2,303,935,648	271,389,086	2,575,324,734	2,567,039,778
NET POSITION - RESTRICTED FOR PENSIONS	$ 34,303,969,832	$ 4,007,330,675	$ 38,311,300,507	$ 38,821,090,326

See accompanying Notes to the Financial Statements.

Public School Retirement System of Missouri
Public Education Employee Retirement System of Missouri
Statements of Changes in Fiduciary Net Position

for the year ended June 30, 2016
with comparative totals for the year ended June 30, 2015

			Combined Totals Year Ended	
	PSRS	**PEERS**	**June 30, 2016**	**June 30, 2015**
ADDITIONS				
Contributions				
Employer	$ 670,794,045	$ 106,717,021	$ 777,511,066	$ 760,549,209
Member	704,785,734	114,257,497	819,043,231	799,630,875
Total contributions	1,375,579,779	220,974,518	1,596,554,297	1,560,180,084
Investment income				
From investing activities:				
Net appreciation in fair value of investments	378,091,003	44,363,920	422,454,923	1,673,649,775
Interest from investments	173,421,770	20,034,292	193,456,062	197,310,288
Interest from bank deposits	67,293	7,444	74,737	37,662
Dividends	177,873,108	20,567,093	198,440,201	184,007,622
Total investment income	729,453,174	84,972,749	814,425,923	2,055,005,347
Less investment expenses	316,648,910	35,212,118	351,861,028	448,107,518
Net income from investing activities	412,804,264	49,760,631	462,564,895	1,606,897,829
From security lending activities:				
Security lending gross income	116,081,582	10,080,212	126,161,794	1,327,534
Net (depreciation) appreciation in fair value of security lending collateral	(3,968)	(453)	(4,421)	4,273
Less security lending activity expenses:				
Agent fees	1,496,176	166,242	1,662,418	989,138
Broker rebates (received) paid	(5,788,217)	(643,135)	(6,431,352)	(3,620,757)
Total security lending expenses	(4,292,041)	(476,893)	(4,768,934)	(2,631,619)
Net income from security lending activities	120,369,655	10,556,652	130,926,307	3,963,426
Total net investment income	533,173,919	60,317,283	593,491,202	1,610,861,255
Other income				
Miscellaneous income	6,326	104	6,430	27,647
Total other income	6,326	104	6,430	27,647
Total additions	1,908,760,024	281,291,905	2,190,051,929	3,171,068,986
DEDUCTIONS				
Monthly benefits	2,376,276,333	230,685,686	2,606,962,019	2,485,501,318
Refunds of contributions	54,630,399	19,704,792	74,335,191	75,765,636
Administrative expenses	11,547,623	6,981,527	18,529,150	15,641,164
Other expenses	15,342	46	15,388	1,988
Total deductions	2,442,469,697	257,372,051	2,699,841,748	2,576,910,106
Net (decrease) increase in net position	(533,709,673)	23,919,854	(509,789,819)	594,158,880
NET POSITION - RESTRICTED FOR PENSIONS				
Beginning of year	34,837,679,505	3,983,410,821	38,821,090,326	38,226,931,446
End of year	$ 34,303,969,832	$ 4,007,330,675	$ 38,311,300,507	$ 38,821,090,326

See accompanying Notes to the Financial Statements.

Notes to the Financial Statements

Note 1 - Plan Descriptions

The Board of Trustees of the Public School Retirement System of Missouri administers two separate retirement systems, the Public School Retirement System of Missouri (PSRS) and the Public Education Employee Retirement System of Missouri (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. Investments of the Systems are combined in a commingled investment pool as allowed by state statute. Each System owns an equity position in the pool and receives proportionate investment income from the pool in accordance with their respective ownership percentage. Each System's allocated share of each type of investment in the pool is shown on the Statements of Fiduciary Net Position. Investment gains and losses are reported in the Statements of Changes in Fiduciary Net Position. 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 of Missouri (PSRS)

PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. The System also includes certificated employees of PSRS, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the state of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to 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 "2/3's 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 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 service. Individuals who (a) are at least age 60 and have a minimum of 5 years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55 or with 25 years of service (if not yet age 55). Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the 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 14.5% of their annual covered salary during fiscal year 2016. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS/PEERS 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 members and benefit recipients served by the System at June 30, 2016:

Retirees and beneficiaries receiving benefits			58,020
Inactive members entitled to, but not yet receiving benefits			8,192
Active members:	Vested	58,657	
	Non-vested	19,472	
Total active members			78,129
Other inactive members and terminated accounts			8,184
Total			152,525

Employers – PSRS had 534 contributing employers during fiscal year 2016.

The Public Education Employee Retirement System of Missouri (PEERS)

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

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 service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the 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 6.86% of their annual covered salary during fiscal year 2016. Employers were required to match the contributions made by their employees. The contribution rate is set each year by the PSRS/PEERS 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 0.5% of pay. Administrative costs proportional to its membership size are reimbursed by PEERS to the Public School Retirement System of Missouri (PSRS) and are financed through investment earnings.

Members - The number of PEERS members and benefit recipients served by the System at June 30, 2016:

Retirees and beneficiaries receiving benefits			27,583
Inactive members entitled to, but not yet receiving benefits			6,459
Active members:	Vested	27,758	
	Non-vested	20,093	
Total active members			47,851
Other inactive members and terminated accounts			25,118
Total			107,011

Employers – PEERS had 530 contributing employers during fiscal year 2016.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Systems' financial statements, notes to the financial statements, and required supplementary information were prepared in conformity with GASB Statement No. 67, Financial Reporting for Pension Plans. GASB Statement No. 67 addresses accounting and financial reporting requirements for pension plans. Significant requirements include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosures regarding the pension liability, the sensitivity of the net pension liability to the discount rate and increased investment activity disclosures. The total pension liability, determined in accordance with GASB Statement No. 67 is presented in Note 5 - *Net Pension Liability of Employers.*

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.

GASB Statement No. 72, Fair Value Measurement and Application, was implemented during fiscal year 2016. GASB Statement No. 72 addresses accounting and reporting issues related to fair value measurements. The Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

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 employers, 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. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Many factors are considered in arriving at fair value. Fixed income securities not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. The value of private equity, credit and real estate investments that do not have an established market is determined based upon the most current net asset values and activities through year end. When values are 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; pension administration system, 20 years; building, 40 years.

PSRS allocates depreciation expense to PEERS for the use of capital assets.

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 position restricted for pension benefits at June 30, 2016. 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, 2015, from which the information was derived. Certain reclassifications have been made to the 2015 totals to conform with the classifications for 2016.

Note 3 – Designations of Net Position – Restricted for Pensions

The Systems designate the net position – restricted for pensions for the following specific purposes:

Public School Retirement System of Missouri

	2016
Designated for Members' Contributions (Member Reserves) – *Accumulation of active and terminated member contributions plus interest.*	$ 7,404,922,777
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.*	25,895,011,565
Designated for Operating Expenses/Benefits to Future Retirees (Operating Reserves) – *Accumulation of employer contributions and investment income used to fund future benefit payments, interest on member accounts and, administration and maintenance expenses of the System.*	1,004,035,490
Net Position – Restricted For Pensions	$ 34,303,969,832

Public Education Employee Retirement System of Missouri

	2016
Designated for Members' Contributions (Member Reserves) – *Accumulation of active and terminated member contributions plus interest.*	$ 963,845,285
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.*	2,205,327,605
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.*	838,157,785
Net Position – Restricted For Pensions	$ 4,007,330,675

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, 2016, the PSRS carrying amount of deposits at the depository bank was $17,802,706 and the bank balance was $15,269,163. Of the bank balance, $250,000 was covered by federal depository insurance. In addition the deposits were collateralized with U.S. agency securities held by a third-party institution in the System's name, totaling $15,865,349. An additional $2,806,248 was held in overnight repurchase agreements with a book value of $2,806,248. The overnight repurchase agreements were collateralized with U.S. agency securities held by a third-party institution in the System's name totaling $2,806,248.

At June 30, 2016, the PEERS carrying amount of deposits at the depository bank was $1,826,581 and the bank balance was $1,793,836. Of the bank balance, $250,000 was covered by federal depository insurance. In addition the deposits were collateralized with U.S. agency securities held by a third-party institution in the System's name, totaling $2,370,464. An additional $725,559 was held in overnight repurchase agreements with a book value of $725,559. The overnight repurchase agreements were collateralized with U.S. agency securities held by a third-party institution in the System's name totaling $725,559.

Investment Policy and Asset Allocation

Funds for both Systems that are in excess of a safe operating balance are invested 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 Systems is covered by this "prudent person" rule.

The Board of Trustees of PSRS and PEERS approved the commingling of assets for purposes of investment as allowed by state statute. In order to implement this change, PSRS and PEERS adopted the Missouri Education Pension Trust Agreement. The Missouri Education Pension Trust (MEPT) is managed by the PSRS and PEERS Board of Trustees and Investment Staff. Effective July 1, 2013, the invested assets of the Systems were pooled and invested in MEPT. All assets held by MEPT are for the exclusive benefit of PSRS and PEERS. Each of the Systems has equity in MEPT based on funds contributed and earnings allocated. Earnings of MEPT are allocated based on the average daily balances of each of the respective Systems. Individual investments in MEPT are not specifically identified to the respective Systems. For financial statement presentation, MEPT assets, liabilities, revenues, and expenses have been allocated to and presented in each respective system in the basic financial statements as required by investment pools. Due to the fact all invested assets are invested in MEPT, the rate of return for each of the Systems is approximately the same.

The Systems' policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees. System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided by the Systems. The Board of Trustees amended the long term asset allocation at their June 2016 Trustees' meeting. The long-term target for Public Credit was decreased from 12.0% to 7.0%, which resulted in Public Risk Assets decreasing from 60.0% to 55.0%. Private Equity increased from 10.5% to 12.0%, Private Real Estate increased from 7.5% to 9.0% and Private Credit increased from 2.0% to 4.0%, resulting in Private Risk Assets increasing from 20.0% to 25.0%. Implementation of the amended long-term targets will be achieved over a number of years through a disciplined investment approach. The policy benchmarks will change over time as the Systems make meaningful progress towards the new long-term targets. The following table illustrates the Systems' Board of Trustees approved asset allocation as of June 30, 2016.

Investment Type	Long-term Target	Policy Ranges
Public Risk Asset Programs		
U.S. Public Equity	27.0%	16% - 48%
Public Credit	7.0%	0% - 20%
Hedged Assets	6.0%	0% - 25%
Non-U.S. Public Equity	15.0%	8% - 28%
Total Public Risk Assets	**55.0%**	**35% - 75%**
Safe Assets		
U.S. Treasuries	16.0%	0% - 40%
U.S. TIPS	4.0%	0% - 40%
Cash Equivalents	0.0%	0% - 10%
Total Safe Assets	**20.0%**	**10% - 40%**
Private Risk Asset Programs		
Private Equity	12.00%	4% - 15%
Private Real Estate	9.00%	4% - 12%
Private Credit	4.00%	0% - 8%
Total Private Risk Assets	**25.00%**	**10% - 30%**
Total Fund	**100.0%**	

The Systems categorize their fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The Systems have classified the fair value measurements on the following page in accordance with the Board approved asset allocation discussed above. The classification will not directly reconcile to total investments per the statements of Fiduciary Net Position due to the considerations of cash holdings, other liabilities and accruals.

Level 1 - Unadjusted quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Systems' assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The tables on the following page show the fair value leveling of the investments for the Systems.

Short-term securities generally include investments in money market-type securities reported at cost which approximates market or fair value.

Equities within all assets classes that are classified in Level 1 are valued using prices quoted in active markets for those securities. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

Fixed income securities and derivatives within all assets classes that are classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices. Such securities include U.S. Treasuries, corporate and agency bonds, bank loans, and mortgage backed securities. Level 2 fixed income securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

Investments and Derivatives Measured at Fair Value

Investments by fair value level	Total at 6/30/2016	Fair Value Measurements Level 1	Level 2	Level 3
U.S. Treasuries and TIPS				
U.S. Treasuries	$ 6,587,571,917	$ -	$ 6,587,571,917	$ -
Total U.S. Treasuries and TIPS	6,587,571,917	-	6,587,571,917	-
U.S. public equities				
Equities	5,986,406,182	5,986,385,237	20,945	-
U.S. Treasuries	864,259,193	-	864,259,193	-
Total U.S. public equities	6,850,665,375	5,986,385,237	864,280,138	-
Non-U.S. public equities				
Equities	3,384,473,010	3,383,585,239	-	887,771
U.S. Treasuries	319,047,893	-	319,047,893	-
Total Non-U.S. public equities	3,703,520,903	3,383,585,239	319,047,893	887,771
Short term investments				
Short term investment fund	585,074,161	-	585,074,161	-
Total Short term investments	585,074,161	-	585,074,161	-
Public credit				
Corporate Bonds	1,951,321,282	-	1,951,321,282	-
Bank Loans	297,909,302	-	297,909,302	-
U.S. Treasuries	73,020,618	-	73,020,618	-
Equities	82,940	22,901	60,039	-
Mortgage Backed Securities	590,769	-	590,769	-
Municipal Bonds	681,247	-	681,247	-
Total Public credit	2,323,606,158	22,901	2,323,583,257	-
Hedged assets				
U.S. Treasuries	562,306,936	-	562,306,936	-
Equities	180,748,276	180,748,276	-	-
Corporate Bonds	21,636,761	-	21,636,761	-
Agency Bonds	3,550,110	-	3,550,110	-
Total Hedged assets	768,242,083	180,748,276	587,493,807	-
Private equity				
Equities	2,672,806	2,672,806	-	-
Total Private equity	2,672,806	2,672,806	-	-
Total investments by fair value level	$ 20,821,353,403	$9,553,414,459	$11,267,051,173	$887,771
Total investments measured at the NAV ***(See detailed schedule on the following page)***	**$ 17,115,093,971**			
Total Investments measured at fair value	**$ 37,936,447,374**			

Investment derivative instruments:	**6/30/16**	**Level 1**	**Level 2**	**Level 3**
Equity total return swaps	$ 33,840,337	$ -	$ 33,840,337	$ -
Interest rate swaps	(1,588,278)	-	(1,588,278)	-
Foreign currency forwards	5,596,955	-	5,596,955	-
Total investment derivative instruments	**$ 37,849,014**	**$ -**	**$ 37,849,014**	**$ -**

	6/30/16	**Level 1**	**Level 2**	**Level 3**
Total invested securities lending collateral	**$ 407,969,402**	**$ -**	**$ 407,969,402**	**$ -**

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Public Equity Investments				
Passive U.S. Large Cap Funds	$ 2,773,643,310	$ -	Daily	1 day
Passive Non-U.S. Equity Fund	706,959,798	-	Daily	2 days
Active Non-U.S. Equity Funds	1,335,836,491	-	Monthly	15 - 120 days
Total Public Equity Investments	4,816,439,599	-		
Hedge Fund Investments				
Asset Allocation/Global Macro	663,738,641	-	Monthly	5 days
Distressed Debt/Credit	647,421,187	-	Quarterly, semi-annual	65 - 90 days
Diversified Beta/Inflation	262,805,052	-	Quarterly	30 days
Equity Long/Short	1,614,557,361	-	Monthly, quarterly	5 - 60 days
Multi-Strategy	2,797,268,985	-	Monthly, quarterly	15 - 120 days
Total Hedge Fund Investments	5,985,791,226	-		
Private Risk Investments				
Private Equity	3,047,513,451	2,621,929,385	Not eligible	N/A
Private Credit	250,525,908	201,194,170	Not eligible	N/A
Private Real Estate - closed end funds	1,528,051,416	638,713,577	Not eligible	N/A
Private Real Estate - open end funds	1,486,772,371	98,150,000	Quarterly	15 - 180 days
Total Private Risk Investments	6,312,863,146	3,559,987,132		
Total investments measured at the NAV	$ 17,115,093,971	$ 3,559,987,132		

The fair values of investments in certain public equity, hedged assets, and private risk assets are based on the investments' net asset value (NAV) per share (or its equivalent) and are presented in the above table. Investments that are measured at fair value using the net asset value (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Public Equity Investments

The public equity investments include two passive U.S. large cap equity funds, one passive non-U.S. equity fund and four active non-U.S. equity funds. The passive equity funds provide for basic market exposure with daily liquidity while the four active funds provide active investment strategies in the global public equity and emerging markets.

Hedged Assets

The hedged assets investment strategy provides diversification and reduced volatility to the total portfolio. The purpose of this program is to enhance the overall risk/return profile 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).

Asset Allocation/Global Macro includes investments in two funds with the strategy of taking long and short positions based on top-down macroeconomic analysis (i.e., interest rates, foreign exchange rates, and commodity prices). Global strategies involve long and short positions in securities of diverse geographical regions such as developed and emerging markets.

Distressed Debt/Credit includes investments in two funds which seek returns by capitalizing on opportunities in financially distressed companies' debt and credit securities.

Diversified Beta/Inflation includes investments in three funds with a risk parity approach which focuses on the allocation of risk across the portfolio.

Equity Long/short includes investments in six funds with the strategy of taking long positions in attractive equity securities and short positions in unattractive equity securities.

Multi-Strategy includes investments in eleven funds which represent a broad style of investing that seeks diverse sources of alpha generation and positive absolute returns by employing a variety of investment strategies. Strategies utilized may include, but are not limited to, convertible bond arbitrage, equity long/short, statistical arbitrage and merger arbitrage.

Private Risk Assets

Private risk investments are typically very long term in nature, not publicly traded and relatively illiquid. Investments are made in limited partnerships where redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying portfolio investments are realized.

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.

Private Credit investments are comprised primarily of debt-related investments that provide a current yield along with equity participation (usually warrants). Primary strategies are distressed debt, bankruptcy restructurings, mezzanine debt, bank loans, and other credit-drive or debt-related strategies.

Real Estate investments are 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 a diversifier to the overall investment portfolio. The real estate portfolio includes closed-end funds where distributions from each investment will be received as the underlying investments are liquidated and open-end funds which offer redemption options.

Rate of Return

For the year ended June 30, 2016, the money-weighted rate of return, net of all investment expenses and fees was 1.6%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Time weighted returns (geometric return) for the year ended June 30, 2016 net of all investment expenses and fees, was 1.6%.

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, 2016, 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' investment policy restricts duration as a means of managing its exposure to fair value losses arising from increased interest rates. In addition, each manager must follow guidelines established relative to the duration of its benchmark. The portfolios are continually monitored to ensure compliance with these guidelines. The following table includes collateral pledged for securities lending collateral. The maturities of all debt securities are presented below:

Security Type	Fair Value at June 30, 2016	< 1 year to maturity	1 to 5 years to maturity	6 to 10 years to maturity	Over 10 years to maturity
U.S. treasuries	$ 8,454,789,339	$ 3,185,873,172	$ 3,105,765,068	$ 1,015,605,649	$ 1,147,545,450
Agencies	11,549,527	10,008,277	1,541,250	-	-
Collateralized mortgage obligations	590,769	-	590,769	-	-
Asset backed securities	14,959,280	-	-	14,959,280	-
Corporate bonds	2,255,908,065	76,961,750	1,086,144,153	877,574,642	215,227,520
Repurchase agreements	169,410,755	169,410,755	-	-	-
Commercial Paper	26,978,090	26,978,090	-	-	-
Certificate of Deposit	124,997,998	124,997,998	-	-	-
Derivatives	(6,771,790)	(5,183,512)	-	-	(1,588,278)
Municipals	681,247	-	-	681,247	-
Commingled Funds (see note)					
JPM STIF	585,074,363	585,074,363	-	-	-
BlackRock TempFund	15,000,000	15,000,000	-	-	-
Bridgewater STIF II	23,074,117	23,074,117	-	-	-
Bridgewater US IL Bond Fund	9,441,175	-	-	-	9,441,175
Bridgewater International Bond Fund	11,713,808	-	-	11,713,808	-
Dreyfus Institutional	15,000,000	15,000,000	-	-	-
Currency	9,425,178	9,425,178	-	-	-
Total	$11,721,821,921	$ 4,236,620,188	$ 4,194,041,240	$ 1,920,534,626	$ 1,370,625,867
Percentage of Total Fixed Income	**100%**	**36%**	**36%**	**16%**	**12%**

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

The following table includes the debt maturities for the Systems' deposits and repurchase agreements collateral.

Security Type	Fair Value at June 30, 2016	< 1 year to maturity	1 to 5 years to maturity	6 to 10 years to maturity	Over 10 years to maturity
PSRS - Agencies	$ 18,671,597	$ -	$ 12,968,141	$ -	$ 5,703,456
PEERS - Agencies	3,096,023	-	1,997,102	167,590	931,331

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 securities lending collateral. The Systems' debt investments by credit rating category as of June 30, 2016 are presented in the following tables.

Security Type	Fair Value at June 30, 2016	%	AAA	AA	A	BBB	BB	B	CCC	Not Rated
U.S. treasuries	$ 8,454,789,339	73%	$ 8,454,789,339	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Agencies	11,549,527	0%	7,999,417	3,550,110	-	-	-	-	-	-
Collateralized mortgage obligations	590,769	0%	-	-	-	-	-	-	590,769	-
Asset backed securities	14,959,280	0%	-	-	14,959,280	-	-	-	-	-
Corporate bonds	2,255,908,065	20%	-	221,020,411	582,647,357	1,009,135,694	187,882,540	213,492,104	23,147,143	18,582,816
Repurchase agreements	169,410,755	1%	169,410,755	-	-	-	-	-	-	-
Commercial paper	26,978,090	0%	26,978,090	-	-	-	-	-	-	-
Certificates of deposit	124,997,998	1%	124,997,998	-	-	-	-	-	-	-
Derivatives	(6,771,790)	0%	-	-	-	-	-	-	-	(6,771,790)
Municipals	681,247	0%	-	681,247	-	-	-	-	-	-
Commingled Funds (see note)										
JPM STIF	585,074,363	5%	585,074,363	-	-	-	-	-	-	-
BlackRock TempFund	15,000,000	0%	15,000,000	-	-	-	-	-	-	-
Bridgewater STIF II	23,074,117	0%	23,074,117	-	-	-	-	-	-	-
Bridgewater US IL Bond Fund	9,441,175	0%	-	9,441,175	-	-	-	-	-	-
Bridgewater International Bond Fund	11,713,808	0%	-	11,713,808	-	-	-	-	-	-
Dreyfus Institutional	15,000,000	0%	15,000,000	-	-	-	-	-	-	-
Currency	9,425,178	0%	-	-	-	-	-	-	-	9,425,178
Total	$ 11,721,821,921	100%	$ 9,422,324,079	$246,406,751	$597,606,637	$ 1,009,135,694	$187,882,540	$ 213,492,104	$ 23,737,912	$21,236,204
Percentage of Total Fixed Income		**100%**	**80%**	**2%**	**5%**	**9%**	**2%**	**2%**	**0%**	**0%**

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 are displayed. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not required to be disclosed; however, we feel it shows a more true picture of our fixed income holdings.

All collateral pledged in support of the Systems' deposits and repurchase agreements was held in agency securities with a quality rating of AA.

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, 2016 is presented in the following table.

Currency	Debt	Equity	Currency/Short Term	Total
Australian Dollar	$ 1,092,504	$ 129,029,435	$ -	$ 130,121,939
Brazilian Real	1,548,144	59,984,583	-	61,532,727
British Pound Sterling	5,514,385	326,415,500	12,885,420	344,815,305
Canadian Dollar	418,761	180,125,344	-	180,544,105
Chilean Peso	220,918	6,719,461	-	6,940,379
Colombian Peso	359,185	-	-	359,185
Czech Koruna	27,935	1,991,093	-	2,019,028
Danish Krone	(456,478)	29,668,864	-	29,212,386
Egyptian Pound	17,466	127,821	-	145,287
Euro Currency	10,611,902	842,333,538	85,218,822	938,164,262
Hong Kong Dollar	1,221,940	194,537,085	-	195,759,025
Hungarian Forint	178,419	6,705,348	-	6,883,767
Indian Rupee	1,134,589	84,761,333	-	85,895,922
Indonesian Rupiah	365,899	15,587,614	-	15,953,513
Israeli Shekel	183,941	573,096	-	757,037
Japanese Yen	4,059,069	354,536,240	-	358,595,309
Malaysian Ringgit	471,150	34,981,451	-	35,452,601
Mexican Peso	324,970	30,972,411	-	31,297,381
New Taiwan Dollar	245,314	56,800,830	-	57,046,144
New Turkish Lira	1,192,463	16,969,502	-	18,161,965
New Zealand Dollar	1,722,813	25,553,563	-	27,276,376
Norwegian Krone	101,441	1,172,925	-	1,274,366
Peruvian Nuevo Sol	1,741	-	-	1,741
Philippine Peso	37,022	14,113,665	-	14,150,687
Polish Zloty	209,365	10,783,970	-	10,993,335
Qatari Rial	-	5,588,794	-	5,588,794
Russian Ruble	(36,477)	-	-	(36,477)
Singapore Dollar	29,941	54,117,146	-	54,147,087
South African Rand	1,452,474	54,119,636	-	55,572,110
South Korean Won	(284,081)	97,732,058	-	97,447,977
Swedish Krona	479,255	41,904,642	-	42,383,897
Swiss Franc	(135,165)	220,798,474	-	220,663,309
Thailand Baht	297,199	13,891,999	-	14,189,198
UAE Dirham	21,670	88,575	-	110,245
Yuan Renminbi	-	2,784,832	-	2,784,832
Total	**$ 32,629,674**	**$ 2,915,470,828**	**$ 98,104,242**	**$ 3,046,204,744**

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 Fiduciary Net Position 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, 2016, classified by type are as follows:

	Fair Value at June 30, 2016		
Investment Derivatives	**Classification**	**Amount**	**Notional**
Swaps			
Pay-fixed interest rate swap	Investments, at fair value	$ (1,588,278)	$ 80,000,000
Total return swaps - equity	Investments, at fair value	33,840,337	2,445,413,153
Total swaps		**32,252,059**	**2,525,413,153**
Futures			
Equity futures long	Investments, at fair value	-	102,854,283
Equity futures short	Investments, at fair value	-	50,844,738
Treasury futures short	Investments, at fair value	-	686,381,369
Commodity futures long	Investments, at fair value	-	17,455,040
Total futures		**-**	**857,535,430**
Foreign currency forwards net receivable/payable	Investment Sales and Purchases	5,596,955	-
Total Investment Derivatives		**$ 37,849,014**	**$ 3,382,948,583**

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. A total return swap 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 Fiduciary Net Position. Net gains on swaps of $11.0 million were recognized for the fiscal year ended June 30, 2016.

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 value of futures contracts 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 Fiduciary Net Position. The Systems recognized net losses on futures contracts of $15.4 million during the fiscal year ended June 30, 2016.

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 Fiduciary Net Position. The Systems recognized net gains on option contracts of $0.5 million during the fiscal year ended June 30, 2016.

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 Fiduciary Net Position. The Systems recognized net gains on such contracts of $14.5 million during the fiscal year ended June 30, 2016.

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, 2016 the counterparties' credit ratings for currency forwards, options and swaps are subject to credit risk as shown below:

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

The Systems' derivatives are governed by ISDA Master Agreements between the Systems and the Counterparties. These agreements set forth collateral requirements and applicable netting arrangements. Foreign currency risks are reflected on page 34.

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

The derivative financial instruments discussed involve, to varying degrees, elements of market risk to the extent of future market movements in excess of the amounts recognized in the Statements of Fiduciary Net Position. 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 below.

Derivative Counterparty Credit Ratings

Quality Rating	Swaps	Forwards	Total
AA	$ -	$ 1,093,687	$ 1,093,687
A	9,790,564	4,292,615	14,083,179
BBB	23,440,383	210,653	23,651,036
Total subject to credit risk	**$ 33,230,947**	**$ 5,596,955**	**$ 38,827,902**

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 to participating broker-dealers. The broker-dealers must provide collateral in the form of cash. The Systems did not impose restrictions during the fiscal year on the amount of loans that the custodial bank made on their behalf. Borrowers were required to deliver collateral for each loan equal to: (1) in the case of loaned securities denominated in U.S. dollars or whose primary trading market was located in the United States, or sovereign debt issued by foreign governments, 102% of the fair value of the loaned securities and (2) in the case of loaned securities not denominated in U.S. dollars or whose primary trading market was not located in the United States, 105% of the fair value of the loaned securities.

Pursuant to the lending agreement, the custodial bank has an obligation to provide a form of indemnification to the Systems in the event of default by a borrower. There were no 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, 2016 was $395,280,994. On June 30, 2016 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, 2016, there were no term loans.

Cash collateral is invested in separately managed accounts in accordance with the investment guidelines approved by the Systems. The primary investment objective is the preservation of principal. As of June 30, 2016, the cost basis of the invested cash collateral totaled $407,970,010 and the estimated market value totaled $407,969,041.

The Systems' recognized net depreciation of $4,421 for the year ended June 30, 2016 on the invested collateral account. Such is reported as net (depreciation) appreciation in fair value of security lending collateral on the Statements of Changes in Fiduciary Net Position.

The weighted average duration of invested collateral as of June 30, 2016 was 16 days and an average final maturity of approximately 29 days. Because the loans were terminable at will, their duration did not match the duration of the investments made with cash collateral.

Current year securities lending income includes $123 million of revenue from the settlement of legal proceedings with the System's prior custodian. Please refer to additional discussion in Note 9 – *Commitments and Contingencies*.

Note 5 – Net Pension Liability of Employers

The components of the net pension liability of the Systems' employers at June 30, 2016 are as follows:

	Total Pension Liability (TPL) (a)	Plan Fiduciary Net Position-Restricted for Pensions (b)	Net Pension Liability (NPL) (a - b)	Plan Fiduciary Net Position as a % of TPL (b/a)	Covered Employee Payroll (c)	Employers' NPL as a % of Covered Payroll ((b-a)/c)
PSRS	$ 41,744,618,662	$ 34,303,969,832	$ 7,440,648,830	82.2%	$ 4,556,137,282	163.3%
PEERS	$ 4,809,665,957	$ 4,007,330,675	$ 802,335,282	83.3%	$ 1,519,081,146	52.8%

Actuarial Assumptions - Actuarial valuations of the Systems involve estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience for the Systems, derived from experience studies conducted every fifth year. The most recent comprehensive experience studies were completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the study and effective with the June 30, 2016 valuation. The next experience studies are scheduled for 2021.

The Schedules of Employer's Net Pension Liability presents multi-year trend information about whether the plan net positions are increasing or decreasing over time relative to the total pension liability. These schedules are presented in the required supplementary information following the notes to the financial statements. The total pension liability was determined by an actuarial valuation as of June 30, 2016. A summary of the significant actuarial assumptions as of June 30, 2016 are shown below and on the following page. The significant actuarial assumptions utilized in the previous year are also included to illustrate revisions from the prior year.

Measurement Date	**June 30, 2016**	**June 30, 2015**
Valuation Date	**June 30, 2016**	**June 30, 2015**
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.75%	8.00%
Inflation	2.25%	2.50%
Total Payroll Growth		
PSRS	2.75% per annum, consisting of 2.25% inflation, 0.25% additional inflation due to the inclusion of health care costs in pension earnings, and 0.25% of real wage growth.	3.50% per annum, consisting of 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
PEERS	3.25% per annum, consisting of 2.25% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.	3.75% per annum, consisting of 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
Individual Salary Growth		
PSRS	3.00% - 9.50%, depending on service and including 2.25% inflation, 0.25% additional inflation due to the inclusion of health care costs in pension earnings, 0.25% of real wage growth for productivity, and real wage growth for merit, promotion and seniority of 0.25% to 6.75%.	4.00% - 10.00%, depending on service and including 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.00% to 7.00%.
PEERS	4.00% - 11.00%, depending on service and including 2.25% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, 0.50% of real wage growth for productivity, and real wage growth for merit, promotion and seniority of 0.75% to 7.75%.	5.00% - 12.00%, depending on service and including 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.75% to 8.75%.
Cost-of-Living Increases		
PSRS	1.5% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase. The assumption increases from 1.00% to 1.50% over 10 years.	2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase.
PEERS	1.5% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase. The assumption increases from 1.00% to 1.50% over 10 years.	2.0% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase.

Measurement Date	June 30, 2016	June 30, 2015
Valuation Date	June 30, 2016	June 30, 2015
Mortality Assumption		
Actives:		
PSRS	RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.	RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
PEERS	RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.	RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
Non-Disabled Retirees, Beneficiaries and Survivors		
PSRS	RP 2006 White Collar Mortality Table multiplied by the adjustment factors shown in the table below, with static projections using the 2014 SSA Improvement Scale to 2028.	RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.

Age	Males	Females
<60	1.00	1.00
60-74	0.89	0.66
75-89	1.05	0.91
>=90	1.05	1.16

PEERS	RP 2006 Total Dataset Mortality Table multiplied by the adjustment factors shown in the table below, with static projections using the 2014 SSA Improvement Scale to 2028.	RP 2000 Mortality Table set forward one year for males and no set back/forward for females, then projected to 2016 using Scale AA.

Age	Males	Females
<60	1.00	1.00
60-74	1.49	0.77
75-89	1.27	1.03
>=90	1.16	1.04

Disabled Retirees:	RP 2006 Disabled Retiree Mortality Table, with static projections using the 2014 SSA Improvement Scale to 2028.	RP 2000 Disabled Mortality Table

Sensitivity of Net Pension Liability

The sensitivity of the net pension liability of employers to changes in the discount rate is presented below. The net pension liability of employers calculated using the discount rate of 7.75% is presented as well as what the employers' net pension liability would be using a discount rate that is 1.0% lower (6.75%) or 1.0% higher (8.75%) than the current rate.

		1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
PSRS	Net Pension Liability (Asset)	$ 12,622,752,591	$ 7,440,648,830	$ 3,125,760,063
PEERS	Net Pension Liability (Asset)	$ 1,395,289,127	$ 802,335,282	$ 304,701,076

Long-Term Expected Rate of Return

The long-term expected rate of return on investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed rate of return. The long-term expected rate of return on the Systems' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems' target allocation as of June 30, 2016 are summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cashflows.

Asset Class	Target Asset Allocation	Long-term Expected Real Return Arithmetic Basis	Weighted Long-term Expected Real Return Arithmetic Basis
U.S. Public Equity	27.0 %	5.16 %	1.39 %
Public Credit	7.0 %	2.17 %	0.15 %
Hedged Assets	6.0 %	4.42 %	0.27 %
Non-U.S. Public Equity	15.0 %	6.01 %	0.90 %
U.S. Treasuries	16.0 %	0.96 %	0.15 %
U.S. TIPS	4.0 %	0.80 %	0.03 %
Private Credit	4.0 %	5.60 %	0.22 %
Private Equity	12.0 %	9.86 %	1.18 %
Private Real Estate	9.0 %	3.56 %	0.32 %
Total	100.0 %		4.61 %
		Inflation	2.25 %
		Long term arithmetical nominal return	6.86 %
		Effect of covariance matrix	0.89 %
		Long term expected geometric return	7.75 %

The long-term expected rate of return used to measure the total pension liability was 7.75% as of June, 30, 2016, and is consistent with the long-term expected geometric return on plan investments. The actuarial assumed rate of return was 8.0% from 1980 through fiscal year 2016. The Board of Trustees adopted a new actuarial assumed rate of return of 7.75% based on the actuarial experience studies and asset-liability study conducted during the current year. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Note 6 – Retirement Plans

Section 401(a) Defined Benefit Plan

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

PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2016, 2015 and 2014. 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 $34,685 for the 2016 fiscal year, $24,712 for the 2015 fiscal year and $24,975 for the 2014 fiscal year. The amounts for these years are equal to the required contributions. PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2016, 2015 and 2014. 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 $707,492 for the 2016 fiscal year, $669,966 for the 2015 fiscal year and $625,876 for the 2014 fiscal year. The amounts for these years are equal to the required contributions.

PSRS and PEERS, as the administrators for the defined pension plans, are also participating employers of the Systems. The administrative expenses of the Systems are included in the deductions to the Systems' fiduciary net position. While the employer contributions of the other participating employers are funded from outside revenue sources, the employer contributions of PSRS and PEERS are funded from sources already recognized as revenues, such as earnings on plan investments or contributions paid by the other participating employers. Attempting to allocate a portion of the net pension liability to PSRS and PEERS would result in an allocation of the net pension liability to the other participating employers. Accordingly, PSRS and PEERS will exclude its contributions from the employer proportionate share calculation for the reporting of a net pension liability, by assigning itself a proportionate share of 0%. This exclusion in essence shifts the portion of the net pension liability that would accrue to PSRS and PEERS to the other participating employers.

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 $18,000 per year plus $6,000 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 $106,641 and employer-paid contributions totaled $66,000 for the 2016 fiscal year. Employee contributions totaled $329,776 for the 2016 fiscal year.

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

Note 7 – 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	$ 321,800
Interest on net OPEB obligation	56,000
Amortization of net OPEB obligation	(55,000)
Annual OPEB cost	322,800
Contributions made	67,600
Increase in net OPEB obligation	255,200
Net OPEB obligation - beginning of year	1,697,600
Net OPEB obligation - end of year	$ 1,952,800

PSRS' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC)	% of AOC Contributed	Net OPEB Obligation
6/30/14	$ 316,900	20.1%	$ 1,452,400
6/30/15	$ 314,800	22.1%	$ 1,697,600
6/30/16	$ 321,800	20.1%	$ 1,952,800

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Payroll ((b-a)/c)
6/30/16	$ -	$1,558,000	$ 1,558,000	0.0%	$9,651,600	16.1%

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 trends. 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, 2016 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	3.3% per year for June 30, 2015 and prior years 7.75% per year effective June 30, 2016
Wage Inflation	3.5% per year per year for June 30, 2015 and prior years 3.25% per year effective June 30, 2016
Healthcare Trend	7.0% in fiscal year 2016, decreasing by one-half percentage point per year to an ultimate of 4.5% in fiscal year 2021 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 health insurance 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 health insurance for the retiree. The amount paid into the PEHP was $71,611 for five employees during 2016.

Note 8 – Risk Management

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

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

Note 9 – Commitments and Contingencies

Commitments to the future purchase of investments at June 30, 2016 totaled $2,147,826,551.

Total unfunded capital commitments to private real estate, private equity and other alternative investments totaled approximately $3.6 billion as of June 30, 2016. The unfunded commitments are not recorded in the Statements of Fiduciary Net Position.

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 can then be invested in collective investment pools, which are governed by Trust agreements. The Systems and their previous custodial bank were in dispute regarding the terms of the Trust agreement for the Quality D Short-Term Investment Fund (Quality D Fund). The previous custodial bank believed the Trust Agreement provided 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 contested 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 opposed such action and filed a lawsuit in Cole County, Missouri Circuit Court against the custodial bank on September 18, 2009 in an attempt to prevent the custodial bank from taking such action. The Systems proceeded with litigation to recover any amounts lost as a result of the custodial bank's action.

During the current year, the Systems' and former custodial bank reached an out of court settlement that required the former custodial bank to pay the Systems $123 million. Upon receipt of the settlement, the Systems' dismissed their lawsuit previously filed in Cole County, Missouri Circuit Court.

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 Changes in the Employers' Net Pension Liability

	Public School Retirement System of Missouri		
Year Ended:	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability			
Service cost	$ 842,548,463	$ 836,085,151	$ 849,712,130
Interest cost	3,263,288,365	3,019,050,250	2,885,182,982
Difference between actual and expected experience	(641,098,601)	598,417,056	226,591,816
Assumption changes	100,247,551	-	-
Plan amendments	-	-	-
Benefit payments	(2,430,906,732)	(2,326,196,773)	(2,236,468,407)
Net change in total pension liability	1,134,079,046	2,127,355,684	1,725,018,521
Total pension liability - beginning of year	$ 40,610,539,616	$ 38,483,183,932	$ 36,758,165,411
Total pension liability - end of year (a)	$ 41,744,618,662	$ 40,610,539,616	$ 38,483,183,932
Plan Fiduciary Net Position			
Employer contributions	$ 670,794,045	$ 656,924,899	$ 643,989,869
Member contributions	704,785,734	689,187,215	679,390,918
Net investment return	533,180,245	1,447,169,205	4,927,198,588
Benefit payments, including refunds of member contributions	(2,430,906,732)	(2,326,196,773)	(2,236,468,407)
Administrative and other expenses	(11,562,965)	(10,013,601)	(8,919,201)
Net change in plan fiduciary net position	(533,709,673)	457,070,945	4,005,191,767
Plan fiduciary net position - beginning of year	$ 34,837,679,505	$ 34,380,608,560	$ 30,375,416,793
Plan fiduciary net position - end of year (b)	$ 34,303,969,832	$ 34,837,679,505	$ 34,380,608,560
Net pension liability - end of year (a-b)	$ 7,440,648,830	$ 5,772,860,111	$ 4,102,575,372

	Public Education Employee Retirement System of Missouri		
Year Ended:	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability			
Service cost	$ 161,391,660	$ 156,599,641	$ 159,672,364
Interest cost	372,184,628	333,780,285	315,131,402
Difference between actual and expected experience	(51,257,557)	45,518,402	(14,308,876)
Assumption changes	65,420,724	-	-
Plan amendments	-	-	-
Benefit payments	(250,390,477)	(235,070,181)	(216,624,810)
Net change in total pension liability	297,348,978	300,828,147	243,870,080
Total pension liability - beginning of year	$ 4,512,316,979	$ 4,211,488,832	$ 3,967,618,752
Total pension liability - end of year (a)	$ 4,809,665,957	$ 4,512,316,979	$ 4,211,488,832
Plan Fiduciary Net Position			
Employer contributions	$ 106,717,021	$ 103,624,310	$ 100,699,735
Member contributions	114,257,497	110,443,660	106,420,656
Net investment return	60,317,387	163,719,526	544,154,941
Benefit payments, including refunds of member contributions	(250,390,478)	(235,070,010)	(216,624,810)
Administrative and other expenses	(6,981,573)	(5,629,551)	(4,840,432)
Net change in plan fiduciary net position	$ 23,919,854	$ 137,087,935	$ 529,810,090
Plan fiduciary net position - beginning of year	$ 3,983,410,821	$ 3,846,322,886	$ 3,316,512,796
Plan fiduciary net position - end of year (b)	$ 4,007,330,675	$ 3,983,410,821	$ 3,846,322,886
Net pension liability - end of year (a-b)	$ 802,335,282	$ 528,906,158	$ 365,165,946

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

Required Supplementary Information

Schedules of Employers' Net Pension Liability

Public School Retirement System of Missouri

Year Ended	Total Pension Liability (TPL) (a)	Plan Fiduciary Net Position - Restricted for Pensions (b)	Net Pension Liability (NPL) (a - b)	Plan Fiduciary Net Position as a % of TPL (b/a)	Covered Employee Payroll (c)	Employers' NPL as a % of Covered Payroll ((b-a)/c)
6/30/14	$ 38,483,183,932	$ 34,380,608,560	$ 4,102,575,372	89.3%	$ 4,425,567,630	92.7%
6/30/15	40,610,539,616	34,837,679,505	5,772,860,111	85.8%	4,508,241,581	128.1%
6/30/16	41,744,618,662	34,303,969,832	7,440,648,830	82.2%	4,556,137,282	163.3%

Public Education Employee Retirement System of Missouri

Year Ended	Total Pension Liability (TPL) (a)	Plan Fiduciary Net Position - Restricted for Pensions (b)	Net Pension Liability (NPL) (a - b)	Plan Fiduciary Net Position as a % of TPL (b/a)	Covered Employee Payroll (c)	Employers' NPL as a % of Covered Payroll ((b-a)/c)
6/30/14	$ 4,211,488,832	$ 3,846,322,886	$ 365,165,946	91.3%	$ 1,442,700,979	25.3%
6/30/15	4,512,316,979	3,983,410,821	528,906,158	88.3%	1,469,771,528	36.0%
6/30/16	4,809,665,957	4,007,330,675	802,335,282	83.3%	1,519,081,146	52.8%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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 of Missouri

Year Ended June 30	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Excess/ (Deficiency) [1]	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
2007	$ 644,969,214	$ 472,216,630	$ (172,752,584)	$ 3,935,138,583	12.00%
2008	656,347,298	521,241,501	(135,105,797)	4,169,932,008	12.50%
2009	669,643,988	563,454,487	(106,189,501)	4,334,265,285	13.00%
2010	658,161,150	594,326,122	(63,835,028)	4,402,415,719	13.50%
2011	684,366,766	594,732,137	(89,634,629)	4,248,086,693	14.00%
2012	720,303,976	620,214,231	(100,089,745)	4,277,339,524	14.50%
2013	507,232,268	634,040,335	126,808,067	4,372,691,966	14.50%
2014	608,459,393	643,989,869	35,530,476	4,441,309,441	14.50%
2015	666,438,984	656,924,899	(9,514,085)	4,530,516,545	14.50%
2016	643,155,536	669,953,683	26,798,147	4,620,370,228	14.50%

Public Education Employee Retirement System of Missouri

Year Ended June 30	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Excess/ (Deficiency) [1]	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
2007	$ 89,945,503	$ 69,235,160	$ (20,710,343)	$ 1,204,089,739	5.75%
2008	90,727,016	77,988,839	(12,738,177)	1,299,813,983	6.00%
2009	96,775,289	85,915,562	(10,859,727)	1,374,648,992	6.25%
2010	95,560,084	91,478,725	(4,081,359)	1,407,365,000	6.50%
2011	90,816,155	90,816,155	-	1,369,776,094	6.63%
2012	95,094,785	95,094,785	-	1,386,221,356	6.86%
2013	87,013,816	97,059,313	10,045,497	1,414,858,790	6.86%
2014	98,497,846	100,699,735	2,201,889	1,467,926,166	6.86%
2015	105,739,092	103,624,310	(2,114,782)	1,510,558,455	6.86%
2016	104,011,593	106,654,638	2,643,045	1,554,732,332	6.86%

[1] *The annual statutory increase in the total contribution rate may not exceed 1% of pay for PSRS and 0.5% of pay for PEERS. The limitation on contribution increases resulted in a deficiency for some of the years presented. Contributions were funded to the maximum statutory limit each year.*

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

Required Supplementary Information

Schedules of Investment Returns

Year ended June 30:	**2016**	**2015**	**2014**
Annual money-weighted rate of return, net of all investment expenses	1.6%	4.3%	16.7%
Time-weighted rate of return, net of all investment expenses	1.6%	4.3%	16.7%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

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 latest actuarial valuation follows. For added clarity information regarding the prior year valuation is also included.

Changes in benefit terms:

PSRS: The 25-and-Out and 2.55% provisions were extended in 2007 through 2013. In 2013 the state legislature provided a permanent extension of the 25-and-Out provision and extended the 2.55% provision to 2014.

PEERS: The 25-and-Out provisions was extended in 2007 through 2013. In 2013 the state legislature provided a permanent extension of the 25-and- Out provision.

Changes of assumptions: In 2006, 2011 and 2016 payroll growth, salary increases, assumed life expectancies and mortality were adjusted to more closely reflect actual experience. In 2011, the inflation rate was adjusted to 2.5% from 3.25% and annual cost-of-living adjustments were calculated in accordance with the then adopted funding policy. In 2016, the inflation rate was adjusted to 2.25% from 2.5%, the investment rate of return from 8.00% to 7.75% and annual cost-of-living adjustments were calculated in accordance with the funding policy as amended in June 2016. During 2016, minor revisions were made to other actuarially assumptions including but not limited to, retirement rates, withdraw rates, etc. The 2016 assumption changes were a result of an actuarial experience study conducted during the year.

Actuarially Methods and Assumptions: The actuarially determined contribution rates in the schedule of employers' contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule.

Actuarial Cost Method	Entry Age Normal Level Percent of Payroll
Amortization Method	Closed, level percent for 30 years
Remaining amortization period	
PSRS	24.6 years
PEERS	24.9 years
Asset valuation method	5-year smoothing of actual returns above or below expected returns

Measurement Date	**June 30, 2016**	**June 30, 2015**
Valuation Date	**June 30, 2016**	**June 30, 2015**
Investment Rate of Return	7.75%	8.00%
Inflation	2.25%	2.50%
Total Payroll Growth		
PSRS	2.75% per annum, consisting of 2.25% inflation, 0.25% additional inflation due to the inclusion of health care costs in pension earnings, and 0.25% of real wage growth.	3.50% per annum, consisting of 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
PEERS	3.25% per annum, consisting of 2.25% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.	3.75% per annum, consisting of 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
Individual Salary Growth		
PSRS	3.00% - 9.50%, depending on service and including 2.25% inflation, 0.25% additional inflation due to the inclusion of health care costs in pension earnings, 0.25% of real wage growth for productivity, and real wage growth for merit, promotion and seniority of 0.25% to 6.75%.	4.00% - 10.00%, depending on service and including 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.00% to 7.00%.
PEERS	4.00% - 11.00%, depending on service and including 2.25% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, 0.50% of real wage growth for productivity, and real wage growth for merit, promotion and seniority of 0.75% to 7.75%.	5.00% - 12.00%, depending on service and including 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.75% to 8.75%.
Cost-of-Living Increases		
PSRS	1.5% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase. The assumption increases from 1.00% to 1.50% over 10 years.	2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase.
PEERS	1.5% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase. The assumption increases from 1.00% to 1.50% over 10 years.	2.0% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase.

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

Notes to the Schedules of Required Supplementary Information - Continued

Measurement Date	**June 30, 2016**	**June 30, 2015**
Valuation Date	**June 30, 2016**	**June 30, 2015**
Mortality Assumption		
Actives:		
PSRS	RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.	RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
PEERS	RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.	RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
Non-Disabled Retirees, Beneficiaries and Survivors:		
PSRS	RP 2006 White Collar Mortality Table multiplied by the adjustment factors shown in the table below, with static projections using the 2014 SSA Improvement Scale to 2028.	RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.

Age	Males	Females
<60	1.00	1.00
60-74	0.89	0.66
75-89	1.05	0.91
>=90	1.05	1.16

PEERS	RP 2006 Total Dataset Mortality Table multiplied by the adjustment factors shown in the table below, with static projections using the 2014 SSA Improvement Scale to 2028.	RP 2000 Mortality Table set forward one year for males and no set back/forward for females, then projected to 2016 using Scale AA.

Age	Males	Females
<60	1.00	1.00
60-74	1.49	0.77
75-89	1.27	1.03
>=90	1.16	1.04

Disabled Retirees:	RP 2006 Disabled Retiree Mortality Table, with static projections using the 2014 SSA Improvement Scale to 2028.	RP 2000 Disabled Mortality Table

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) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Payroll ((b-a)/c)
6/30/2014	$ -	$ 3,340,100	$ 3,340,100	0.0%	$ 8,803,200	37.9%
6/30/2015	$ -	$ 3,422,000	$ 3,422,000	0.0%	$ 9,046,100	37.8%
6/30/2016	$ -	$ 1,558,000	$ 1,558,000	0.0%	$ 9,651,600	16.1%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution (ARC)	Employer Contributions	Percentage Contributed
6/30/2014	$ 316,200	$ 63,800	20.2%
6/30/2015	$ 314,000	$ 69,600	22.2%
6/30/2016	$ 321,800	$ 67,600	21.0%

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 latest actuarial valuation follows:

Actuarial cost method	Entry Age Normal
Actuarial value of assets	No Assets (pay-as-you-go)
Amortization method	Level Percent Open
Remaining amortization period	30 Years
Actuarial assumptions:	
Investment rate of return	3.3% per year for June 30, 2015 and prior years 7.75% per year effective June 30, 2016
Wage inflation	3.5% per year per year for June 30, 2015 and prior years 3.25% per year effective June 30, 2016
Healthcare trend	7.0% in fiscal year 2016, decreasing by one-half percentage point per year to an ultimate of 4.5% in fiscal year 2021 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, 2016

	PSRS	PEERS	Combined Totals
Personnel services	$ 6,506,396	$ 4,017,256	$ 10,523,652
Professional services			
Actuarial services	462,121	256,002	718,123
Legal services	215,670	60,057	275,727
Financial audit services	58,634	35,937	94,571
Other consultants	73,573	18,591	92,164
Technology consulting	32,594	19,977	52,571
Legislative consulting	27,900	17,100	45,000
Insurance consulting	3,720	2,280	6,000
Total professional services	874,212	409,944	1,284,156
Communications			
Information and publicity	153,013	97,354	250,367
Postage	424,004	278,335	702,339
Member education	15,359	8,624	23,983
Telephone	33,488	20,518	54,006
Total communications	625,864	404,831	1,030,695
Miscellaneous			
Building and utilities	159,091	97,507	256,598
Board of Trustees election	71,746	43,974	115,720
Insurance	80,430	49,296	129,726
Office	1,979,986	1,213,540	3,193,526
Staff development	148,936	91,322	240,258
Miscellaneous	172,173	84,599	256,772
Total miscellaneous	2,612,362	1,580,238	4,192,600
Depreciation expense	928,789	569,258	1,498,047
Total administrative expenses	$ 11,547,623	$ 6,981,527	$ 18,529,150

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

Schedules of Investment Expenses

for the year ended June 30, 2016

	PSRS	PEERS	Combined Totals
Investment management expenses			
U.S. Treasuries and TIPS	$ 3,976,010	$ 441,779	$ 4,417,789
U.S. public equities	44,181,671	4,909,075	49,090,746
Non-U.S. public equities	17,860,434	1,984,493	19,844,927
Public debt	3,397,917	377,546	3,775,463
Private equity	115,355,755	12,817,446	128,173,201
Private credit	3,004,601	333,845	3,338,446
Private real estate	46,521,003	5,169,000	51,690,003
Hedged assets	67,211,258	7,467,918	74,679,176
Total investment management expenses	301,508,649	33,501,102	335,009,751
Investment consultant fees	4,168,219	463,135	4,631,354
Custodial bank fees	1,001,570	111,286	1,112,856
Investment legal and staff expenses	10,091,917	1,150,630	11,242,547
Commission recapture income	(121,445)	(14,035)	(135,480)
Total investment expenses	$ 316,648,910	$ 35,212,118	$ 351,861,028
Security lending expenses			
Agent fees	$ 1,496,176	$ 166,242	$ 1,662,418
Broker rebates	(5,788,217)	(643,135)	(6,431,352)
Total security lending expenses (income)	$ (4,292,041)	$ (476,893)	$ (4,768,934)

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

Schedules of Professional Services

for the year ended June 30, 2016

	PSRS	PEERS	Combined Totals
Actuarial services	$ 462,121	$ 256,002	$ 718,123
Legal expenses	215,670	60,057	275,727
Financial audit services	58,634	35,937	94,571
Other consulting	73,573	18,591	92,164
Technology consulting	32,594	19,977	52,571
Legislative consulting	27,900	17,100	45,000
Insurance consulting	3,720	2,280	6,000
Total fees	$ 874,212	$ 409,944	$ 1,284,156

A tradition of innovation.

A tradition, by definition, involves the preservation and continuation of valued information, customs or actions over time. At the same time, traditions are enhanced over time, through growth and adaptation leading to new and better ways of doing things.

The tradition of PSRS/PEERS investments is to employ an effective and intuitive, risk-based approach to asset allocation decisions and investment management.

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Letter from Willis Towers Watson

Willis Towers Watson

600 University St.
Suite 3100
Seattle, WA 98101-2933

T +1 206 625 1125

willistowerswatson.com

November 7, 2016

To the Members of the Board:

Fiscal year 2016 saw mixed results in equity markets, with U.S. equities producing slightly positive returns while international developed and emerging markets finished the year in negative territory. The year began with stocks tumbling due to concerns of an economic slowdown and uncertainty around U.S. monetary policy. Volatility continued in Europe, closing the fiscal year with news of the United Kingdom's decision to leave the European Union. Emerging markets were down despite a strong performance during the last two quarters of the fiscal year. Domestic fixed income markets outpaced global equities as both longer dated U.S. government bonds and credit bonds rallied as interest rates declined. The focus of the coming year will remain on the global economic outlook and when the Fed will, and at what pace, decide to raise interest rates further.

PSRS and PEERS plans are combined to show one performance number for the consolidated Missouri Education Pension Trust (MEPT). The Total Fund return for the fiscal year ended June 30, 2016 was 1.8% for MEPT, which was in line with the policy benchmark return of 1.8%. The MEPT fiscal year return for public risk assets was negative with a return of -1.1% while safe assets were positive for the year at +4.9%. MEPT private risk assets returned +8.7% vs. +5.3% for its benchmark.

The Fund continues to evolve through the ongoing review of the asset allocation, both at the Total Fund and asset class levels. In doing so, PSRS/PEERS continues to take advantage of internal and external resources, as was done with the completion of the asset liability modeling study this fiscal year, in their effort to manage the portfolio through a unique, forward looking market environment.

In the next fiscal year, Willis Towers Watson will continue to work with the PSRS/PEERS internal investment staff, supporting the implementation of the new asset allocation, idea generation and overall governance framework.

We at Willis Towers Watson have enjoyed our relationship with Missouri PSRS/PEERS and are looking forward to the coming year.

Regards,
Towers Watson Investment Services, Inc.

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

Letter from the Chief Investment Officer

PSRS/PEERS

PUBLIC SCHOOL & EDUCATION EMPLOYEE
RETIREMENT SYSTEMS OF MISSOURI

December 1, 2016

To the Members of the Systems:

Throughout this year's Financial Report you are reminded of the 70-year tradition of reliable retirement with PSRS. At the foundation of that tradition is the professional investment program that has been developed at PSRS and PEERS through multiple decades. The Systems' investment program has always focused on achieving long-term returns at prudent risk levels to support the members of PSRS and PEERS. That has remained true over the last 70 years and specifically over the most recent 30 years where the PSRS and PEERS' annualized investment return has exceeded 8.2%.

Negative returns in the global stock market provided a difficult environment for institutional investors in fiscal year 2016. However, the strength in the U.S. bond market, private equity and the real estate markets allowed PSRS/PEERS to achieve positive returns during the year. The Systems' assets increased through investment earnings by over $590 million from the previous year with a total fund performance of 1.8% for both PSRS and PEERS.

Key Points within this year's Financial Report

As you review the financial information in this report for the fiscal year ended June 30, 2016, it is important to be aware of the following points:

- The PSRS and PEERS investment return for fiscal year 2016 exceeded 75% of the peer group as defined by the Wilshire TUCS universe of public pension plans with assets in excess of $1 billion,
- The Systems generated the investment return while taking less risk than approximately two-thirds of comparable public funds,
- Several of the Systems' primary asset categories (Non-U.S. Public Equity, Credit Bonds, Private Real Estate and Private Equity) generated returns in excess of established policy benchmarks for the year,
- The PSRS/PEERS investment expenses (including accrued performance based fees and all internal investment staff expenses) for fiscal year 2016 were 0.92%, or $0.92 for every $100 managed. The investment returns reported throughout this publication are mostly net of these fees. The investment return net of all fees and expenses for PSRS and PEERS was 1.6%,
- Total Systems' assets have increased through investment earnings by approximately $12 billion over the last five years,
- The PSRS and PEERS investment returns for the last five years exceeded 77% of the peer group as defined by the Wilshire TUCS universe of public pension plans with assets in excess of $1 billion,
- The PSRS/PEERS internal investment staff and external investment managers added value above the policy benchmark of over $460 million, net of all fees and expenses over the last five years. The outperformance was due to portfolio construction and tactical asset allocation decisions by internal

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

investment staff (overweighting and underweighting asset classes around targets) as well as active management on the part of external managers,

- Investment performance throughout this report is calculated using a time-weighted rate of return based on market values, and
- The total assets of both PSRS and PEERS were approximately $38.1 billion on June 30, 2016, making the combined entity larger than all other public retirement plans in the state of Missouri combined, and the 45th largest defined benefit plan in the United States.

Fiscal Year 2016 Year in Review

The internal investment staff, under the direction of the PSRS/PEERS Board of Trustees, has adopted a disciplined and diversified investment portfolio that includes allocations to multiple asset classes. In each year or market cycle, every asset class within the PSRS/PEERS investment portfolio performs a valuable function.

In fiscal year 2016, the combined asset allocation provided the Systems with low (yet positive) investment returns. U.S. stocks returned 2.1% for the fiscal year ended June 30, 2016 (as measured by the Russell 3000 Index), non-U.S. developed stocks declined 10.2% (as measured by the MSCI EAFE Index), and emerging market stocks fell 12.1% (as measured by the MSCI Emerging Markets Index). U.S. Treasury Bonds provided strong absolute returns for PSRS/PEERS, increasing 5.6% for the year.

Diversification into private equity and private real estate proved beneficial for the year as the PSRS/PEERS' Private Real Estate Composite returned 10.5% and the Private Equity Composite increased 8.4%. The adoption of private asset classes were not only additive to the PSRS/PEERS' total fund performance in fiscal year 2016, but also proved beneficial over the last five years. The Private Real Estate Composite increased 12.2% (annualized) over the last 5 years with the Private Equity Composite moving 13.1% (annualized) higher.

As noted above, strong returns in bonds and private markets offset negative performance in global stock markets and contributed to the 1.8% return for PSRS and PEERS in fiscal year 2016. Additionally, the investment returns were supported by solid implementation and tactical asset allocation decisions. For example, the PSRS/PEERS' Non-U.S. Public Equity Composite outperformed its benchmark (MSCI All Country World Free ex U.S. Index) by 4.5% while the PSRS/PEERS' Private Equity Composite outperformed its benchmark (Russell 3000 Index) by 6.3%. From a portfolio construction and tactical standpoint, the internal investment staff maintained a substantial overweight to U.S. stocks relative to Europe throughout the year. The overweight to U.S. stocks relative to non-U.S. developed stocks provided meaningful contribution to the overall PSRS/PEERS' return in fiscal year 2016.

Asset Allocation Changes

In my annual letter the last two years, I wrote about the low return environment that PSRS/PEERS and all institutional investors were facing. As I write the annual letter this year (on December 1, 2016), not much has changed. In fact, a case could be made for even lower return expectations today as most asset classes are fully valued. For example, stock markets in the United States once again reached all-time highs at the end of November. Additionally, despite a significant increase in yields on U.S. Treasury bonds following the Presidential election, interest rates remain close to historical lows.

Letter from the Chief Investment Officer, continued

The Systems' external investment consultant typically conducts an Asset Liability Study every five years for the Systems. The timing for the most recent Study in the spring of this past year was particularly beneficial given the low investment return environment. Willis Towers Watson (WTW) conducted the Study and the results were presented to the Board of Trustees in April and ultimately adopted in June. The objective of the Study was to determine the appropriate asset allocation for PSRS and PEERS given the specific liabilities of the Systems. A secondary objective of the Study was to recommend an appropriate assumed investment rate of return for the Systems.

WTW recommended that the Systems lower the assumed rate of return to 7.75%, effective with the June 30, 2016 actuarial valuations and for investment performance measurement beginning with fiscal year 2017. The assumed rate of return for PSRS and PEERS had been set at 8.0% since 1980. As stated previously, the return expectations for all asset classes are lower than historical norms. The WTW analysis and ultimate recommendation were certainly a reflection of the market environment.

Through the Asset Liability Study, WTW worked closely with the PSRS/PEERS' investment staff to develop a number of potential asset allocation scenarios to present to the Board of Trustees. The most consistent way to compound wealth is to limit both the volatility and the downside (risk of loss) in a portfolio. As such, both staff and WTW were comfortable with the current level of risk in the Systems' portfolio and thus recommended asset allocation scenarios with similar levels of total portfolio risk.

A substantial advantage to being an institutional investor for defined benefit pension assets is the long-term investment horizon. Investors who embrace a long time horizon have a significant advantage over short-term oriented investors. The Systems have embraced the long time horizon with staff and WTW collectively recommending asset allocation alternatives to the Board that increased the Systems allocation to longer dated (private) risk assets. There is a return premium and a diversification benefit afforded to those investors willing to accept the illiquidity risk within private assets. To that end, PSRS/PEERS could add private assets to the total portfolio which would result in higher expected return with only a modest increase in risk.

The Board of Trustees ultimately adopted a new asset allocation that will increase the allocation to private assets by 5% with a commensurate decrease in the allocation to public credit. The Systems began building private investment portfolios (including private equity, private credit and private real estate) in 2003 in order to generate long-term returns superior to the public markets, take advantage of market inefficiencies, and increase diversification. The nature of private investing requires a process of portfolio construction that takes years to develop. This is particularly true for a plan with the substantial assets of PSRS/PEERS. Over the years, the Systems have continued to build on this successful investment platform that serves as an alternative to traditional public markets. It is anticipated that the most recent increase in the target to private assets will take several years to implement.

Fiscal Year 2017

The newly adopted strategic asset allocation for PSRS/PEERS is designed to achieve the assumed investment return of 7.75% over long periods of time. The Board has also adopted an Investment Policy that provides the PSRS/PEERS' internal investment staff and external advisors with the flexibility to deviate from the strategic asset allocation within appropriate bands. At times the investment staff has deviated significantly from the target allocation as valuations in specific asset classes were attractive relative to historical pricing. However, at the close of fiscal year 2016, most asset classes appeared close to full valuation. As such, PSRS/PEERS were close to the long-term targets in all asset classes on June 30, 2016.

As we begin to move through fiscal year 2017, we continue to believe that, in the current environment, it is prudent to maintain a healthy allocation to safe assets (Treasuries and cash) and hedged assets to reduce the total volatility of the fund. The hedged asset portfolio is designed to offer the diversification benefits traditionally associated with bonds but at higher levels of expected return. PSRS/PEERS is obviously sacrificing yield in the short-term but safe assets have protective and option value. The allocation provides a level of safety during market dislocations and offers liquidity to redeploy capital into attractive assets after a correction occurs.

The investment staff began to re-allocate a portion of the assets from U.S. equity to both non-U.S. equity developed and emerging markets in early fiscal year 2017. The valuation levels for the equity markets outside the U.S. and the additional growth potential in emerging markets supported the rebalancing effort. In total, the Systems carry an investment belief that markets are generally efficient. However, we do believe markets contain pockets of inefficiency that may be exploited through active management and tactical asset allocation. As such, the internal staff will continue to attempt to attain 'alpha', or return above market levels, in fiscal year 2017.

Under the support and guidance of the Board of Trustees, it remains our privilege to manage the investment assets at PSRS/PEERS. The investment program has supported the membership at PSRS for 70 years and we believe that portfolio is well-positioned to continue to support both PSRS and PEERS members over the next 70 years.

Respectfully,

Craig A. Husting, CFA
Chief Investment Officer

Investment Policy Summary

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

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 61% of every dollar used to pay retirees is generated from investment earnings.[1]

The Board of Trustees of PSRS and PEERS approved the commingling of assets for purposes of investment as allowed by state statute in January 2013. In order to implement this change, PSRS and PEERS adopted the Missouri Education Pension Trust Agreement (MEPT), which is managed by the PSRS and PEERS Board of Trustees and Investment Staff. Effective July 1, 2013, the invested assets of the Systems were pooled and invested in MEPT. All assets held by MEPT are for the exclusive benefit of PSRS and PEERS. Each of the Systems has equity in MEPT based on funds contributed and earnings allocated. Earnings of MEPT are allocated based on the average daily balances of each of the respective Systems. Individual investments in MEPT are not specifically identified to the respective Systems. Due to the fact all invested assets are invested in MEPT, the rate of return for each of the Systems is approximately the same. Therefore, the following discussions focus on MEPT in total and not the individual Systems.

Roles and Responsibilities

Board of Trustees

It is the responsibility of the Board of Trustees (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 external asset 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.

[1] *Based on a twenty-year average for fiscal years 1996-2016.*

Critical functions of the CIO include recommendations for implementation decisions related to the investment plan and for the strategic allocation of the portfolio within broad ranges approved by the Board.

External Asset Consultants

The Systems employ Willis Towers Watson (WTW) as a general consultant and Albourne America, LLC (Albourne), Pathway Capital Management (Pathway) and The Townsend Group (Townsend) as specialty consultants. WTW is an independent resource available to collaborate with the Board and staff on the investment process. This typically includes regular meetings with the Board to provide an independent perspective on the Systems' goals, structure, performance and external service providers. Additionally, WTW may be involved with the strategic allocation shifts for the portfolio.

The specialty consultants work on specific programs within the overall investment program. Albourne is utilized for the Private Credit, Private Equity, Hedged Assets and Alpha Overlay programs. Pathway is a consultant for the Private Equity and Private Credit programs 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 most cash and securities for the Systems, 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. JP Morgan is responsible for providing the official book of record for performance reporting and accounting, and serves as an additional layer of risk control in safekeeping the Systems' assets.

2016 Asset/Liability Study

The Board of Trustees 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/liability study at least every five years to examine the appropriate long-term strategies for the Systems and to report the results to the Board. More frequent studies are conducted if there is a significant change in the assets or liabilities. The key goal of the asset/liability study is the development of an asset allocation that maximizes the likelihood that the investment portfolio assets will, over the long-term planning horizon, fund plan benefits within appropriate risk parameters.

The most recent study was completed during the current year with the assistance of the Systems' external investment consultant, WTW. As a result, the Board of Trustees modified the assumed rate of return and long-term asset allocation targets as discussed in the following sections.

Investment Objective

Based on the long-term investment returns available from a well-diversified, prudently invested portfolio, the Board 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.[2] The Board of Trustees revised the long-term investment return objective to 7.75% effective for fiscal year 2017 investment performance. The investment objective of 8.0% was effective from 1980 through fiscal year 2016. Fiscal year 2016 performance, as presented throughout the following sections of this report will be measured against the historical objective of 8%.

[2] The real rate of return is the rate by which the long-term total return exceeds the long-term inflation rate. The Board of Trustees shall employ an actuarial consultant for purposes of determining the inflation rate to be used in calculating the pension obligations. The assumed inflation rate was 2.50% per annum during fiscal year 2016; however the assumed inflation rate was revised to 2.25% for fiscal year 2017.

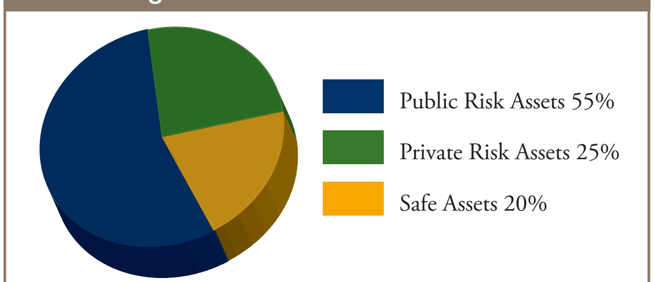
In order to achieve the investment objective, the Systems have developed a portfolio that is prudently invested across a broad array of assets that reflects the long-term nature of the Systems' pension obligations. The principles of diversification, risk control, and competitive rates of return provide 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 long-term 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 is important to not only consider the expected investment return, but also to understand the risks. The importance of risk consideration for institutional investors is critical to long-term success. To that end, the Systems 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. As of June 30, 2016, the target risk-based asset allocation is illustrated in the pie chart below. The Board of Trustees recently increased the Private Risk Assets target by 5% and proportionately decreased the Public Risk Assets target. These changes are discussed further in the following Asset Allocation section.

Target Risk-Based Asset Allocation



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 WTW. 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 rate.

The Board of Trustees amended the long-term target asset allocation at the June 2016 Board of Trustees meeting. The allocation to each investment program considers both the risk tolerance of the Systems and the long-term return objective. The new long-term target asset allocation is expected to maintain similar levels of total portfolio risk while allowing for more efficient investment returns. However given the nature of investing in Private Risk assets, it is expected to take several years to implement. Implementation will be achieved over a number of years through a disciplined investment approach. The policy benchmarks will change over time as the Systems make meaningful progress to the new long-term targets. The changes to the asset allocation are as follows: Public Risk Assets decreased 5% and Private Risk Assets increased 5%. Within Public Risk Assets, Public Credit decreased from 12% to 7%. Within Private Risk Assets, Private Equity increased from 10.5% to 12%, Real Estate increased from 7.5% to 9% and Private Credit increased from 2% to 4%.

The following chart details the long-term asset allocation targets that were in effect during fiscal year 2016, as well as, the new long-term asset allocation targets approved by the Board of Trustees near fiscal year end. The new long-term allocation targets were approved in June 2016. As such, it would not be appropriate to compare fiscal year 2016 activity to the recently, amended asset allocation. The remaining sections of the annual report will discuss the asset allocation in effect during fiscal year 2016 (referenced below as the long-term target during fiscal year 2016).

Long-term Target and Policy Ranges

	During Fiscal Year 2016		As Recently Amended	
Investment Type	**Long-Term Target**	**Policy Ranges**	**Long-Term Target**	**Policy Ranges**
Public Risk Asset Programs				
U.S. Public Equity	27.00%	16% - 48%	27.00%	16% - 48%
Public Credit	12.00%	0% - 20%	7.00%	0% - 20%
Hedged Assets	6.00%	0% - 25%	6.00%	0% - 25%
Non-U.S. Public Equity	15.00%	8% - 28%	15.00%	8% - 28%
Total Public Risk Assets	**60.00%**	**35% - 75%**	**55.00%**	**35% - 75%**
Safe Assets Programs				
U.S. Treasuries	16.00%	0% - 40%	16.00%	0% - 40%
U.S. TIPS	4.00%	0% - 40%	4.00%	0% - 40%
Cash Equivalents	0.00%	0% - 10%	0.00%	0% - 10%
Total Safe Assets	**20.00%**	**10% - 40%**	**20.00%**	**10% - 40%**
Private Risk Asset Programs				
Private Equity	10.50%	4% - 14%	12.00%	4% - 15%
Private Real Estate	7.50%	4% - 10%	9.00%	4% - 12%
Private Credit	2.00%	0% - 7%	4.00%	0% - 8%
Total Private Risk Assets	**20.00%**	**5% - 25%**	**25.00%**	**10% - 30%**
Total Fund	**100.0%**		**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 WTW must unanimously agree upon all material strategic changes prior to implementation.

Performance Objectives and Monitoring Process

Generating a total nominal rate of return net of expenses of at least 8.0% and a real rate of return net of expenses of at least 5.5% per annum has been 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 requirement to evaluate investment policy implementation over shorter time periods while maintaining a long-term focus on meeting the return objectives. In order to determine if the Systems' short-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 asset allocation choices made by the internal staff to deviate from the policy benchmark weights, with approval from WTW 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 strategic benchmark return and the policy benchmark return. This difference captures the value added by internal staff through sub-asset class strategic decisions relative to the Board's broad policy allocation decisions. A strategic benchmark return greater than the policy benchmark return reflects value added through the allocation decisions. A strategic benchmark return less than the policy benchmark return reflects losses to the fund's performance based upon strategy decisions.

Implementation Decisions

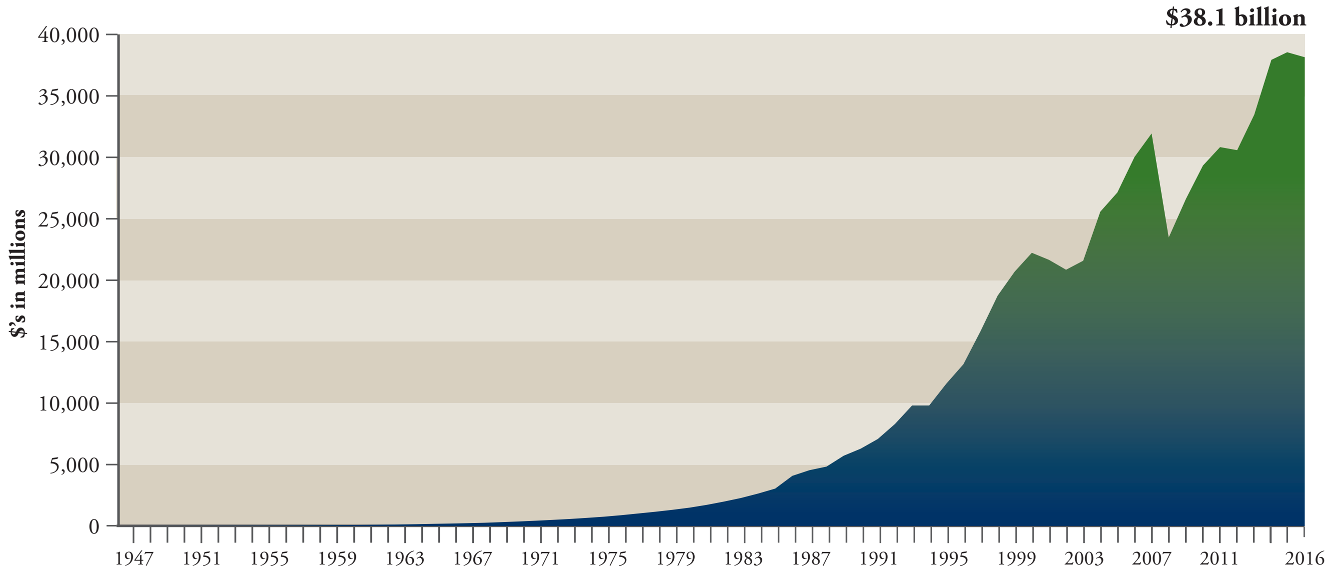
Implementation decisions are manager selection choices made by the internal staff with the approval of a consultant(s) and the Director. The value added through these manager selection decisions is measured by the difference between the actual portfolio return and the strategic benchmark return. An actual portfolio return greater than the strategic benchmark return reflects value added through these manager selection decisions. An actual portfolio return less than the strategic 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 to examine the appropriate long-term investment strategies for the Systems. As previously discussed an asset/liability study was conducted in 2016 and the next study is scheduled for 2021. 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.

Total Fund Review

70 Years of Asset Growth



The Systems' total invested assets were $38.1 billion as of June 30, 2016. There has been a long-term growth in assets since the inception of PSRS in 1946 and PEERS in 1965, as shown in the graph above.

Investment Performance[3]

The Systems earned an investment return of 1.8% for fiscal year 2016 (1.6% net of all investment expenses and fees) with an ending market value of invested assets at $38.1 billion. The total plan return, net of all investment expenses and fees, was marginally below the total plan policy benchmark of 1.8% and fell short of the long-term objective (actuarial assumption) of 8.0%. Total plan performance this year was affected by the recent global equity market weakness and increased short-term market volatility. However, overall performance was helped by the Systems' diversification of risk with Private Equity, Private Real Estate and U.S. Treasury markets producing strong returns. PSRS and PEERS are long-term investors with a diversified portfolio that continues to produce strong long-term returns where the annualized investment return is 8.2% (8.1% net of all investment expenses and fees) over the last 30 years.

As illustrated in the table below, within the Systems' investment portfolio, Public Credit delivered a return of 5.2%, Private Equity (investments in private companies) increased 8.4%, Private Real Estate produced a 10.5% return, and U.S. Treasuries returned 5.6%. Each of these asset classes strongly contributed to the total returns of the Systems while providing diversification from the public equity markets.

Total Fund Performance

Assets	Total Return	Weighted Contribution*
U.S. Public Equity	0.1%	0.0%
Public Credit	5.2%	0.3%
Hedged Assets	-1.4%	-0.1%
Non-U.S. Public Equity	-5.7%	-0.8%
Public Risk Assets	**-1.1%**	**-0.6%**
U.S. Treasuries	5.6%	0.8%
U.S. TIPS	3.6%	0.1%
Cash Equivalents	0.9%	0.0%
Safe Assets	**4.9%**	**0.9%**
Private Equity	8.4%	0.7%
Private Real Estate	10.5%	0.8%
Private Credit	-7.8%	0.0%
Private Risk Assets	**8.7%**	**1.5%**
TOTAL RETURN	**1.8%**	**1.8%**

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

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

Investment Performance Relative to Benchmarks**

	Fiscal Year	3-Year	5-Year	10-Year*
Public Risk Assets Programs				
U.S. Public Equity	**0.1%**	**10.8%**	**11.5%**	**7.5%**
Russell 3000 Index	2.1%	11.1%	11.6%	7.4%
Public Credit	**5.2%**	**3.4%**	**3.9%**	**n/a**
Barclays U.S. Intermediate Credit Index	5.0%	3.9%	4.0%	n/a
Hedged Assets	**-1.4%**	**5.6%**	**5.0%**	**n/a**
Hedged Assets Benchmark	0.5%	5.2%	5.1%	n/a
Benchmark consists of:				
50.0% Barclays U.S. Intermediate Credit Index				
25.0% MSCI ACWI ex-USA Index				
25.0% Russell 3000 Index				
Non-U.S. Public Equity	**-5.7%**	**4.5%**	**3.0%**	**3.0%**
MSCI ACWI ex-USA Index	-10.2%	1.2%	0.4%	2.0%
Total Public Risk Assets	**-1.1%**	**7.3%**	**7.2%**	**5.0%**
Public Risk Assets Benchmark	-0.5%	6.7%	6.7%	4.1%
Benchmark consists of:				
47.5% Russell 3000 Index				
27.5% MSCI ACWI ex-USA Index				
25.0% Barclays U.S. Intermediate Credit Index				
Safe Assets Program				
Total Safe Assets	**4.9%**	**2.6%**	**2.6%**	**4.3%**
Safe Assets Benchmark	5.1%	2.9%	2.9%	4.3%
Benchmark consists of:				
72.0% Barclays U.S. Treasury: Intermediate Index				
8.0% Barclays U.S. Treasury: Long Index				
20.0% Barclays U.S. TIPS 1-10 Years Index				
Private Risk Assets Program				
Private Equity	**8.4%**	**14.3%**	**13.1%**	**10.8%**
Russell 3000 Index	2.1%	11.1%	11.6%	7.2%
Private Real Estate	**10.5%**	**12.8%**	**12.2%**	**4.7%**
NFI-ODCE Index***	10.2%	11.5%	11.4%	5.4%
Private Credit	**-7.8%**	**1.9%**	**4.0%**	**n/a**
Merrill Lynch High Yield Master II Index	1.7%	4.2%	5.7%	n/a
Total Private Risk Assets	**8.7%**	**12.9%**	**12.1%**	**7.5%**
Private Risk Assets Benchmark	5.3%	10.8%	11.2%	7.8%
Benchmark consists of:				
52.5% Russell 3000 Index				
37.5% NFI-ODCE Index***				
10.0% Merrill Lynch High Yield Master II Index				
TOTAL FUND				
Total Fund	**1.8%**	**7.6%**	**7.4%**	**5.8%**
Total Fund Benchmark	1.8%	6.8%	6.9%	5.4%
Benchmark consists of:				
39.0% Russell 3000 Index				
16.5% MSCI ACWI ex-USA Index				
14.4% Barclays U.S. Treasury: Intermediate Index				
1.6% Barclays U.S. Treasury: Long Index				
15.0% Barclays U.S. Intermediate Credit Index				
7.5% NFI-ODCE Index***				
4.0% Barclays U.S. TIPS 1-10 Years Index				
2.0% Merrill Lynch High Yield Master II Index				
Actuarially Required Rate of Return	**8.0%**	**8.0%**	**8.0%**	**8.0%**
TUCS Universe Median	**1.1%**	**6.9%**	**6.8%**	**5.9%**

**Some programs have been established more recently and therefore 10-year returns are not available.*
***Investment returns were prepared using a time-weighted rate of return based on market values.*
****Effective January 1, 2016 the Real Estate Policy Benchmark is the NCREIF Open End Diversified Core Equity Index (NFI-ODCE). The NCREIF Property Index is used for prior periods.*

Investment Performance Relative to Benchmarks

The Board has established a long-term objective to achieve a total investment return of at least 8.0% per year and a real rate of return of at least 5.5% per year. As discussed in the Investment Objective section, the long-term objective was revised to 7.75% effective for fiscal year 2017. The total plan return of 1.8% for fiscal year 2016 was short of the long-term objective of 8.0%. However, over long periods of time, PSRS and PEERS continue to produce investment returns that exceed the Systems' objective. The annualized investment return for the Systems is 8.2% over the last 30 years.

As previously discussed, in order to determine if the Systems' short-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.

Fiscal year 2016 proved to be a difficult environment for all institutional investors. The total plan fiscal year return was equal to the total plan policy benchmark return of 1.8%. The fiscal year investment return, net of ***all*** fees and expenses, was 1.6% which was marginally below the total plan policy benchmark. However, the total plan return for the last three, five and ten-year time periods, net of ***all*** fees and expenses, remained substantially above the plan policy benchmark.

The Systems' fiscal year 2016 investment return was low on an absolute basis, but strong on a relative basis. The Systems' investment return for fiscal year 2016 exceeded 75% of the peer group as defined by the Wilshire TUCS universe of public pension plans with assets in excess of $1 billion. Additionally, the Systems generated the fiscal year 2016 return (and longer-term investment returns) while taking less risk than approximately two-thirds of comparable public funds in the United States. As the previous table indicates, the Systems' total return for the one-year, three-year and five-year time periods also significantly exceeded the median return of other large public funds. The investment return for the ten-year time period was slightly below the public fund median return primarily due to asset allocation and risk tolerance differences. The Systems have taken substantially less risk than comparable funds during all time periods yet have consistently provided higher investment returns.

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 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.

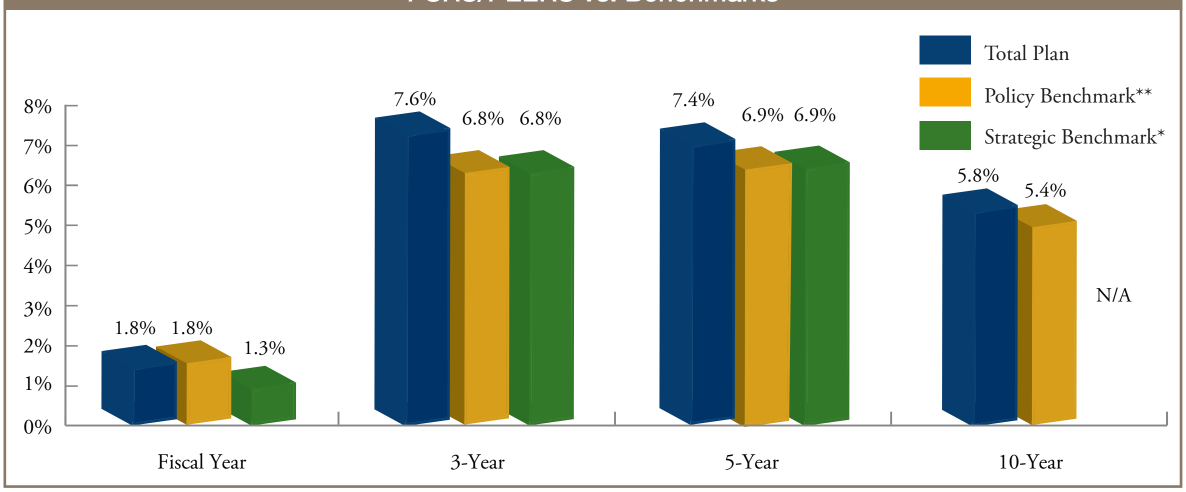
The total fund return has exceeded the policy benchmark in seven of the last ten fiscal years, an indication that internal staff and active investment management have added value to the Systems. Over the past five years, the total fund return has exceeded the policy benchmark by 0.3%, on an annualized basis, resulting in over $466 million in excess performance (net of all investment expenses and fees) to the Systems.

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, 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 all time periods while achieving higher returns, thereby 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 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.

PSRS/PEERS vs. Benchmarks



Total Plan Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year	10-Year
Annualized Total Plan Return	1.8%	7.6%	7.4%	5.8%
Annualized Policy Benchmark Return*	1.8%	6.8%	6.9%	5.4%
Annualized Strategic Benchmark Return**	1.3%	6.8%	6.9%	N/A
Excess return	0.0%	0.8%	0.5%	0.4%
Annualized Standard Deviation of Composite	7.0%	5.7%	6.5%	8.9%
Annualized Standard Deviation of Policy Benchmark	8.6%	6.5%	7.3%	10.1%
Beta to Policy Benchmark	0.82	0.87	0.89	0.87
Beta to MSCI World Index	0.45	0.47	0.48	0.53

**As of June 30, 2016: 39.0% Russell 3000 Index, 16.5% MSCI ACWI ex-USA Index, 14.4% Barclays U.S. Treasury: Intermediate Index, 1.6% Barclays U.S. Treasury: Long Index, 15% Barclays U.S. Intermediate Credit Index, 7.5% NFI-ODCE, 4% Barclays U.S. TIPS 1-10 Years Index, and 2% Merrill Lynch High Yield Master II Index.*

***As of June 30, 2016: 42.1% Russell 3000 Index, 18.8% MSCI ACWI ex-USA Index, 12.9% Barclays U.S. Intermediate Credit Index, 13.0% Barclays U.S. Treasury: Intermediate Index, 1.4% Barclays U.S. Treasury: Long Index, 2.0% Merrill Lynch 3- Month U.S. Treasury Bill Index, 7.9% NFI-ODCE, 1.4% Barclays U.S. TIPS 1-10 Years Index, and 0.6% 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 10-year return is not available.*

The following chart shows the relationship between market value returns, the actuarially assumed rate of return and the utilization of an actuarial asset valuation method of smoothed assets. To reduce volatility in employer and employee contribution rates, a common actuarial practice of "asset smoothing" is utilized. The application of this practice results in full recognition of returns at the actuarial assumed rate and recognizes any annual excess or deficiency relative to the assumed rate over a period of five years.

Investment Rates of Return

**The Actual Rate of Return (market return) consists of all investment gains and losses (net of investment expenses) on the fair market value of assets each year.*

***The Actuarial Assumed Rate of Return is the assumed rate of return on the actuarial value of assets and is used in establishing contribution rates and pension obligations, including the net pension liability.*

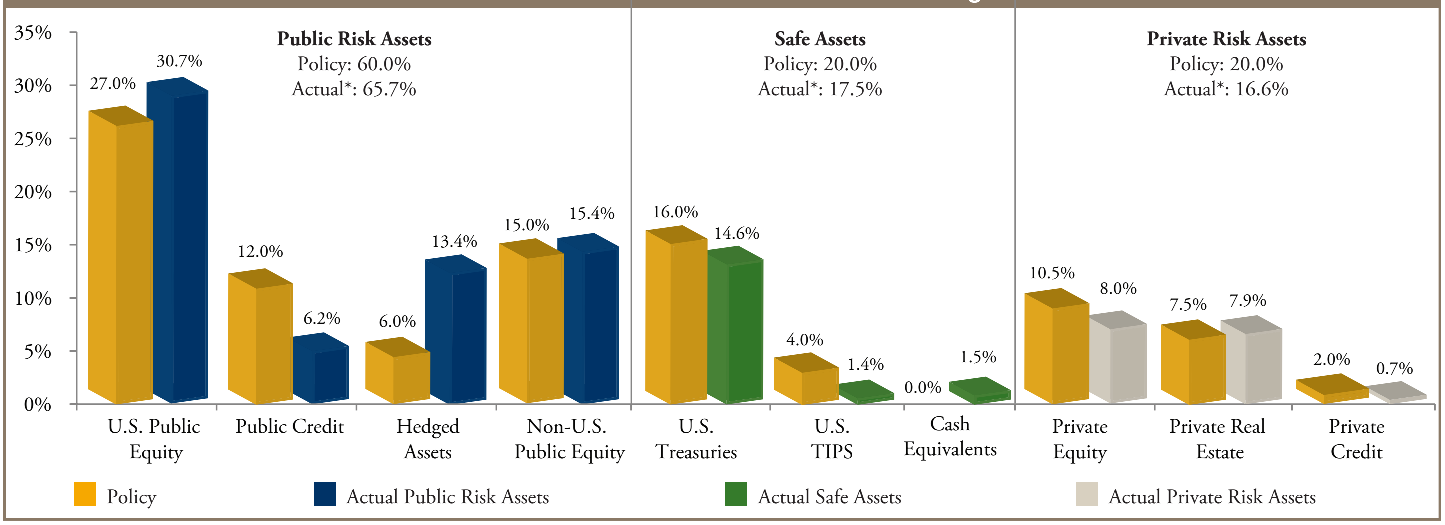
****Investment earnings in excess or deficient of the assumed 8.0% rate of return are smoothed over a 5-year period for actuarial funding purposes. Twenty percent of the excess or deficiency is recognized annually for a 5-year period. This calculation results in the Smoothed Rate of Return.*

Asset Allocation: Actual Versus Target

The Board's broad policy allocation target as of June 30, 2016 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. Public Equity was 27% as of June 30, 2016.

As illustrated in the chart, internal staff utilized the flexibility built into the investment policy to strategically overweight or underweight certain asset classes throughout the year. Strategic decisions within the Public Risk Assets program included an overweight to U.S. equities and emerging market stocks relative to Europe. The overweight to U.S. equities relative to non-U.S. developed equities provided meaningful returns to the Systems in fiscal year 2016.

Total Fund Asset Allocation: Actual* vs. Target



**Total Plan assets include 0.2% invested in an operating cash account that is not reflected in the chart above.*

Public Risk Assets Summary

As of June 30, 2016, Public Risk assets had a market value of approximately $25.0 billion, representing 65.7% of total assets.

Investment Program Description

The Board of Trustees has adopted an asset allocation policy that includes a significant allocation to Public Risk Assets. The four programs within the Public Risk Asset composite are U.S. Public Equity, Public Credit, Hedged Assets and Non-U.S. 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 benchmark through the prudent combination of passive investment vehicles and a wide range of active investment strategies.

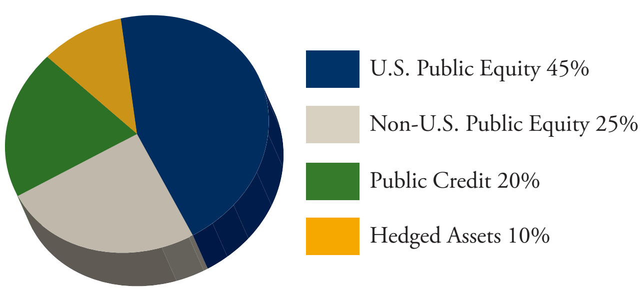
Structure

As of June 30, 2016, 46.7% of the Systems' Public Risk assets were invested in the U.S. Public Equity program, 23.4% in the Non-U.S. Public Equity program, 9.5% in the Public Credit program and 20.4% in the Hedged Assets program. Each of these programs is discussed in more detail on the following pages.

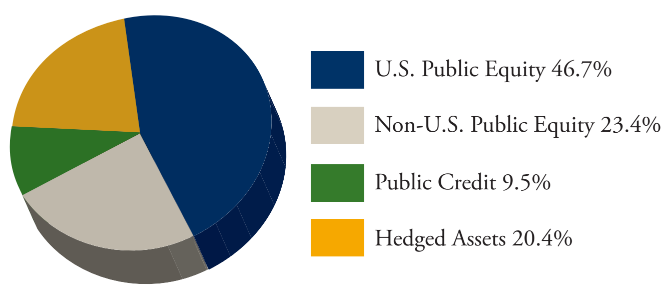
The internal staff strategically overweighted the total plan to Public Risk assets during the year. The target allocation for Public Risk assets was 60.0% and the Systems' allocation at the end of the fiscal year was 65.7%. Within the Public Risk Assets composite, internal staff continued to overweight U.S. Public Equity and Hedged Assets, while underweighting Public Credit and non-U.S. developed markets.

Public Risk Assets Allocation

Public Risk: Target Allocation



Public Risk: Actual Allocation



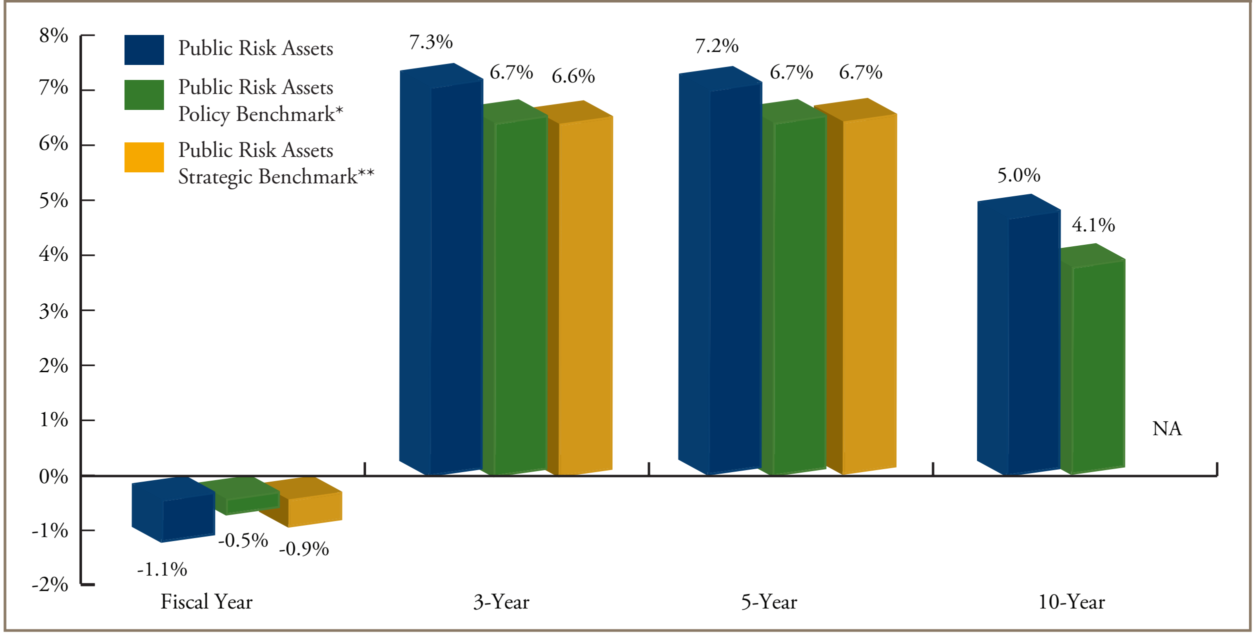
Market Overview

The global equity markets experienced substantial volatility during the fiscal year, due to signs of weakening economic growth and concerns about the timing of the Federal Reserve's tightening of monetary policy. The Eurozone markets remained fragile from a steep decline in oil prices and geopolitical uncertainty. The Russell 3000 Index (broad measure of the U.S. stock market) was up 2.1% for the year and the MSCI ACWI ex-USA Index (broad measure of the international stock markets) declined 10.2%. Bond markets experienced volatility and declining interest rates to historically low levels. This contributed to strong gains for the Public Credit benchmark (Barclays U.S. Intermediate Credit Index) of 5.0%.

Performance

The total return for the Systems' Public Risk portfolio was -1.1%, which underperformed the policy benchmark by 60 basis points. It was a difficult year for global public equities. However, the tactical asset allocations away from non-U.S. developed markets to U.S. public equities was additive to performance for the year. Despite the low returns for the year, the Public Risk program has produced strong absolute returns over the longer-term time periods of three and five years and has outperformed the benchmark over the three-, five- and ten-year time periods, as noted below.

Public Risk Assets Performance



Public Risk Assets Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year	10-Year
Annualized Return	-1.1%	7.3%	7.2%	5.0%
Annualized Policy Benchmark Return*	-0.5%	6.7%	6.7%	4.1%
Annualized Strategic Benchmark Return*	-0.9%	6.6%	6.7%	N/A
Excess Return	-0.6%	0.6%	0.5%	0.9%
Annualized Standard Deviation of Composite	11.0%	8.6%	9.8%	13.8%
Annualized Standard Deviation of Policy Benchmark*	11.7%	9.0%	10.1%	14.3%
Beta to Policy Benchmark*	0.93	0.96	0.96	0.96
Beta to MSCI World Index	0.71	0.72	0.73	0.82

**The Public Risk Assets Policy Benchmark is composed as follows: 47.5% Russell 3000 Index, 27.5% MSCI ACWI ex-USA Index, 25.0% Barclays U.S. 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 a ten-year return is not available.*

The table indicates that the Systems have taken slightly less risk relative to the policy benchmark (as measured by standard deviation) while achieving higher returns over the longer-term time periods, thereby indicating strong risk-adjusted performance. Additionally, the Systems' portfolios have a beta of less than 1.0 relative to the policy benchmark, indicating less market risk.

U.S. Public Equity Program Summary

As of June 30, 2016, U.S. Public Equity assets had a market value of approximately $11.7 billion, representing 30.7% of total assets.

Investment Program Description

U.S. Public Equity is comprised of the Large-Cap, Small-Cap and Alpha Overlay 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

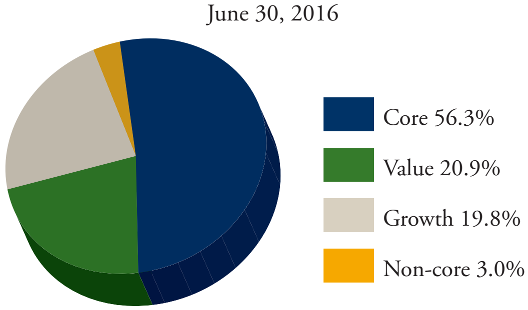
As of June 30, 2016, 23.7% of the U.S. Public Equity composite was passively managed. The remainder of the portfolio was actively managed and diversified across a broad array of capitalization ranges and investment styles, including the Small-Cap Alpha Pool and the Alpha Overlay program. Both programs represent multi-manager pools of assets managed within the overall U.S. Public Equity structure. The Small-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.

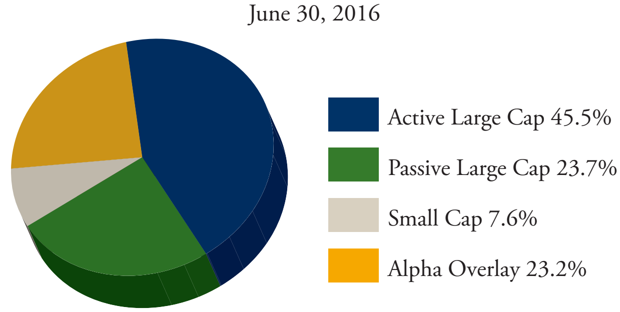
The pie charts below depict the U.S. Public Equity portfolio by presenting the current style structure of the portfolio as well as the allocation by composite and market sector.

U.S. Public Equity Allocations: Style and Composite

Style Allocation
June 30, 2016



Composite Allocation
June 30, 2016



Market Overview

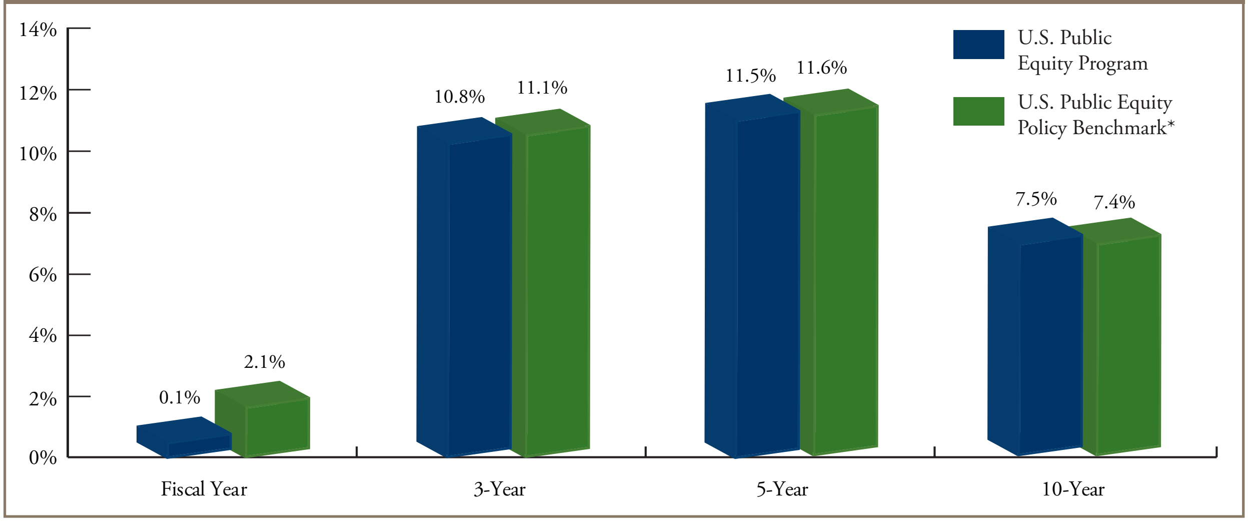
The U.S. stock markets had a volatile year across both market capitalization and styles. The comprehensive measure of the U.S. stock market (Russell 3000 Index) increased 2.1% while small-cap stocks (Russell 2000 Index) decreased 6.7% for the year. Large-cap growth stocks (Russell 1000 Growth Index) slightly outperformed large-cap value stocks (Russell 1000 Value Index) with a return of 3.0% compared to 2.9% while small-cap growth stocks (Russell 2000 Growth Index) significantly underperformed small cap value stocks (Russell 2000 Value Index) with a return of -10.8% compared to -2.6%.

Performance

The total return for the U.S. Public Equity program was 0.1% compared to the benchmark return of 2.1% for the fiscal year ended June 30, 2016. Within the U.S. Public Equity program the Large-Cap pool returned 0.9%, Alpha Overlay returned 0.6% and the Small-Cap program returned -7.6% for the year.

As indicated in the table and graph, despite the weak equity markets this year the U.S. Public Equity portfolio has produced strong absolute returns over extended time periods. 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	10-Year
U.S. Public Equity Return	0.1%	10.8%	11.5%	7.5%
Annualized Policy Benchmark Return*	2.1%	11.1%	11.6%	7.4%
Excess Return	-2.0%	-0.3%	-0.1%	0.1%

**The U.S. Public Equity Policy Benchmark is the Russell 3000 Index.*

Statistics

The following table displays the statistical characteristics of the Systems' U.S. Public Equity program as of June 30, 2016 with comparisons shown to the portfolio's policy benchmark. In addition, the top ten U.S. stock holdings as of June 30, 2016 are shown in the table by the characteristics.

U.S. Public Equity Characteristics

Characteristics	June 30, 2016 Combined Systems*	June 30, 2016 Russell 3000 Index
Number of Securities	2,068	3,007
Dividend Yield	2.0%	2.0%
Price-to-Earnings Ratio	18.3	20.6
Avg Market Capitalization	92.8 bil	114.6 bil
Price-to-Book Ratio	2.9	2.8

** Includes only actively managed separate accounts.*

A complete list of portfolio holdings is available upon request.

U.S. Public Equity - Top 10 Holdings

Top 10 Largest Holdings* June 30, 2016	Fair Value	% of Total U.S. Public Equity
Johnson & Johnson	$ 116,390,989	1.0%
Alphabet, Inc.	85,589,015	0.7%
Amazon.com, Inc.	77,222,554	0.7%
Verizon Communications, Inc.	74,708,057	0.6%
JPMorgan Chase & Co.	68,124,206	0.6%
PepsiCo, Inc.	64,183,325	0.5%
AT&T, Inc.	61,165,613	0.5%
Facebook, Inc.	58,426,907	0.5%
Pfizer, Inc.	54,881,440	0.5%
Microsoft Corp.	53,990,542	0.5%
TOTAL	**$ 714,682,648**	**6.1%**

Investment Advisors

As of June 30, 2016, the Systems had contracts with 15 external investment advisors who managed 23 portfolios that comprised 76.8% of the U.S. Public Equity portfolio. The remaining 23.2% of the portfolio was in the Alpha Overlay program described in the next section. In fiscal year 2016, one new investment advisor was added: a U.S. equity concentrated assignment by Lazard Asset Management.

U.S. Public Equity Investment Advisors

Investment Advisor	Investment Style	Fair Value* As of June 30, 2016	% of Total Fair Value
Analytic Investors	Structured Large Cap Value	$ 227,294,336	0.6%
Analytic Investors	U.S. Low Volatility Equity	1,254,361,809	3.3%
AQR Capital Management	Large Cap 140/40 Core	599,881,085	1.6%
Aronson + Johnson + Ortiz	Active Large Cap 130/30 Value	395,325,892	1.1%
Aronson + Johnson + Ortiz	Active Large Cap Value	536,335,113	1.4%
Blackrock	Passive Russell 1000 Index	2,473,808,258	6.5%
Blackrock	Passive Russell 1000 Growth Index	299,835,052	0.8%
Columbia Management	Active Large Cap Growth	369,738,347	1.0%
Lazard Asset Management	Active U.S. Equity Concentrated	299,945,504	0.8%
Martingale Asset Management	Active Large Cap 130/30 Growth	354,886,839	0.9%
Westwood Management	Active Large Cap Value	537,195,868	1.4%
Westwood Management	Master Limited Partnerships	267,896,251	0.7%
Zevenbergen Capital	Active All Cap Growth	470,189,055	1.2%
Large-Cap Subtotal		**8,086,693,409**	**21.3%**
Allianz	Active Micro Cap Growth	88,511,139	0.2%
Allianz	Active Ultra Micro Cap Growth	29,283,124	0.1%
AQR Capital Management	Active Small Cap Value	156,373,471	0.4%
Chartwell Investment Partners	Active Small Cap Value	85,452,556	0.2%
Columbus Circle	Active Small Cap Growth	86,908,010	0.2%
Next Century Growth Investors	Active Small Cap Growth	66,091,754	0.2%
Next Century Growth Investors	Active Micro Cap Growth	12,184,880	0.0%
NISA Investment Advisors	Russell 2000 Value Exposure	98,116,248	0.3%
NISA Investment Advisors	Russell 2000 Exposure	103,974,537	0.3%
RBC Global Asset Management	Active Small Cap Core	164,336,148	0.4%
Small-Cap Subtotal		**891,231,867**	**2.3%**
Total		**$ 8,977,925,276**	**23.6%**

**Includes manager cash*

Alpha Overlay Program Summary

As of June 30, 2016, the Alpha Overlay allocation had a market value of approximately $2.7 billion, representing 7.1% 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, 2016, 25.8% of the Alpha Overlay composite assets were passively managed by NISA Investment Advisors using S&P 500 total return swaps to attain equitization. An additional 70.3% of the portfolio was actively managed across a diversified range of multi-strategy and market neutral hedge fund mandates. The remaining 3.9% of the portfolio was actively managed by Zevenbergen Capital in a long-only mandate. The chart below displays the specific investment advisor exposure within the composite as of June 30, 2016.

Alpha Overlay Investment Advisors

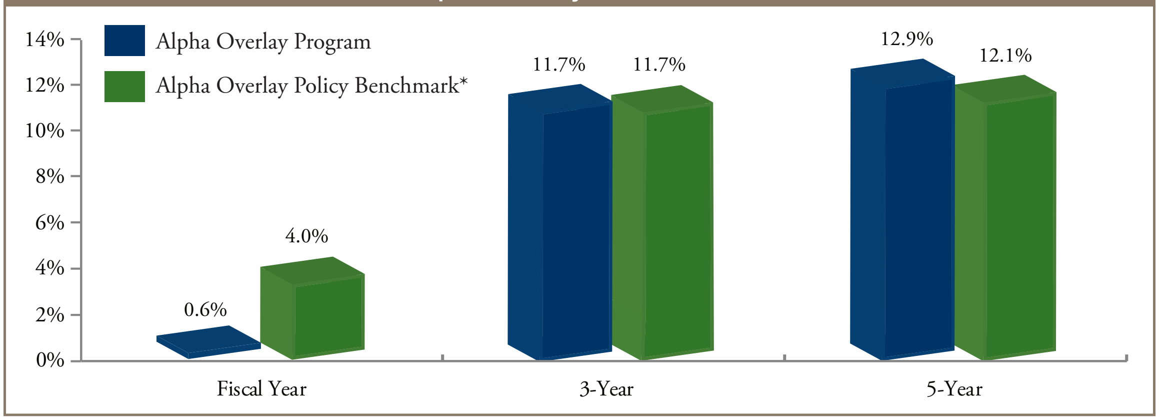
Investment Advisor	Investment Style	Fair Value* As of June 30, 2016	% of Total Fair Value
Analytic Investors	Japan Market Neutral	$ 31,415,359	0.1%
AQR Absolute Return Fund	Multi-Strategy	143,895,004	0.4%
Bridgewater Pure Alpha II	Asset Allocation/Global Macro	253,246,117	0.7%
Bridgewater Pure Alpha Major Markets	Asset Allocation/Global Macro	68,532,307	0.2%
Carlson Black Diamond	Multi-Strategy	198,963,582	0.5%
Davidson Kempner Institutional Partners	Multi-Strategy	212,338,037	0.6%
HBK Capital Management	Multi-Strategy	122,665,986	0.3%
NISA Investment Advisors	S&P 500 Exposure	699,686,729	1.8%
Och-Ziff Asia	Multi-Strategy	27,427,345	0.1%
Och-Ziff Domestic Partners	Multi-Strategy	171,694,489	0.4%
Owl Creek Overseas Fund	Multi-Strategy	40,305,852	0.1%
Pershing Square	Equity Long/short	91,049,111	0.2%
Renaissance Institutional Equities Fund	Equity Long/short	281,648,943	0.7%
Stark Investments Limited Partners	Equity Long/short	2,377,145	0.0%
UBS O'Connor Multi-Strategy Alpha	Multi-Strategy	193,113,510	0.5%
York Capital Management	Multi-Strategy	71,642,757	0.2%
Zevenbergen Capital	Active All-Cap Growth	106,861,337	0.3%
Total		**$ 2,716,863,609**	**7.1%**

** Includes manager cash*

Performance

The total return for the Alpha Overlay program was 0.6% compared to the benchmark return of 4.0% for the fiscal year ended June 30, 2016. As shown in the table and graph below, the Alpha Overlay composite has produced significant absolute returns over the last five years while maintaining a risk profile (standard deviation and beta) lower than the benchmark.

Alpha Overlay Performance



Alpha Overlay Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year
Annualized Alpha Overlay Return	0.6%	11.7%	12.9%
Annualized Policy Benchmark Return*	4.0%	11.7%	12.1%
Excess Return	-3.4%	0.0%	0.8%
Annualized Standard Deviation of Composite	12.4%	10.4%	11.3%
Annualized Standard Deviation of Policy Benchmark*	14.5%	11.3%	12.1%
Beta to Benchmark*	0.84	0.89	0.92

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

Non-U.S. Public Equity Program Summary

As of June 30, 2016, the Non-U.S. Public Equity assets had a market value of approximately $5.9 billion, representing 15.4% of total assets.

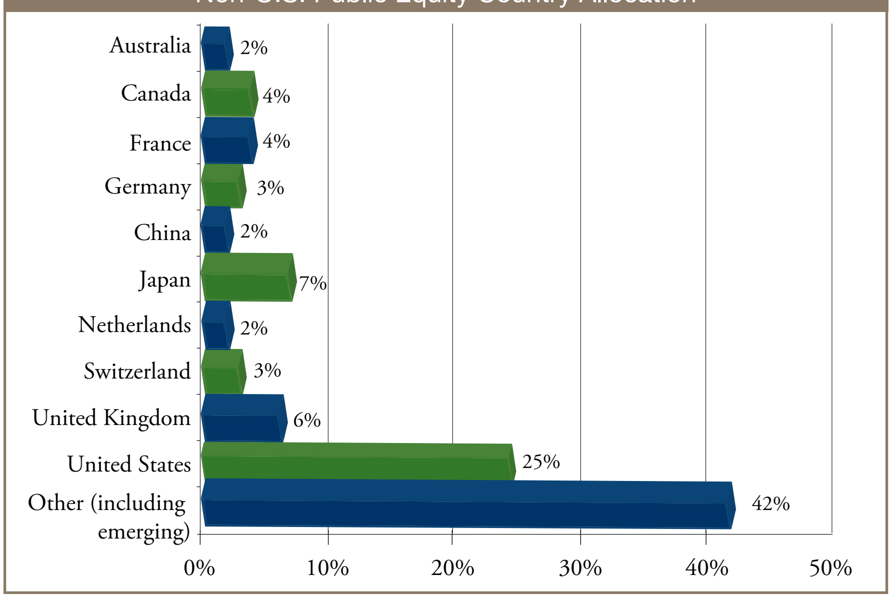
Investment Program Description

The Non-U.S. Public Equity program provides long-term capital appreciation and dividend income in excess of inflation through exposure to public equity securities on a global basis. Specific investment strategies approved for the Non-U.S. 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. and emerging) 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 Non-U.S. Public Equity portfolio provides an element of diversification relative to the domestic equity portfolio. Currency is an aspect of international investing that can impact the performance and volatility of the asset class over the short-term. However, over the long-term, the effect from currency is expected to be neutral.

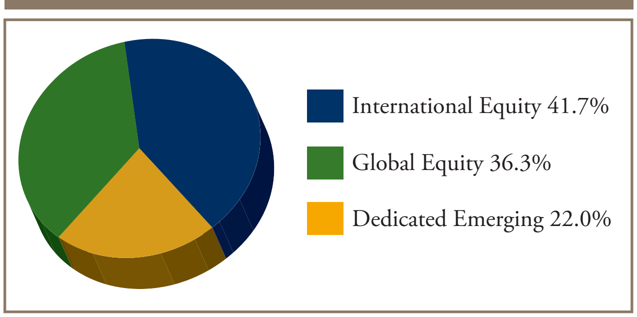
Structure

As of June 30, 2016, 17.6% of the Non-U.S. 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 displays the specific country exposure within the composite while the pie chart indicates broader exposure by investment mandate.

Non-U.S. Public Equity Country Allocation



Non-U.S. Public Equity Allocation



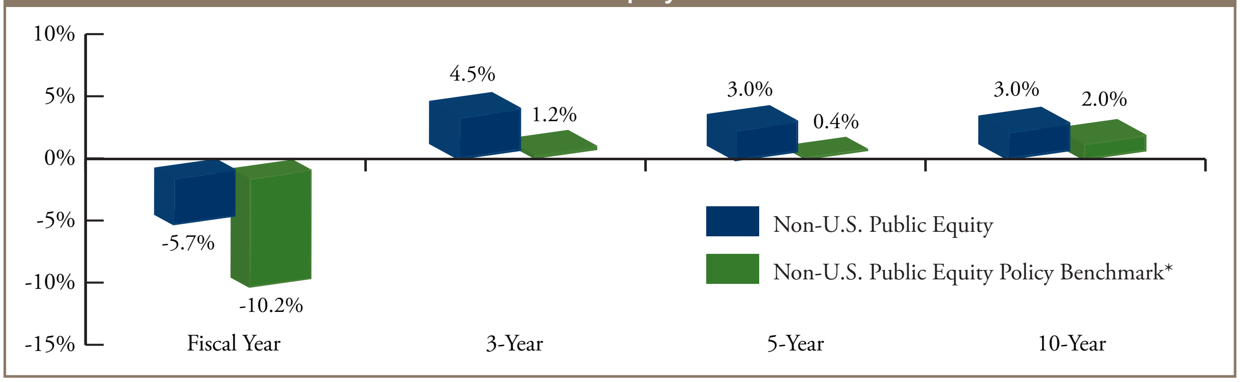
Market Overview

Global markets decreased substantially in fiscal year 2016 as a result of global economic and monetary policy uncertainty, extreme energy price volatility, and concerns with the British referendum on membership in the European Union. The broad measure for developed international markets (MSCI EAFE Index) decreased 10.2%, emerging markets (MSCI EM Index) decreased 12.1% and global stocks (MSCI World) decreased 2.8%.

Performance

As shown in the table and graph below, the Systems' Non-U.S. Public Equity composite returns substantially outperformed the benchmark during all time periods. Over long periods of time, the Systems' Non-U.S. Public Equity program is designed to deliver approximately 100-150 basis points of excess return through a combination of active and passive investment strategies.

Non-U.S. Public Equity Performance



Non-U.S. Public Equity Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year	10-Year
Annualized Non-U.S. Public Equity Return	-5.7%	4.5%	3.0%	3.0%
Annualized Policy Benchmark Return*	-10.2%	1.2%	0.4%	2.0%
Excess return	4.5%	3.3%	2.6%	1.0%

**The Non-U.S. Public Equity Benchmark is the MSCI ACWI ex-USA Index.*

The total return for the Non-U.S. Public Equity program was -5.7% compared to the benchmark return of -10.2% for the fiscal year ended June 30, 2016. The absolute return for the fiscal year is negative, but on a relative basis the program outperformed the benchmark by 450 basis points. The positive performance of the portfolio relative to the policy benchmark indicates substantial value added by the internal staff through both strategic asset allocation decisions and manager selection decisions.

Statistics

The following table displays the top ten global stock holdings as of June 30, 2016.

Non-U.S. Public Equity - Top 10 Holdings		
Top 10 Largest Holdings* June 30, 2016	**Fair Value**	**% of Total Non-U.S. Public Equity**
Nestle SA	$ 65,562,165	1.1%
Roche Holding AG	50,067,524	0.9%
Taiwan Semiconductor Ltd.	31,366,490	0.5%
Bayer AG	29,400,036	0.5%
Compass Group	28,014,721	0.5%
WPP Plc	27,050,634	0.5%
Hoya Corp.	23,782,704	0.4%
AIA Group Ltd.	23,314,953	0.4%
Danone SA	22,868,529	0.4%
ING	22,416,365	0.4%
Total	**$ 323,844,121**	**5.6%**

** Includes only actively managed separate accounts*

A complete list of portfolio holdings is available upon request.

Investment Advisors

As of June 30, 2016, the Systems had contracts with 11 external investment advisors who managed 15 portfolios within the Non-U.S. Public Equity portfolio. In fiscal year 2016, one new investment portfolio was added: a euro currency hedge assignment managed by NISA Investment Advisors.

Non-U.S. Public Equity Investment Advisors			
Investment Advisor	**Investment Style**	**Fair Value* As of June 30, 2016**	**% of Total Fair Value**
Acadian Asset Management	Active Emerging Markets	$ 363,897,684	1.0%
AllianceBernstein Institutional Mgmt.	Active Intl Value	319,482,821	0.8%
Analytic Investors	Active Global	680,152,307	1.8%
AQR Capital Management	Active Intl Core	604,012,261	1.6%
Arrowstreet Capital	Active Emerging Markets	190,360,993	0.5%
Arrowstreet Capital	Active Global	531,168,031	1.4%
Arrowstreet Capital	Global Long/Short	597,578,461	1.6%
Blackrock	Passive Intl Core	706,959,798	1.9%
Coronation Asset Management Limited	Active Emerging Markets	184,243,851	0.5%
MFS Investment Management	Active Intl Core	698,103,136	1.8%
MFS Investment Management	Active Intl Concentrated Core	113,934,173	0.3%
Neon Capital Management	Active Emerging Markets	81,788,737	0.2%
NISA Investment Advisors	ACWI Swaps	320,007,718	0.8%
NISA Investment Advisors	Currency Hedge	(6,806,325)	0.0%
Rock Creek Group	Active Emerging Markets	466,108,300	1.2%
Transition accounts	Transition accounts	174,138	0.0%
Total		**$ 5,851,166,084**	**15.4%**

** Includes manager cash.*

Public Credit Program Summary

As of June 30, 2016, the Public Credit assets had a market value of approximately $2.4 billion, representing 6.2% of total assets.

Investment Program Description

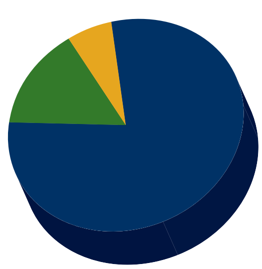
The Public Credit Program is designed to provide a source of income and capital appreciation for the Systems while creating substantial diversification to the total plan with a low correlation to other asset classes. Most securities in this program exhibit high liquidity. Specific investments can include 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.

Structure

As of June 30, 2016, the Public Credit composite was actively managed and diversified across high quality corporate bonds, bank loans and high yield bonds. The pie chart below presents the strategy allocation of the Systems' Public Credit assets as of June 30, 2016.

Public Credit Allocation



The target allocation for the Public Credit program during fiscal year 2016 was 12.0% and the Systems' allocation at the end of the fiscal year was 6.2%. Within the Public Credit composite, the Systems' internal staff has built a diversified portfolio with a base of high quality, shorter duration corporate bonds.

Market Overview

Interest rates continued to experience significant volatility during fiscal year 2016, with the intermediate and long ends of the treasury yield curve hitting all-time lows. The yield on the 10-year Treasury decreased to 1.49% on June 30, 2016 from 2.35% on June 30, 2015. The significant decrease in interest rates throughout the year positively impacted the price of bonds.

Investment grade credit corporate bonds (Barclays U.S. Intermediate Credit Index) increased 5.0% for the year while a broader measure of the U.S. bond market (Barclays U.S. Aggregate Index) increased 6.0%. High yield, or lower quality, bonds (Merrill Lynch High Yield Master II Index) increased 1.7% for the year and global bonds (Barclays U.S. Global Bond Index) increased 11.2%.

Statistics

The following table displays the top ten Public Credit holdings as of June 30, 2016.

Public Credit - Top 10 Holdings

Top 10 Largest Holdings* June 30, 2016	Fair Value	% of Total Public Credit
AT&T Inc., 0.00%, 11/27/2022	$ 50,893,920	2.1%
Pfizer, Inc., 6.2%, 03/15/2019	45,176,400	1.9%
FedEx Corp., 4.75%, 11/15/2045	44,833,117	1.9%
Wells Fargo & Co., 2.5%, 03/04/2021	44,170,828	1.9%
The Southern Co., 3.25%, 07/01/2026	41,548,800	1.8%
VISA Inc., 2.2%, 12/14/2020	41,243,200	1.7%
Anheuser-Busch InBev Finance, Inc., 3.65%, 02/01/2026	40,980,669	1.7%
Oracle Corp., 2.4%, 09/15/2023	40,142,400	1.7%
Sumitomo Mitsui Banking, 1.35%, 7/11/2017	35,001,750	1.5%
MUFG Union Bank, 2.625%, 09/26/2018	34,948,980	1.5%
Total	**$ 418,940,063**	**17.7%**

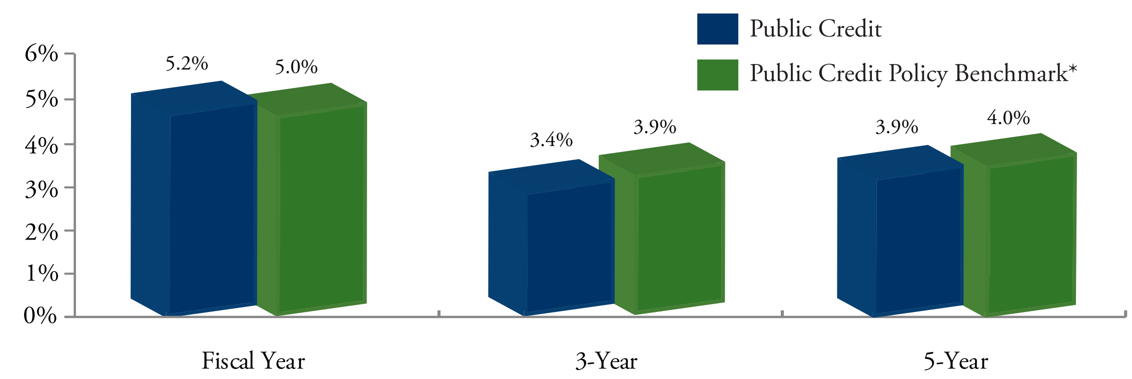
** Includes only actively managed separate accounts.*

A complete list of portfolio holdings is available upon request.

Performance

The total return for the Public Credit program was 5.2% compared to the benchmark return of 5.0% for the fiscal year ended June 30, 2016. Over long periods of time, the Systems' Public Credit program is designed to deliver approximately 30-70 basis points of excess return through a combination of active and passive strategies.

Public Credit Performance



Public Credit Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year
Annualized Public Credit Return	5.2%	3.4%	3.9%
Annualized Policy Benchmark Return*	5.0%	3.9%	4.0%
Excess Return	0.2%	-0.5%	-0.1%

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

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

Investment Advisors

As of June 30, 2016, the Systems had contracts with three external investment advisors who managed three portfolios in the Public Credit portfolio. The Systems repositioned the portfolio during the fiscal year by terminating two portfolios and adding a new high yield mandate with Pacific Investment Management Co.

Public Credit Investment Advisors

Investment Advisor	Investment Style	Fair Value* As of June 30, 2016	% of Total Fair Value
NISA Investment Advisors	Corporate Credit	$ 1,879,669,377	4.9%
Oaktree Bank Loans	Senior Bank Loans	347,436,617	0.9%
Pacific Investment Management Co.	High Yield	145,712,908	0.4%
Total		**$ 2,372,818,902**	**6.2%**

**Includes manager cash*

Hedged Assets Program Summary

As of June 30, 2016, the Hedged Assets portfolio had a market value of approximately $5.1billion, representing 13.4% of total assets.

Investment Program Description

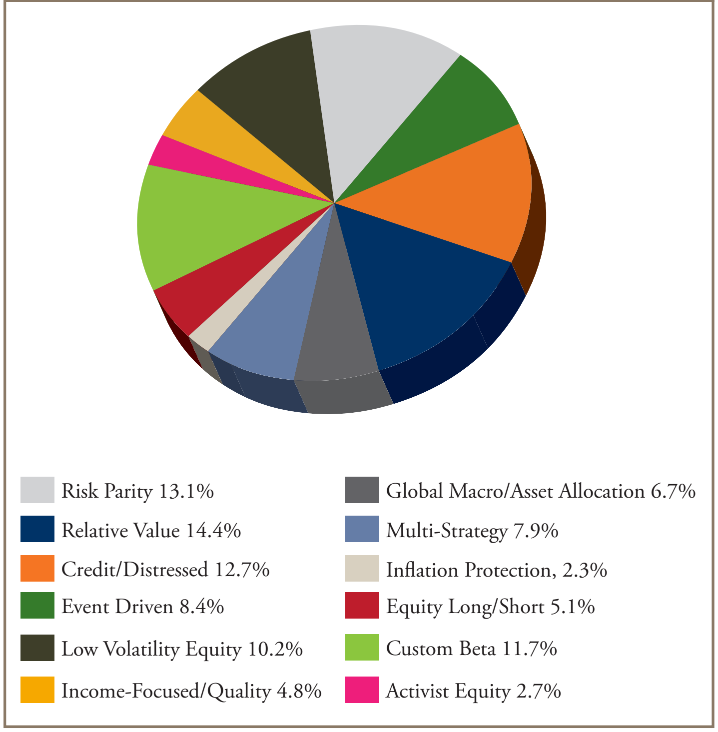
The Hedged Assets program's objective is to provide diversification to the total portfolio and reduce volatility within the Public Risk composite. The purpose of this program is to enhance the overall risk/return profile of the Public Risk composite through the inclusion of specialized investment strategies 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

The Systems have retained Albourne America, LLC (Albourne) as its hedged asset consultant. Albourne is an independent global advisory with a significant focus on hedge funds. The Systems utilize direct investments into hedge funds as opposed to incorporating fund-of-funds. The Systems' internal staff believes the benefits of direct investments, including lower fees, customized portfolio exposures, direct access to manager knowledge, and higher levels of transparency outweighed the benefit of quicker implementation offered by fund-of-funds.

As the chart below indicates, the Hedged Assets program is diversified into Multi-Strategy Managers, Asset Allocation/Global Macro, Diversified Beta/Inflation, Credit/Distressed Specialists and Equity Long/Short. Multi-Strategy Managers include those focused on event-driven, credit, and relative value. The Systems manage the Hedged Assets portfolio to a blended benchmark of 25% Russell 3000 Index, 25% MSCI ACWI ex-USA Index, and 50% Barclays U.S. Intermediate Credit Index.

Hedged Assets Diversification



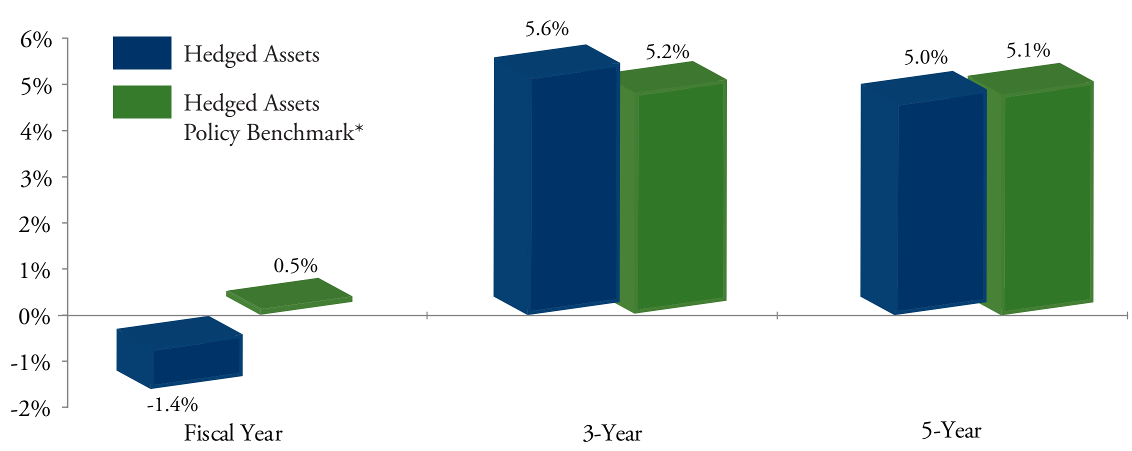
Performance

The total annualized return on the Systems' Hedged Assets portfolio was -1.4%, compared to the benchmark return of 0.5% for the fiscal year ended June 30, 2016.

Over the past five years, the Hedged Assets program has performed approximately equal to its policy benchmark of 5.1%. The performance relative to the policy benchmark is particularly significant given the strong performance of equities over the past five years. The Russell 3000 Index was up an annualized 11.6% over the past five years and the MSCI ACWI Index was up an annualized 5.4%. As discussed previously, the hedging characteristics of the Hedged Assets program provide for the expectation that its performance will lag equity markets and/or its policy benchmark during periods of higher-than-normal equity returns. The Hedged

Assets program is expected to outperform in more normal and down markets. As the table indicates, the longer-term performance was accomplished by assuming less than one-half of the volatility of the world stock index and achieving a beta of approximately 0.40 to the index, signifying that the Systems' portfolio moves up or down less than half as much as the world stock index.

Hedged Assets Performance



Hedged Assets Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year
Annualized Hedged Assets Return	-1.4%	5.6%	5.0%
Annualized Policy Benchmark Return*	0.5%	5.2%	5.1%
Annualized S&P 500 Return	4.0%	11.7%	12.1%
Annualized MSCI ACWI Index	-3.7%	6.0%	5.4%
Annualized Standard Deviation of Composite	4.8%	4.9%	5.9%
Annualized Standard Deviation of Policy Benchmark	8.3%	6.4%	7.4%
Annualized Standard Deviation of S&P 500	14.5%	11.3%	12.1%
Annualized Standard Deviation to MSCI ACWI Index	15.5%	11.8%	13.5%
Beta to Policy Benchmark	0.52	0.68	0.73
Beta to S&P 500	0.30	0.35	0.40
Beta to MSCI ACWI Index	0.28	0.35	0.38

**The Hedged Assets Policy Benchmark is composed as follows: 50% Barclays U.S. Intermediate Credit Index, 25% MSCI ACWI ex-USA, 25% Russell 3000 Index.*

Investment Advisors

As of June 30, 2016, the Systems had contracts with 17 external investment advisors who managed 25 portfolios. During the fiscal year one new investment mandate was added with HBK Capital Management.

Hedged Assets Investment Advisors

Investment Advisor	Investment Style	Fair Value* As of June 30, 2016	% of Total Fair Value
AQR Absolute Return Fund	Multi-Strategy	$ 215,842,505	0.6%
AQR Diversified Beta Fund	Diversified Beta/Inflation	355,046,254	0.9%
AQR Real Asset Fund	Multi-Strategy	47,026,659	0.1%
Bridgewater All Weather	Equity Long/short	316,234,718	0.8%
Bridgewater Inflation Pool	Diversified Beta/Inflation	70,389,391	0.2%
Bridgewater Pure Alpha II	Asset Allocation/Global Macro	136,363,296	0.4%
Bridgewater Pure Alpha Major Markets	Asset Allocation/Global Macro	205,596,921	0.5%
Carlson Black Diamond	Multi-Strategy	243,177,712	0.6%
Davidson Kempner Institutional Partners	Multi-Strategy	259,524,267	0.7%
Davidson Kempner Distressed Opportunities Fund	Distressed Debt/Credit	204,662,967	0.5%
GoldenTree Partners	Distressed Debt/Credit	442,758,411	1.2%
HBK Capital Management	Multi-Strategy	81,777,324	0.2%
Indus Asia Pacific Fund	Equity Long/short	92,488,923	0.2%
Maverick Fund USA	Equity Long/short	166,707,832	0.4%
NISA Investment Advisors	Diversified Beta/Inflation	597,434,303	1.6%
Och-Ziff Domestic Partners	Multi-Strategy	209,848,820	0.6%
Och-Ziff Europe	Multi-Strategy	41,567,089	0.1%
Och-Ziff Asia	Multi-Strategy	155,421,620	0.4%
Owl Creek Overseas Fund	Multi-Strategy	60,458,778	0.2%
Pershing Square	Equity Long/short	136,573,666	0.4%
Renaissance Institutional Equities Fund	Equity Long/short	523,062,323	1.4%
Stark Investments Limited Partners	Equity Long/short	4,414,698	0.0%
UBS O'Connor Multi-Strategy Alpha	Multi-Strategy	193,113,518	0.5%
Westwood Management	Diversified Beta/Inflation	245,509,553	0.6%
York Capital Management	Multi-Strategy	107,464,135	0.3%
Total		**$ 5,112,465,683**	13.4%

**Includes manager cash*

Safe Assets Summary

As of June 30, 2016, Safe Assets had a market value of approximately $6.6 billion, representing 17.5% of total assets.

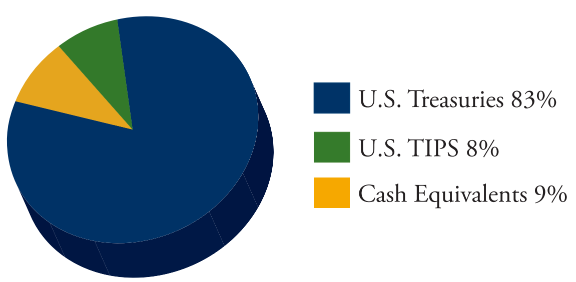
Investment Program Description

The Safe Assets program is intended to act as a source of safety and income for the Systems. 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 U.S. Treasury Blended Index (a combination of the Barclays U.S. Treasury: Intermediate Index and the Barclays U.S. Treasury: Long Index) and 20% Barclays U.S. TIPS 1-10 Year Index.

Structure

As of June 30, 2016, the Systems' entire Safe Assets program was managed by NISA Investment Advisors. The assets held within the program exhibit high liquidity and safety. The pie chart below depicts the Safe Assets Program by showing the sector and composite allocations as of June 30, 2016.

Safe Assets Allocation



Internal staff continues to maintain a slight underweight to Safe Assets due in part to historically low yields and due to better expected risk/adjusted returns going forward within the Public Risk program. The Systems' allocation to Safe Assets was 17.5% as of June, 30, 2016, as compared to the target weight of 20%.

Market Overview

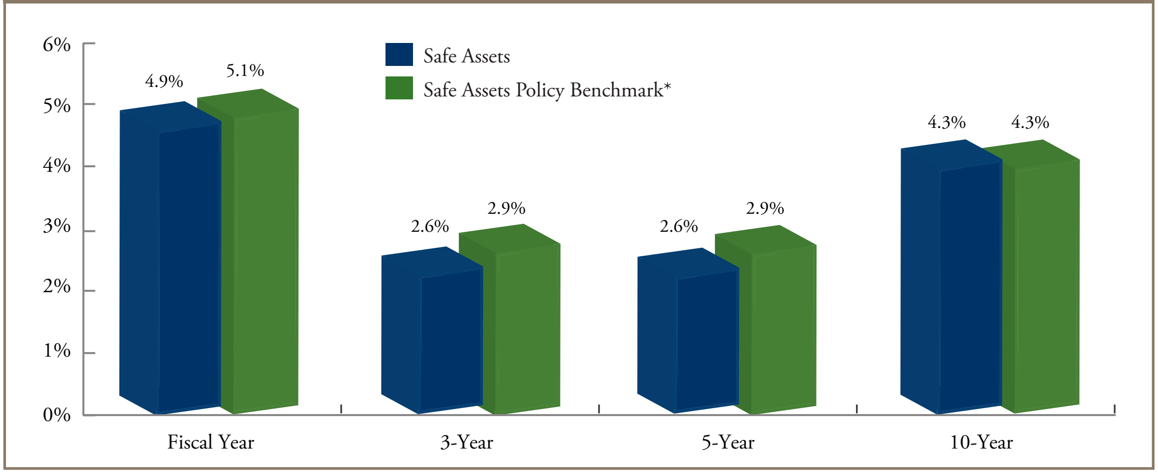
Interest rates continued to experience significant volatility during fiscal year 2016, with the intermediate and long ends of the treasury yield curve hitting all-time lows. The yield on the 10-year Treasury decreased to 1.49% on June 30, 2016 from 2.35% on June 30, 2015. The significant decrease in interest rates throughout the year positively impacted the price of bonds.

Performance

The total return for Safe Assets portfolio was 4.9% for the fiscal year ended June 30, 2016. The portfolio underperformed the benchmark for the year by 20 basis points. For the three- and five -year time periods, the Systems' modestly underperformed the Safe Assets benchmark while the portfolio return was equal to benchmark for the ten-year time period.

The absolute return of the Safe Assets portfolio is relatively modest over longer 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 the Systems. An allocation to Safe Assets allows the Systems to accept market risk in other portions of the total fund portfolio.

Safe Assets Performance



Safe Assets Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year	10-Year
Annualized Safe Assets Return	4.9%	2.6%	2.6%	4.3%
Annualized Policy Benchmark Return*	5.1%	2.9%	2.9%	4.3%
Excess Return	-0.2%	-0.3%	-0.3%	0.0%
Annualized Standard Deviation of Composite	2.3%	2.5%	2.8%	3.3%
Annualized Standard Deviation of Policy Benchmark*	2.7%	2.8%	2.9%	3.4%
Beta to Policy Benchmark*	0.85	0.88	0.94	0.96
Beta to MSCI World Index	-0.05	-0.06	-0.08	-0.02

**The Safe Assets Policy Benchmark is composed as follows: 72.0% Barclays U.S. Treasury: Intermediate Index, 20% Barclays U.S. TIPS 1-10 Yrs. Index and 8.0% Barclays U.S. Treasury: Long Index.*

The Systems have specifically taken less risk compared to the Policy benchmark more recently with the addition of the cash equivalents portfolio. Additionally, the Systems' portfolios have a beta slightly less than 1.0 relative to the Policy benchmark over all time periods, indicating less market volatility. Most importantly, the Safe Asset portfolio exhibits a beta of approximately zero relative to the world stock index (MSCI ACWI Index), indicating no correlation to risk assets. These statistics support one of the primary objectives of Safe Assets: diversification from other risk assets in the total fund.

Statistics

The following table displays the statistical characteristics of the Systems' Safe Assets Program as of June 30, 2016 with comparisons shown to the Barclays U.S. Treasury: Intermediate Index. Additionally, the top ten Safe Asset holdings as of June 30, 2016 are shown in the table below the characteristics.

Safe Assets Characteristics

Characteristics	June 30, 2016 Combined Systems*	June 30, 2016 Barclays U.S. Treasury: Intermediate Index
Number of Securities	92	206
Average Coupon	1.6%	1.8%
Yield to Maturity	0.9%	0.9%
Average Maturity (Years)	6.9	4.2
Duration (Years)	5.0	4.0

Safe Assets - Top 10 Holdings

Top 10 Largest Holdings* June 30, 2016	Fair Value	% of Total Safe Assets
United States Treasury Note, 1.625%, 11/30/2020	$ 411,720,000	6.2%
United States Treasury Note, 0.625%, 08/31/2017	403,552,871	6.1%
United States Treasury Bill, 0.00%, 08/25/2016	347,451,826	5.2%
United States Treasury Note, 1.625%, 05/31/2023	276,096,600	4.2%
United States Treasury Note, 0.625%, 05/31/2017	242,157,746	3.6%
United States Treasury Bond, 2.5%, 02/15/2045	216,450,927	3.3%
United States Treasury Note, 3.5%, 05/15/2020	214,299,326	3.2%
United States Treasury Bond, 2.875%, 05/15/2043	200,743,955	3.0%
United States Treasury Note, 2.25%, 11/15/2024	194,676,400	2.9%
United States Treasury Bill, 0.00%, 07/28/2016	189,300,388	2.8%
TOTAL	**$ 2,696,450,039**	**40.5%**

** 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, 2016. The following table lists the firm's management by investment style.

Safe Assets Investment Advisor

Investment Advisor	Investment Style	Fair Value* As of June 30, 2016	% of Total Fair Value
NISA Investment Advisors	U.S. Treasuries	$ 5,535,808,349	14.6%
NISA Investment Advisors	Cash Equivalents	578,407,660	1.5%
NISA Investment Advisors	U.S. TIPS	535,067,846	1.4%
Total		**$ 6,649,283,855**	**17.5%**

**Includes manager cash*

Private Risk Assets Summary

As of June 30, 2016, Private Risk assets had a market value of approximately $6.3 billion, representing 16.6% 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 funding period in order to maintain the long-term 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.

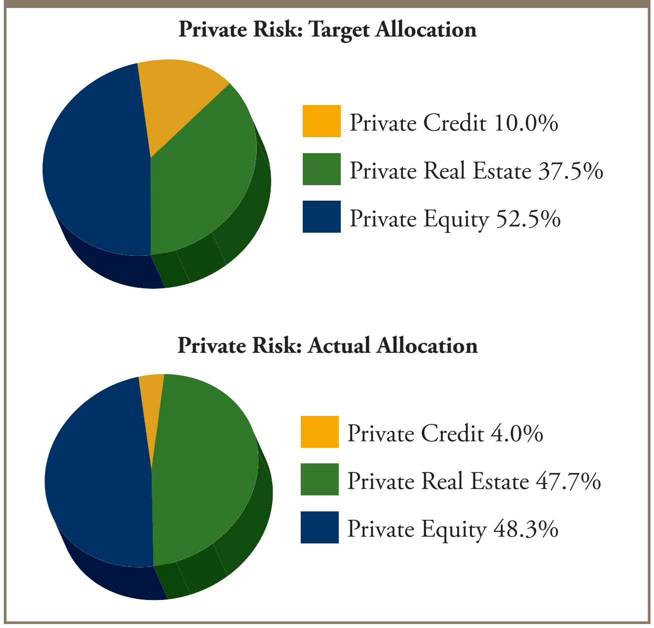
Investments in Private Risk Assets differ substantially from the Systems' public markets asset classes (Public Risk Assets and Safe Assets) in part because they are typically very long-term in nature, not publicly traded, relatively illiquid, and offer the potential for substantially higher returns (along 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, pricing and performance measurements 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, 2016, 48.3% of Private Risk assets were invested in the Private Equity program, 47.7% in the Private Real Estate program, and 4.0% in the Private Credit program. Each of these programs is discussed in more detail on the following pages.

Private Risk Assets Allocation

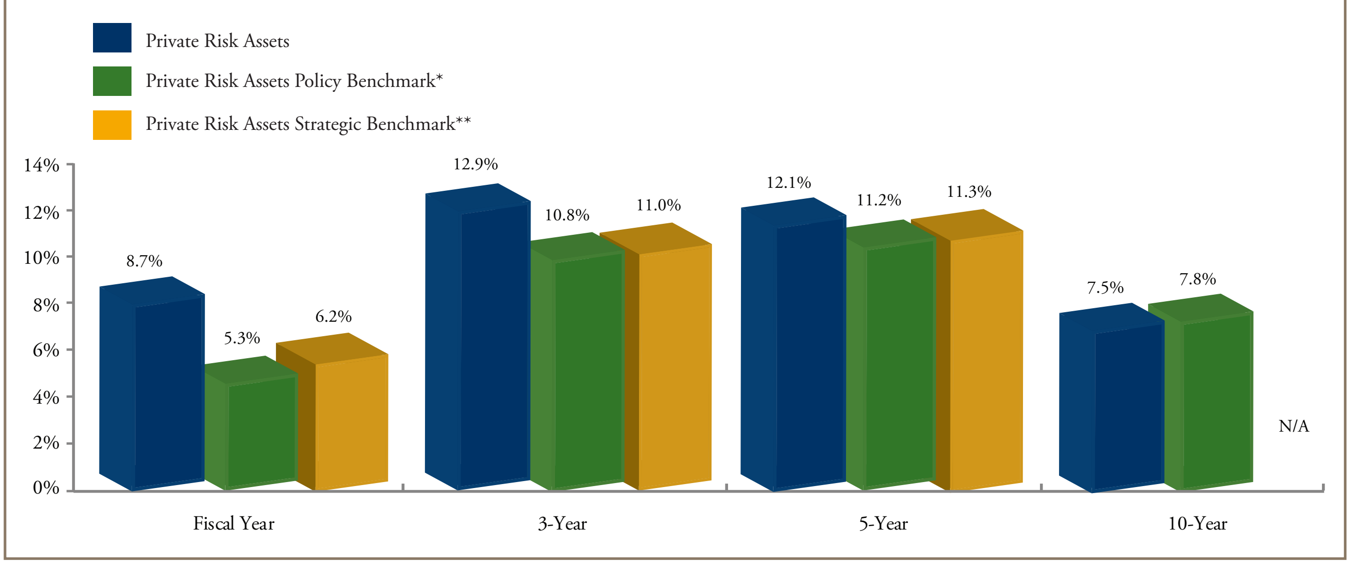


Performance

The total return for the Private Risk portfolio was 8.7%, compared to the policy benchmark return of 5.3% for the fiscal year ended June 30, 2016. For the three- and five-year time periods, the Systems also significantly outperformed the benchmark. The ten-year return was marginally below the benchmark due to the immaturity of the programs and the impacts of the financial crisis of 2008 and 2009.

The pricing and performance methodology utilized for private assets can provide for significant performance variances over short time periods. For instance, 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 Private Risk assets, the performance can be more appropriately judged over a longer timeframe. As the table below indicates, the Private Risk portfolios have produced excellent absolute and relative returns over all time periods.

Private Risk Assets Investment Returns



Private Risk Assets Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year	10-Year
Annualized Private Risk Assets Return	8.7%	12.9%	12.1%	7.5%
Annualized Policy Benchmark Return*	5.3%	10.8%	11.2%	7.8%
Excess Return	3.4%	2.1%	0.9%	-0.3%
Annualized Strategic Benchmark Return**	6.2%	11.0%	11.3%	N/A

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

*** The Private 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 a 10-year return is not available.*

Private Equity Program Summary

As of June 30, 2016, Private Equity assets had a market value of approximately $3.0 billion, representing 8.0% 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.

In January 2014, the Board of Trustees approved the development and implementation of a Private Equity Co-Investment Program. The Co-Investment Program is expected to further advance the goals and objectives of the overall Private Equity Program by obtaining additional exposure to underlying portfolio company investments through direct equity investments made on a side-by-side basis with private equity funds where the Systems have an existing relationship. Co-investments serve to increase exposure to the Private Equity asset class with little or no additional fees and/or performance carry paid to the underlying private equity partnerships. The objective of the Co-Investment Program is to leverage existing, high-quality relationships with private equity managers in order to increase commitments to the asset class in a format that does not materially increase overall risk, while simultaneously helping to lower fees and performance carry.

Structure

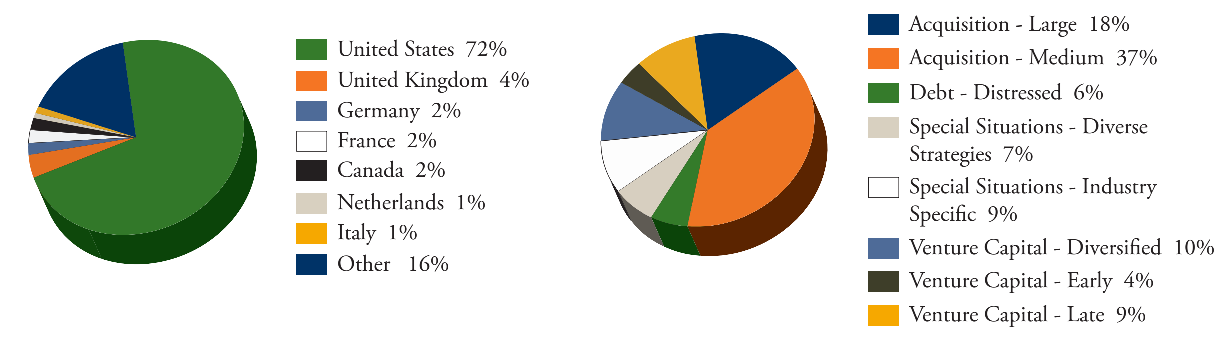
As of June 30, 2016, Private Equity assets committed* for investment were $7.0 billion. The market value of funds that had been drawn down and actually invested as of June 30, 2016 was approximately $3.0 billion, representing 8.0% of total assets. The Systems private equity investment commitments that have not yet been funded were approximately $2.6 billion as of June 30, 2016.

The objective for the Systems' allocation to Private Equity is to achieve returns that are higher than those attainable in the public equity markets with the added benefit of diversification. The target allocation to Private Equity during 2016 was 10.5% However, as of June 30, 2016, the actual allocation for the Systems was just 8.0% because the long-term and illiquid nature of the private equity asset class dictates that capital must be invested at a measured pace. In addition, private equity investments have made record distributions in recent years. Pathway Capital Management has been retained by the Systems to provide private equity investment management services through three structures; a discretionary fund-of-funds relationship, an advisory relationship and a co-investment program. Additionally, the Systems have invested in private equity secondary funds and also utilize Albourne America, LLC to provide private equity advisory services.

The pie charts on the following page show the diversification (utilizing the market value of the assets that have been invested) of the Systems' private equity holdings as of June 30, 2016 from both strategy and country perspectives.

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

Private Equity Asset Class and Geographic Diversification



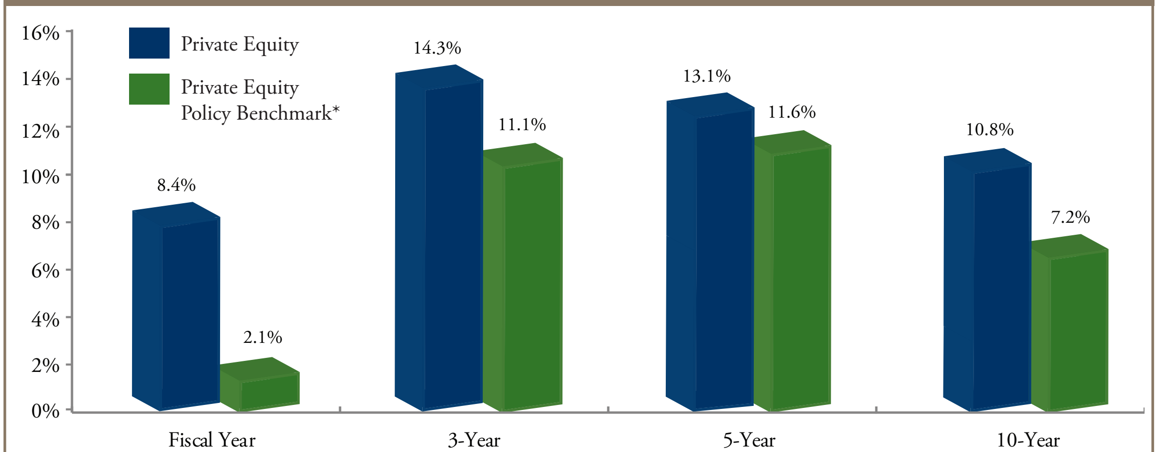
Market Overview

The Private Equity Program performed extremely well in fiscal year 2016. Despite the volatility in the financial markets and heightened global macroeconomic uncertainty, private equity firms continued to have success. Private equity firms capitalized on opportunities to sell their portfolio companies and continued to deploy capital in attractive investment opportunities.

Performance

The total return for the Private Equity program was 8.4%, compared to the benchmark return of 2.1% for the fiscal year ended June 30, 2016. While short-term returns are not overly insightful for the Private Equity Program in comparison to its benchmark, the one-year return exceeded the benchmark by 630 basis points. The private equity benchmark utilizes a liquid public equity index (Russell 3000 Index) to measure an illiquid (private equity) asset class. As such, there could 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 below indicates, the Private Equity portfolio has produced excellent absolute and relative returns over all time periods. The ten-year return exceeded the benchmark by 360 basis points.

Private Equity Investment Returns



Private Equity Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year	10-Year
Annualized Private Equity Return	8.4%	14.3%	13.1%	10.8%
Annualized Policy Benchmark Return*	2.1%	11.1%	11.6%	7.2%
Excess return	6.3%	3.2%	1.5%	3.6%

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

Investment Advisors

As of June 30, 2016, the Systems had committed to 100 separate partnerships with 48 firms within the Private Equity asset class. In fiscal year 2016, the Systems committed to 9 new partnerships for $334.7 million. Additionally, the Systems received total distributions from the private equity partnerships in excess of $668 million in fiscal year 2016.

Private Equity Investment Advisors

Investment Advisor	Investment Style	Fair Value* As of June 30, 2016	% of Total Fair Value
Advent International GPE VII-B	Acquisition - Medium	$ 45,898,243	0.1%
Baring Asia VI	Acquisition - Medium	9,119,154	0.0%
BC European IX	Acquisition - Medium	26,495,307	0.1%
Blackstone Capital Partners V and VI	Acquisition - Large	36,734,455	0.1%
Canaan Partners IX and X	Venture Capital	29,764,472	0.1%
Carlyle Europe Partners III	Acquisition - Medium	12,735,308	0.0%
Carlyle Partners IV, V and VI	Acquisition - Large	40,791,119	0.1%
Centerbridge Capital Partners I, II and III	Acquisition & Debt	60,697,820	0.2%
Centerbridge Capital Special Credit Partners II and III	Debt - Distressed	27,386,768	0.1%
Coller International Partners VII	Secondary Fund	5,782,515	0.0%
CVC Capital Partners VI	Acquisition - Large	18,862,463	0.0%
CVC European Equity Partners IV and V	Acquisition - Large	18,463,799	0.0%
CVC European Equity Tandem Fund	Acquisition - Large	1,251,025	0.0%
Encap VIII Co-Investors, IX, Flatrock III and Energy fund X	Acquisition - Energy	55,739,157	0.1%
Exponent Partners II	Acquisition - Medium	6,315,445	0.0%
First Reserve Fund XI and XII	Acquisition - Energy	13,179,559	0.0%
Genstar Capital Partners V	Acquisition - Medium	4,017,558	0.0%
Glendon Opportunities Fund	Debt - Distressed	19,091,493	0.1%
GTCR Fund IX, XI and X	Acquisition - Medium	54,007,093	0.1%
Hellman & Friedman Capital Partners VI and VII	Acquisition - Large	39,269,813	0.1%
Insight Venture Partners IX	Acquisition - Technology	10,932,173	0.0%
Institutional Investment Partners XV	Venture Capital	5,652,898	0.0%
Kelso Investment Associates VIII	Acquisition - Medium	25,453,022	0.1%
KKR 2006 Fund	Acquisition - Large	21,437,570	0.1%
KRG Fund IV	Acquisition - Medium	14,771,515	0.0%
Lexington Capital Partners VI-B, VII and VIII	Secondary Fund	161,855,701	0.4%
Madison Dearborn VI	Acquisition - Large	15,237,577	0.0%
Montagu III and IV	Acquisition - Medium	25,647,007	0.1%
Nordic VII and VIII	Acquisition - Medium	46,065,744	0.1%
New Enterprise Associates 13, 14 and 15	Venture Capital	111,106,602	0.3%
Oak Investment Partners XIII	Venture Capital	26,560,664	0.1%
OCM Principal Opportunities Fund IV, VII, VIIb and IX	Debt - Distressed	44,279,838	0.1%
Odyssey Investment Partners IV and V	Acquisition - Medium	22,013,907	0.1%
Onex Partners II, III and IV	Acquisition - Medium	44,518,943	0.1%
Pantheon Global Secondary Fund III and IV	Secondary Fund	71,174,002	0.2%
Pathway Capital Management	Fund-of-Funds	1,388,887,775	3.6%
Paul Capital Partners IX	Secondary Fund	23,062,077	0.1%
Permira IV and V	Acquisition - Large	24,259,032	0.1%
Providence Equity Partners VI	Acquisition - Medium	19,158,186	0.1%
Quad-C Partners VIII	Acquisition - Medium	44,258,330	0.1%
Quantum Energy Partners V, V-C, V1 and V1-C	Acquisition - Energy	39,369,172	0.1%
The Resolute Fund II and III	Acquisition - Medium	31,808,748	0.1%
Silver Lake Partners III	Acquisition - Technology	18,485,503	0.0%
Spectrum Equity Investors VI and VII	Acquisition - Medium	21,945,103	0.1%
TA XI and XII	Acquisition - Large	27,563,802	0.1%
TCV VI, VII and VIII	Venture Capital	70,949,325	0.2%
Thoma Bravo Discover Fund	Acquisition - Medium	1,482,985	0.0%
Thoma Bravo Fund XII	Acquisition - Large	1,950,136	0.0%
Thoma Bravo Special Opps Fund II	Acquisition - Medium	26,487,802	0.1%
Thoma Cressey Fund VIII	Acquisition - Medium	908,746	0.0%
TPG Partners V and VI	Acquisition - Large	29,976,880	0.1%
Vista Equity Partners V and VI	Acquisition - Medium	39,065,581	0.1%
Wayzata Opportunities Fund I, II and III	Debt - Distressed	25,521,975	0.1%
Wind Point Partners VI and VII	Acquisition - Medium	40,062,553	0.1%
Cash and cash equivalents	Cash and cash equivalents	156	0.0%
Stock distribution account	Public Stocks	2,672,857	0.0%
Total		**$ 3,050,186,453**	**8.0%**

**Market values are 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, 2016, the net asset values utilized were cash flow adjusted through June 30, 2016.*

Private Credit Program Summary

As of June 30, 2016, Private Credit assets had a market value of approximately $251 million, representing 0.7% 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% 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, 2016, Private Credit assets committed* for investment were $917 million. The market value of funds that have been drawn down and actually invested as of June 30, 2016 was approximately $251 million, representing 0.7% of total assets. The Systems' private credit investment commitments that have not yet been funded were approximately $201 million as of June 30, 2016.

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. 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. Albourne America, LLC has also been retained to provide private credit advisory services.

**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.*

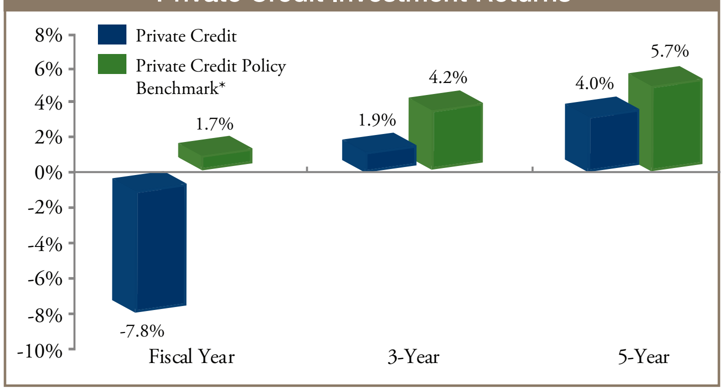
Market Overview

Private Credit markets experienced increased volatility and negative returns as credit spreads widened throughout most of fiscal year 2016. Significant volatility in energy prices was a large negative contributing factor. Indicators of distress in the high yield market peaked in February and have since rebounded as energy prices have stabilized since earlier in the fiscal year. The recent uncertainty and volatility in financial markets is expected to lead to attractive future investment opportunities in the private credit space.

Performance

The total return for the Private Credit program was -7.8%, compared to the benchmark return of 1.7% for the fiscal year ended June 30, 2016. Short-term returns can be volatile for the Private Credit Program in comparison to a public benchmark, as discussed previously; private assets are more appropriately evaluated over longer time frames.

Private Credit Investment Returns



Private Credit Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year
Annualized Private Credit Return	-7.8%	1.9%	4.0%
Annualized Policy Benchmark Return*	1.7%	4.2%	5.7%
Excess Return	-9.5%	-2.3%	-1.7%

**The Private Credit Policy Benchmark is the Merrill Lynch High Yield Master II Index.*

The Private Credit Program was established in December 2007, so ten-year returns are not available.

Investment Advisors

As of June 30, 2016, the Systems had committed to 13 separate partnerships with 10 firms within the Private Credit asset class. One new commitment for $50 million was made to the Private Credit asset class during fiscal year 2016. The Systems received total distributions from the private credit partnerships of approximately $64 million in fiscal year 2016.

Private Credit Investment Advisors

Investment Advisor	Investment Style	Fair Value* As of June 30, 2016	% of Total Fair Value
Avenue Capital Group Fund V	Debt - Distressed	$ 1,736,608	0.0%
Caltius IV	Debt - Mezzanine	2,235,432	0.0%
Centerbridge Special Capital Partners	Debt - Distressed	5,472,448	0.0%
EIG Energy Fund XVI	Debt - Energy	36,563,171	0.1%
Encap Fund VII	Acquisition - Energy	3,528,712	0.0%
Encap Fund VIII	Acquisition - Energy	18,855,872	0.1%
Indigo Capital V	Debt - Mezzanine	8,108,616	0.0%
Lone Star Real Estate Fund II	Debt - Distressed	10,337,147	0.0%
OCM Opportunities Fund VIII	Debt - Distressed	11,533,262	0.0%
OCM Opportunities Fund VIII b	Debt - Distressed	21,524,119	0.1%
Pathway Capital Management	Funds-of-Funds	108,306,388	0.3%
TA Subordinated Debt Fund III	Debt - Mezzanine	19,299,750	0.1%
TA Subordinated Debt Fund IV	Debt - Mezzanine	3,024,383	0.0%
Total		**$250,525,908**	**0.7%**

**Market values are 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, 2016, the net asset values utilized were cash flow adjusted through June 30, 2016.*

Private Real Estate Program Summary

As of June 30, 2016, Private Real Estate assets had a market value of approximately $3.0 billion, representing 7.9% 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 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.

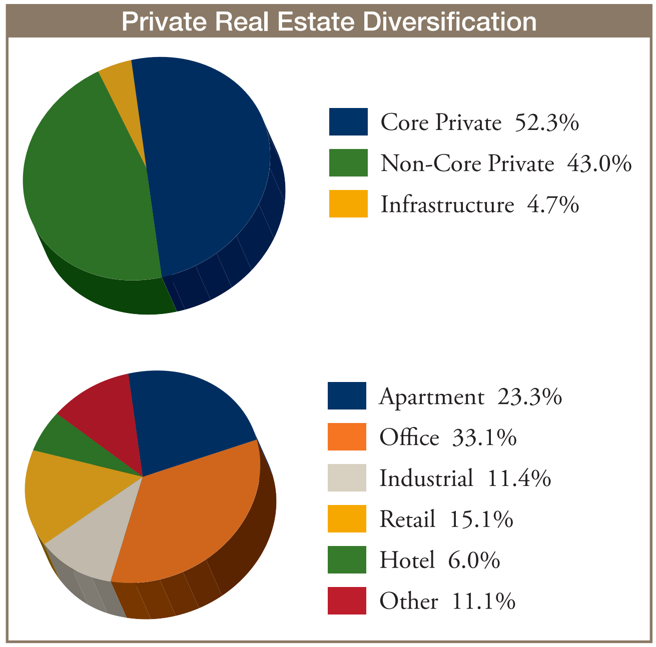
Structure

As of June 30, 2016, the Systems' private real estate assets committed* for investment were $4.0 billion. The market value of funds that had been drawn down and actually invested as of June 30, 2016 was approximately $3.0 billion, representing 7.9% of total assets. The Systems' private real estate investment commitments that had not yet been funded were approximately $737 million as of June 30, 2016.

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 risk compared to Core investments. Core investments include existing, substantially leased income-producing properties located mainly in metropolitan areas that exhibit reasonable economic diversification and growth.

**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 following pie charts 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.



Market Overview

Real estate fundamentals continued to improve for most property types in fiscal year 2016. Economic and employment growth slowed but continued to support positive net absorption (more leasing than vacancy). This led to a rise in occupancy levels and additional rent growth for most property types. Overall, it was a strong fiscal year for the real estate markets with the NCREIF Fund Index – Open Diversified Core Equity (NFI-ODCE) Index returning over 10% for the fiscal year.

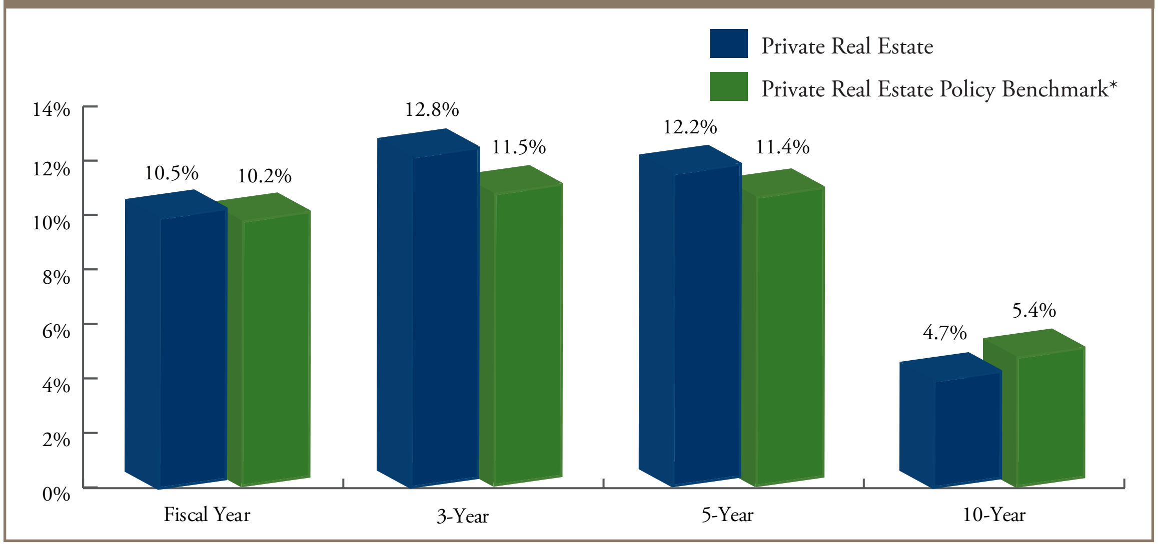
The Systems maintain a sizable allocation to high-quality, stabilized real estate assets (core) held in primary markets due to the secure income return. Additionally, the Systems have an allocation to non-core assets to participate in the distressed sector of the real estate market. The Systems will continue to focus real estate efforts going forward on investments that complement the existing portfolio.

Performance

The total return for the Private Real Estate program was 10.5%, compared to the benchmark return of 10.2% for the fiscal year ended June 30, 2016. The Systems Private Real Estate program has produced excellent absolute and relative returns for all time periods as noted below, with the exception of the 10-year time period. The underperformance for the 10-year time period was primarily due to the significant downward pressure on real estate valuations during the credit crisis of 2008 and 2009.

The Board of Trustees approved a new real estate benchmark effective January 1, 2016. The real estate benchmark was modified from the property level NCREIF Property Index (NPI) to the fund level NFI-ODCE index. The NFI-ODCE index better reflects the PSRS/PEERS investment portfolio given that it is an investable index and includes leverage. The historical real estate benchmark will reflect the NPI returns prior to 2016 with NFI-ODCE returns being linked to this series following January 1, 2016.

Private Real Estate Investment Returns



Private Real Estate Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year	10-Year
Annualized Private Real Estate Return	10.5%	12.8%	12.2%	4.7%
Annualized Policy Benchmark Return*	10.2%	11.5%	11.4%	5.4%
Excess Return	0.3%	1.3%	0.8%	-0.7%

**Effective January 1, 2016 the Real Estate Policy Benchmark is the NCREIF Open End Diversified Core Equity Index (NFI-ODCE). The NCREIF Property Index is used for prior periods.*

Investment Advisors

As of June 30, 2016, the Systems had committed to 56 separate partnerships with 29 firms within the Private Real Estate asset class. In fiscal year 2016, the Systems committed to two new partnerships totaling $182 million. Additionally, the Systems received total distributions from the real estate partnerships of approximately $477 million in fiscal year 2016.

Private Real Estate Investment Advisors			
Investment Advisor	**Investment Style**	**Fair Value* As of June 30, 2016**	**% of Total Fair Value**
Alinda Infrastructure Fund I	Infrastructure	$ 44,998,153	0.1%
Alterna Core Capital Assets Fund II	Infrastructure	46,675,627	0.1%
AMB Alliance III	Non-Core - Private	65,311,356	0.2%
AEW Core Property Fund	Core - Private	95,058,806	0.3%
Blackstone R.E. Partners V, VI, VII, VIII, and Real Estate Partners Asia	Non-Core - Private	256,037,490	0.7%
Brockton Capital II	Non-Core - Private	28,733,308	0.1%
Carlyle Europe Real Estate Partners III	Non-Core - Private	17,068,090	0.1%
Carlyle Property Investors	Core - Private	48,566,950	0.1%
Carlyle Realty V, VI and VII	Non-Core - Private	110,207,304	0.3%
CBRE Fund IV, US Value 5, US Value 6, US Value 7	Non-Core - Private	99,153,639	0.3%
CIM Fund III and VIII	Non-Core - Private	90,639,434	0.2%
CIM Urban REIT	Non-Core - Private	43,029,024	0.1%
Colony Investors VIII	Non-Core - Private	14,964,900	0.0%
CPI Capital Partners Europe	Non-Core - Private	2,622,924	0.0%
Dune Real Estate Fund I	Non-Core - Private	14,963,202	0.0%
Forum Asian Realty Income II	Non-Core - Private	2,766,364	0.0%
Heitman Value Partners II and III	Non-Core - Private	34,889,097	0.1%
JPMorgan Special Situation Property Fund	Non-Core - Private	129,387,114	0.3%
JPMorgan Strategic Property Fund	Core - Private	325,823,942	0.9%
KKR Real Estate Partners America	Non-Core - Private	46,181,079	0.1%
LaSalle Asia Opportunity Fund II and III	Non-Core - Private	8,073,651	0.0%
LaSalle Income & Growth V	Non-Core - Private	732,970	0.0%
LaSalle Japan Logistics Fund II	Non-Core - Private	301,925	0.0%
LaSalle Property Fund	Core - Private	176,558,783	0.5%
Lone Star V and VI	Non-Core - Private	17,701,697	0.1%
Lone Star Real Estate Fund	Non-Core - Private	2,424,485	0.0%
Macquarie Infrastructure Partners	Infrastructure	50,459,122	0.1%
MSREF V International	Non-Core - Private	1,534,859	0.0%
Morgan Stanley Prime Property Fund	Core - Private	374,094,056	1.0%
NREP Real Estate Debt Fund	Non-Core - Private	410,391	0.0%
Noble Hospitality Fund I and III	Non-Core - Private	42,016,688	0.1%
Principal Enhanced Property Fund	Core - Private	45,513,339	0.1%
Prudential PRISA Fund	Core - Private	175,023,105	0.5%
Prudential PRISA III	Non-Core - Private	83,523,333	0.2%
RREEF America REIT III	Non-Core - Private	3,160,225	0.0%
Standard Life European Real Estate Fund I and II	Non-Core - Private	79,624,920	0.2%
Starwood Hospitality Fund	Non-Core - Private	10,078,664	0.0%
UBS Trumbull Property Fund	Core - Private	337,310,559	0.9%
Westbrook R.E. Fund VII, VIII and IX	Non-Core - Private	89,203,211	0.2%
Cash and cash equivalents	Cash and cash equivalents	521	0.0%
Total		**$ 3,014,824,307**	**7.9%**

**Market values are 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, 2016, the net asset values utilized were cash flow adjusted through June 30, 2016.*

U.S. Public Equity Broker Commissions Report

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost Per Share
Capital Institutional Services	8,978,061	$ 301,506,629	$ 314,681	$ 0.04
Instinet, LLC	22,058,388	626,410,679	219,260	0.01
Deutsche Bank	36,352,427	1,107,290,553	215,583	0.01
Weeden & Co	24,290,961	1,104,490,398	212,906	0.01
Merrill Lynch	25,236,990	759,610,825	189,906	0.01
Investment Technology Group	21,384,352	922,628,512	163,879	0.01
Barclays Capital, Inc.	13,556,481	559,464,701	150,201	0.01
SG Cowen & Co	20,617,963	687,404,214	130,904	0.01
UBS Securities, LLC	5,552,230	161,228,961	112,808	0.02
Bear Stearns & Co	8,974,137	219,015,336	102,839	0.01
Other (<$100,000)	107,443,909	3,219,233,775	1,544,624	0.01
Total	**294,445,899**	**$ 9,668,284,583**	**$ 3,357,591**	**$ 0.01**

Non-U.S. Public Equity Broker Commissions Report

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost (Basis Points)
Goldman Sachs and Company	116,283,270	$ 491,175,867	$ 242,151	4.9
Instinet, LLC	164,860,943	646,038,083	230,097	3.6
Merrill Lynch	97,989,756	407,952,350	187,718	4.6
Deutsche Bank	42,790,544	237,761,736	176,729	7.4
JP Morgan Chase	27,427,404	177,535,788	98,993	5.6
Investment Technology Group	36,849,181	244,339,001	92,834	3.8
Citigroup Global Markets, Inc.	15,505,536	86,198,882	88,040	10.2
UBS Securities, LLC	37,434,766	139,274,164	85,121	6.1
Morgan Stanley & Co Incorporated	32,743,558	216,686,953	82,812	3.8
Credit Suisse Securities, LLC	18,739,162	85,347,864	76,662	9.0
Other (<$50,000)	127,272,052	600,084,322	348,987	5.8
Total	**717,896,172**	**$ 3,332,395,010**	**$ 1,710,144**	**5.1**

Investment Summary as of June 30, 2016			
		Percent of Total Fair Value	
Asset Type	**Fair Value**	**FY 2016**	**FY 2015**
Public Risk Assets			
U.S. Public Equity	$ 11,694,788,885	30.7%	30.0%
Non-U.S. Public Equity	5,851,166,084	15.4%	15.7%
Public Credit	2,372,818,902	6.2%	6.4%
Hedged Assets	5,112,465,683	13.4%	14.1%
Total Public Risk Assets	***25,031,239,554***	***65.7%***	***66.2%***
Safe Assets			
U.S. Treasuries	5,535,808,349	14.6%	14.4%
U.S. TIPS	535,067,846	1.4%	1.3%
Cash Equivalents	578,407,660	1.5%	2.5%
Total Safe Assets	***6,649,283,855***	***17.5%***	***18.2%***
Private Risk Assets			
Private Real Estate	3,014,824,307	7.9%	7.2%
Private Equity	3,050,186,453	8.0%	7.5%
Private Credit	250,525,908	0.7%	0.8%
Total Private Risk Assets	***6,315,536,668***	***16.6%***	***15.5%***
Securities Lending Collateral	***(968)***	***0.0%***	***0.0%***
Cash & Equivalents*	***69,553,172***	***0.2%***	***0.1%***
Total Investments**	**$ 38,065,612,281**	**100.0%**	**100.0%**
Reconciliation with Financial Statements			
Total from above	$ 38,065,612,281		
Accrued payable for investments purchased	2,147,826,551		
Accrued income payable	171,190		
Accrued receivable for investments sold	(1,639,938,617)		
Accrued income receivable	(70,936,667)		
Securities lending collateral	968		
Short-term investments designated for benefits	(66,012,254)		
Statements of Fiduciary Net Position	**$ 38,436,723,452**		

**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, 2016.*

Investment Expenses for the Fiscal Year Ended June 30, 2016

Investment Managers	
Investment Management Fees	
NISA Investment Advisors - Core	$ 4,083,216
NISA Investment Advisors - TIPS	334,573
Safe Assets Fees	4,417,789
NISA Investment Advisors - Corporate	1,148,662
Oaktree Bank Loans	1,697,263
Pacific Investment Management Company	929,538
Public Credit Fees	3,775,463
Analytic Investors, LLC	2,082,387
AQR Capital Management -140/40	2,353,810
Aronson & Johnson & Ortiz	2,015,586
BlackRock Investment Management	182,630
Columbia Management	1,032,113
Lazard Asset Management	284,491
Martingale Asset Management	1,274,956
Westwood Management	1,668,617
Zevenbergen Capital	1,281,967
U.S. Public Equity Fees	12,176,557
Acadian Asset Management	877,687
Alliance Bernstein Institutional Management	1,107,041
Analytic Investors, LLC - Global Low Vol	911,036
AQR Capital Management	2,074,810
Arrowstreet Capital	6,212,270
BlackRock - ACWI EX US	416,534
Coronation Asset Management (Proprietary) Limited	1,265,305
MFS Institutional Advisors	3,043,409
Neon Capital Management	1,009,857
NISA Investment Advisors	150,022
The Rock Creek Group	2,776,956
Non-U.S. Public Equity Fees	19,844,927
Allianz	966,191
AQR Capital Management	746,524
Chartwell Investment Partners	566,072
Columbus Circle	623,235
NISA Investment Advisors	102,105
Next Century Growth Investors	620,167
RBC Global Asset Management	989,590
S-Cap Fees	4,613,884
Alpha Overlay Fees	32,300,305
Hedged Assets Fees	74,679,176
Private Real Estate Fees	51,690,003
Private Credit Fees	3,338,446
Private Equity Fees	128,173,201
Commission Recapture Income	(135,480)
Investment Management Expense	334,874,274
Custodial Services	
JP Morgan Chase, NA	1,112,856
Custodial Fees	1,112,856
Investment Consultants	
Albourne America, LLC	762,500
Pathway Consulting	3,025,750
Institutional Shareholder Services, Inc.	74,500
Willis Towers Watson	418,604
Townsend	350,000
Investment Consultant Fees	4,631,354
Legal Expenses	8,074,157
Staff Investment Expenses	3,168,390
Total Investment Expenses	$ 351,861,028

A tradition of growth.

PSRS/PEERS has witnessed a growth and evolution of our membership as the needs of the Missouri's public system have changed over time. PSRS/PEERS' committment to provide all members prompt, courteous and accurate service has remained unchanged.

Actuarial Section

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Certification of Actuarial Results

November 10, 2016

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 as of June 30, 2016

Dear Members of the Board:

At your request, we have performed actuarial valuations of the Public School Retirement System ("PSRS") and the Public Education Employee Retirement System ("PEERS") of Missouri as of June 30, 2016. An actuarial valuation of each System is performed annually for purposes of preparing the required accounting information under Governmental Accounting Standards and for purposes of the Actuarial Determined Contribution under the Plan's funding policy. Our reports have been prepared pursuant to an engagement letter between PSRS and PEERS of Missouri and PwC, and is intended solely for the use and benefits of PSRS and PEERS of Missouri and not for reliance by any other person.

The actuarial valuation is based upon:

a. Benefit Provisions – Our understanding of the benefit provisions in effect on the valuation date under Missouri Revised Statutes Chapter 169.

b. Data Relative to the Members of the Systems - Data for all members of each System as of June 30, 2016 was provided by the PSRS and PEERS staff ("staff"). PwC relied on the data provided. The data was tested for reasonableness but was used unaudited.

c. Assets of the Fund - The values of the trust fund assets as of the valuation date for each System are provided by the staff. An actuarial value of assets, with investment gains and losses relative to the assumed return recognized over five years, is used in the development of the contribution rates.

d. Actuarial Cost Method - The actuarial cost method utilized by each System for accounting purposes is the Entry Age Normal, Level Percent method, as required by GASB Statement No. 67. The system has elected to use the same cost method in the determination of the contribution rates for pre-funding the benefits. The objective of this method is to allocate the cost of benefits as a level percentage of pay over the entire career of each member. On a funding basis, any Unfunded Actuarial Accrued Liability ("UAAL") is separately financed as a level percentage of payroll over a fixed 30-year period, where a new 30-year amortization base is established for the gain or loss that occurred during the year prior to the valuation date.

e. Actuarial Assumptions - The actuarial assumptions used for the June 30, 2016 valuations were based on an experience study that was completed for each System in June 2016. Based on those studies, the Board adopted all assumptions required for the valuations.

For accounting purposes, the actuarial assumptions and methods used in this valuation were selected and approved by the Board and are in accordance with our understanding of GASB Statement No. 67.

For funding purposes, the actuarial assumption and methods were selected and approved by the Board and are consistent with the funding policy adopted by the Board as summarized below. In general, the methods provide orderly funding of all benefits being accrued, as well as funding of any Unfunded Actuarial Accrued Liability over a period of thirty years. The smoothing method employed in determining the Actuarial Value of Assets may accelerate or lengthen the effective funding period, depending on whether gains or losses are experienced. In our opinion, the actuarial assumptions and methods are reasonable for purposes of the actuarial valuations and meet the parameters set by the Actuarial Standards of Practice.

In order to establish long-term, consistent methods for pre-funding the benefits of each System, the Board of Trustees has adopted a funding policy. The objective is to achieve a funded ratio of 100% over a closed 30-year period. For this purpose, the funded ratio is defined as the Actuarial Value of Assets divided by the Actuarial Accrued Liability determined under the Entry Age Normal Level Percent cost method and the actuarial assumptions adopted by the Board.

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

Principles of the funding policy include:

1. Maintain adequate assets so that current plan assets plus future contributions and investment earnings should be sufficient to fund all benefits expected to be paid to members and their beneficiaries.
2. Maintain stability of contribution rates, consistent with other funding objectives.
3. Maintain public policy goals of accountability and transparency. Each policy element is clear in intent and effect, and each should allow an assessment of whether, how and when the funding requirements of the plan will be met.
4. Promote intergenerational equity. Each generation of members and employers should incur the cost of benefits for the employees who provide services to them, rather than deferring those costs to future members and employers.
5. Provide a reasonable margin for adverse experience to help offset risks.
6. Review the investment earning assumption in conjunction with the periodic asset / liability study and in consideration of the Board's risk profile.
7. Review demographic and economic assumptions in conjunction with the periodic experience study performed by an actuary.
8. Continue progress of systematic reduction of the Unfunded Actuarial Accrued Liabilities (UAAL) while keeping the member and employer contribution rates at or near 14.5% of pay for PSRS and 6.86% of pay for PEERS, the contribution rates paid during 2010-2011.

The actuarially determined contribution rates developed from the June 30, 2016 valuations reflect these principles.

Trend data in the Financial Section and the following schedules and other data in this Actuarial Section are prepared by the staff with our guidance.

- Schedules of Funding Progress
- Required Contribution Rate and Amortization of Unfunded Liability
- Reconciliation of Unfunded Actuarial Accrued Liability
- Solvency Test
- Schedules of Active Member Valuation Data

Subject to reliance on the data provided, all estimates are based on information available as of a point in time and are subject to ongoing unforeseen and random events. As such, any reported results must be viewed as having a likely range of variability from the estimate, both up and down. Differences between our estimates and actual results depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Although estimated amounts have not been rounded, no inference should be made regarding the precision of such results

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

To the best of our knowledge, our actuarial reports are complete and accurate and have been prepared in accordance with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Our calculations also reflect our understanding of the requirements of Missouri state law. The undersigned actuaries are members of the Society of Actuaries and other professional organizations, including the American Academy of Actuaries, and meet the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States relating to pension plans. There is no relationship between the PwC practitioners involved in this engagement and PSRS and PEERS of Missouri that may impair our objectivity.

We certify that the information presented herein is accurate and fairly portrays the actuarial position of the Plans administered by PSRS and PEERS of Missouri as of June 30, 2016 based on the underlying census data, asset information and selected assumptions and methods.

Sincerely,

Cindy Fraterrigo

Cindy Fraterrigo, FSA, EA, MAAA Principal

Brandon Robertson, ASA, EA, MAAA Director

Schedule of Funding Progress

Public School Retirement System of Missouri
(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)
6/30/07	$ 27,049,004	$ 32,396,723 [2]	$ 5,347,719	83.5%	$ 3,980,698	134.3%
6/30/08	28,751,241	34,490,452 [1]	5,739,211	83.4%	4,209,417	136.3%
6/30/09	28,826,075	36,060,121 [1]	7,234,046	79.9%	4,439,381	163.0%
6/30/10	28,931,331	37,233,602 [1]	8,302,271	77.7%	4,493,865	184.7%
6/30/11	29,387,486	34,383,430 [3]	4,995,944	85.5%	4,338,976	115.1%
6/30/12	29,013,002	35,588,030 [1]	6,575,028	81.5%	4,379,060	150.1%
6/30/13	29,443,147	36,758,165 [2]	7,315,018	80.1%	4,460,872	164.0%
6/30/14	31,846,599	38,483,184 [1]	6,636,585	82.8%	4,425,568	150.0%
6/30/15	34,073,415	40,610,540 [1]	6,537,125	83.9%	4,508,242	145.0%
6/30/16	35,419,278	41,744,619 [3]	6,325,341	84.8%	4,556,137	138.8%

[1] There were no legislative changes in fiscal years 2008, 2009, 2010, 2012, 2014 and 2015.

[2] The extension of the 25-and-out and 2.55% provisions to 2014 are included in the AAL for 2013.

[3] There were no legislative changes in fiscal years 2011 and 2016, however actuarial assumptions were revised.

Schedule of Funding Progress

Public Education Employee Retirement System of Missouri
(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)
6/30/07	$ 2,481,562	$ 2,982,812 [1]	$ 501,250	83.2%	$ 1,275,199	39.3%
6/30/08	2,703,762	3,278,602 [1]	574,840	82.5%	1,377,506	41.7%
6/30/09	2,792,182	3,458,044 [1]	665,862	80.7%	1,417,485	47.0%
6/30/10	2,892,411	3,658,713 [1]	766,302	79.1%	1,433,691	53.4%
6/30/11	3,028,757	3,549,348 [3]	520,591	85.3%	1,414,442	36.8%
6/30/12	3,090,880	3,746,347 [1]	655,467	82.5%	1,437,310	45.6%
6/30/13	3,237,200	3,967,619 [2]	730,419	81.6%	1,470,830	49.7%
6/30/14	3,584,719	4,211,489 [1]	626,770	85.1%	1,442,701	43.4%
6/30/15	3,915,199	4,512,317 [1]	597,118	86.8%	1,469,772	40.6%
6/30/16	4,157,427	4,809,666 [3]	652,239	86.4%	1,519,081	42.9%

[1] There were no legislative changes in fiscal years 2008, 2009, 2010, 2012, 2014 and 2015.

[2] The extension of the 25-and-out provision is included in the AAL for 2013.

[3] There were no legislative changes in fiscal years 2011 and 2016, however actuarial assumptions were revised.

Required Contribution Rate & Amortization of Unfunded Liability

Public School Retirement System of Missouri
For the fiscal year ended June 30, 2016

	Percentage of Payroll
(1) Normal cost rate	16.25%
(2) Rate needed to fund UAAL	9.34%
(3) Benchmark contribution rate - normal cost plus a rate to fund the UAAL over 24.6 years	25.59%
(4) Additional amount towards funding UAAL	3.41%
(5) Recommended rate for FY 2018	29.00%

Required Contribution Rate & Amortization of Unfunded Liability

Public Education Employee Retirement System of Missouri
For the fiscal year ended June 30, 2016

	Percentage of Payroll
(1) Normal cost rate	9.94%
(2) Rate needed to fund UAAL	2.74%
(3) Benchmark contribution rate - normal cost plus a rate to fund the UAAL over 24.9 years	12.68%
(4) Additional amount towards funding UAAL	1.04%
(5) Recommended rate for FY 2018	13.72%

Reconciliation of Unfunded Actuarial Accrued Liability

Public School Retirement System of Missouri
As of June 30, 2016

(1) Unfunded actuarial liability as of July 1, 2015		$ 6,537,124,386
(2) Changes in Unfunded Actuarial Accrued Liability		
a. Impact of Plan Changes	-	
b. Actuarial (Gains)/Losses		
i. From investment	283,283,229	
ii. From actuarial liabilities due to assumption changes	100,247,551	
iii. From actuarial liabilities due to actual vs. expected COLA	(446,690,829)	
iv. From actuarial liabilities due to actual vs. expected salary changes	(247,337,615)	
v. From actuarial liabilities due to other demographic experience	16,814,811	
vi. Total Unfunded Actuarial Accrued Liability (Gain)/Loss		(293,682,853)
c. Total New Amortization Bases: (2)(a) + (2)(b)(vi)		(293,682,853)
d. Net Change in Existing Bases Due to Prior Year Contributions, Net of Interest		81,899,850
e. Total changes in Unfunded Actuarial Accrued Liability		(211,783,003)
(3) Unfunded Actuarial Accrued Liability as of June 30, 2016		$ 6,325,341,383

Reconciliation of Unfunded Actuarial Accrued Liability

Public Education Employee Retirement System of Missouri
As of June 30, 2016

(1) Unfunded actuarial liability as of July 1, 2015		$ 597,117,866
(2) Changes in Unfunded Actuarial Accrued Liability		
a. Impact of Plan Changes	-	
b. Actuarial (Gains)/Losses		
i. From investment	40,418,536	
ii. From actuarial liabilities due to assumption changes	65,420,724	
iii. From actuarial liabilities due to actual vs. expected COLA	(30,366,429)	
iv. From actuarial liabilities due to actual vs. expected salary changes	(28,082,246)	
v. From actuarial liabilities due to other demographic experience	(498,993)	
vi. Total Unfunded Actuarial Accrued Liability (Gain)/Loss		46,891,592
c. Total New Amortization Bases: (2)(a) + (2)(b)(vi)		46,891,592
d. Net Change in Existing Bases Due to Prior Year Contributions, Net of Interest		8,229,954
e. Total changes in Unfunded Actuarial Accrued Liability		55,121,546
(3) Unfunded Actuarial Accrued Liability as of June 30, 2016		$ 652,239,412

Schedule of Active Member Valuation Data

Public School Retirement System of Missouri

Actuarial Valuation Date	Number of Employers	Number of Members	Covered Annual Payroll (000's)	Average Annual Salary	% Increase in Average Salary	Average Attained Age	Average Years of Service
6/30/07	543	77,121	3,980,698	51,616	3.3%	42.3	11.1
6/30/08	542	78,436	4,209,417	53,667	4.0%	42.2	11.1
6/30/09	540	79,335	4,439,381	55,957	4.3%	42.2	11.1
6/30/10	538	79,256	4,493,865	56,701	1.3%	42.3	11.3
6/30/11	537	77,708	4,338,976	55,837	-1.5%	42.3	11.5
6/30/12	537	77,529	4,379,060	56,483	1.2%	42.2	11.4
6/30/13	535	78,076	4,460,872	57,135	1.2%	42.1	11.4
6/30/14	535	75,168	4,425,568	58,876	3.0%	42.2	11.8
6/30/15	535	78,138	4,508,242	58,582	-0.5%	42.0	11.5
6/30/16	534	78,129	4,556,137	59,005	0.7%	42.0	11.6

Schedule of Active Member Valuation Data

Public Education Employee Retirement System of Missouri

Actuarial Valuation Date	Number of Employers	Number of Members	Covered Annual Payroll (000's)	Average Annual Salary	% Increase in Average Salary	Average Attained Age	Average Years of Service
6/30/07	536	49,281	1,275,199	25,876	4.7%	46.6	7.2
6/30/08	536	50,865	1,377,506	27,082	4.7%	46.8	7.3
6/30/09	535	51,234	1,417,485	27,667	2.2%	47.1	7.7
6/30/10	535	50,363	1,433,691	28,467	2.9%	47.5	8.0
6/30/11	534	48,800	1,414,442	28,984	1.8%	47.9	8.3
6/30/12	534	48,605	1,437,310	29,571	2.0%	48.1	8.4
6/30/13	532	48,709	1,470,830	30,196	2.1%	48.1	8.5
6/30/14	532	45,589	1,442,701	31,646	4.8%	48.6	8.9
6/30/15	532	46,864	1,469,772	32,220	1.8%	48.4	8.6
6/30/16	530	47,851	1,519,081	32,887	2.1%	48.3	8.6

Solvency Test

Public School Retirement System of Missouri
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Accrued Liability for: Member Contributions (1)	Current Retirees & Beneficiaries (2)	Active & Inactive Members Employer Financed Portion (3)	Actuarial Value of Assets	Percentage of Actuarial Liabilities Covered by Actuarial Value of Assets for: (1)	(2)	(3)
6/30/2007	$ 5,787,667	$ 17,059,613	$ 9,549,443	$ 27,049,004	100.0%	100.0%	44.0%
6/30/2008	6,174,718	18,548,552	9,767,182	28,751,241	100.0%	100.0%	41.2%
6/30/2009	6,299,067	19,745,129	10,015,925	28,826,075	100.0%	100.0%	27.8%
6/30/2010	6,506,803	20,532,011	10,194,788	28,931,331	100.0%	100.0%	18.6%
6/30/2011	6,571,916	20,023,701	7,787,813	29,387,486	100.0%	100.0%	35.8%
6/30/2012	6,687,358	21,191,032	7,709,641	29,013,002	100.0%	100.0%	14.7%
6/30/2013	6,856,920	22,328,795	7,572,451	29,443,147	100.0%	100.0%	3.4%
6/30/2014	6,985,665	23,579,998	7,917,522	31,846,599	100.0%	100.0%	16.2%
6/30/2015	6,787,038	24,674,171	9,149,331	34,073,415	100.0%	100.0%	28.6%
6/30/2016	6,994,370	25,895,012	8,855,237	35,419,278	100.0%	100.0%	28.6%

Solvency Test

Public Education Employee Retirement System of Missouri
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Accrued Liability for: Member Contributions (1)	Current Retirees & Beneficiaries (2)	Active & Inactive Members Employer Financed Portion (3)	Actuarial Value of Assets	Percentage of Actuarial Liabilities Covered by Net Assets for: (1)	(2)	(3)
6/30/2007	$ 580,853	$ 1,093,650	$ 1,308,310	$ 2,481,562	100.0%	100.0%	61.7%
6/30/2008	650,970	1,215,036	1,412,596	2,703,762	100.0%	100.0%	59.3%
6/30/2009	693,962	1,305,025	1,459,057	2,792,182	100.0%	100.0%	54.4%
6/30/2010	743,146	1,392,753	1,522,813	2,892,411	100.0%	100.0%	49.7%
6/30/2011	783,112	1,398,620	1,367,616	3,028,757	100.0%	100.0%	61.9%
6/30/2012	822,485	1,541,541	1,382,321	3,090,880	100.0%	100.0%	52.6%
6/30/2013	862,035	1,653,613	1,451,971	3,237,200	100.0%	100.0%	49.7%
6/30/2014	894,650	1,861,575	1,455,264	3,584,719	100.0%	100.0%	56.9%
6/30/2015	892,547	2,040,647	1,579,123	3,915,199	100.0%	100.0%	62.2%
6/30/2016	926,274	2,205,328	1,678,064	4,157,427	100.0%	100.0%	61.1%

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
2015-2016									
Service Retirees	2,603	$ 94,495,423	883	$ 30,442,764	53,069	$ 2,215,921,481	$ 41,755	5.03 %	1.62 %
Disability Retirees	83	2,292,574	23	524,458	957	25,852,085	27,014	9.35	1.92
Beneficiaries	311	9,947,411	190	4,077,020	3,994	117,916,972	29,524	6.53	3.60
Note: As noted on page 124, other adjustments to 4 service retirees, 5 disability retirees and 11 beneficiaries occurred during the current year.									
2014-2015									
Service Retirees	2,571	$ 92,740,440	933	$ 30,965,898	51,345	$ 2,109,756,890	$ 41,090	5.07 %	1.61 %
Disability Retirees	74	2,034,400	41	909,636	892	23,641,506	26,504	6.55	2.25
Beneficiaries	351	10,810,471	387	4,706,760	3,884	110,685,031	28,498	7.82	7.48
Note: Effective June 30, 2015, retirees and beneficiaries with their benefits on hold are included in the payment rolls at year-end.									
2013-2014									
Service Retirees	2,906	$ 110,291,762	848	$ 27,701,354	49,652	$ 2,007,864,810	$ 40,439	6.31 %	1.91 %
Disability Retirees	59	1,461,178	45	827,024	856	22,188,843	25,922	3.82	2.12
Beneficiaries	303	9,030,545	186	3,874,901	3,872	102,660,521	26,514	6.72	3.50
Note: 106 retirees and beneficiaries had their benefit on hold at June 30, 2014 and are not included in the payment rolls at the end of the year.									
2012-2013									
Service Retirees	2,659	$ 98,663,536	907	$ 27,431,830	47,594	$ 1,888,628,855	$ 39,682	5.92 %	2.02 %
Disability Retirees	69	1,808,376	28	627,785	842	21,372,682	25,383	7.58	2.33
Beneficiaries	376	9,380,442	185	3,088,202	3,755	96,196,708	25,618	8.55	3.02
Note: 115 retirees and beneficiaries had their benefit on hold at June 30, 2013 and are not included in the payment rolls at the end of the year.									
2011-2012									
Service Retirees	2,946	$ 108,593,761	822	$ 25,293,380	45,842	$ 1,783,144,601	$ 38,898	6.92 %	1.97 %
Disability Retirees	70	1,628,482	30	618,063	801	19,867,641	24,804	7.17	1.82
Beneficiaries	310	11,791,505	181	3,489,331	3,564	88,623,659	24,866	7.27	3.39
Note: 137 retirees and beneficiaries had their benefit on hold at June 30, 2012 and are not included in the payment rolls at the end of the year.									
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 are not included in the payment rolls at the end of the year.									

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
2015-2016									
Service Retirees	1,903	$ 20,486,168	746	$ 4,299,969	25,061	$ 214,643,511	$ 8,565	8.59 %	3.57 %
Disability Retirees	53	333,484	31	149,572	782	4,198,147	5,368	5.38	3.35
Beneficiaries	192	1,254,525	90	413,164	1,740	10,163,757	5,841	11.60	4.60
Note: As noted on page 125, other adjustments to 4 service retirees, 7 disability retirees and 7 beneficiaries occurred during the current year.									
2014-2015									
Service Retirees	1,886	$ 20,303,553	742	$ 4,999,606	23,900	$ 197,661,001	$ 8,270	9.23 %	3.62 %
Disability Retirees	62	373,039	30	183,496	767	3,983,823	5,194	7.38	2.49
Beneficiaries	171	1,199,171	78	371,236	1,631	9,107,407	5,584	11.51	5.08
Note: Effective June 30, 2015, retirees and beneficiaries with their benefits on hold are included in the payment rolls at year-end.									
2013-2014									
Service Retirees	1,943	$ 20,062,595	704	$ 3,843,918	22,673	$ 180,951,822	$ 7,981	10.14 %	4.12 %
Disability Retirees	66	360,139	39	195,300	732	3,710,104	5,068	6.19	2.26
Beneficiaries	165	911,764	71	263,425	1,537	8,167,504	5,314	9.61	2.90
Note: 87 retirees and beneficiaries had their benefit on hold at June 30, 2014 and are not included in the payment rolls at the end of the year.									
2012-2013									
Service Retirees	1,674	$ 16,712,855	694	$ 4,168,985	21,434	$ 164,297,318	$ 7,665	8.23 %	3.27 %
Disability Retirees	69	408,169	29	158,081	705	3,493,840	4,956	9.21	3.01
Beneficiaries	164	1,155,936	77	357,536	1,443	7,451,611	5,164	13.14	6.32
Note: 92 retirees and beneficiaries had their benefit on hold at June 30, 2013 and are not included in the payment rolls at the end of the year.									
2011-2012									
Service Retirees	1,747	$ 17,066,211	647	$ 3,356,576	20,454	$ 151,802,237	$ 7,422	10.26 %	4.33 %
Disability Retirees	69	405,024	21	86,830	665	3,199,134	4,811	12.69	4.56
Beneficiaries	151	800,248	58	254,077	1,356	6,586,250	4,857	10.13	2.58
Note: 87 retirees and beneficiaries had their benefit on hold at June 30, 2012 and are not included in the payment rolls at the end of the year.									
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 are not included in the payment rolls at the end of the year.									

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 establishes the 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 of Missouri (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 System but not employees of such districts nor state employees nor state elected officials.

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 previously elected to join. Non-profit educational associations are no longer allowed to join the System. Certificated, part-time employees whose services would qualify them for membership in PEERS 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 14.5% of total retirement salary 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 interest rate set annually by the board, was 1% on June 30, 2016. Since PSRS is a defined benefit plan, benefits are based upon the member's final average salary and years of service. The amount of interest credited to a member's account has no bearing on the monthly benefit amount payable at retirement.

In addition to service earned for covered employment, members may purchase service 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 contribute an amount equal to those contributions at a current rate of 14.5% 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 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 a lump-sum refund. Monthly survivor benefits may also be payable to qualified dependents of an inactive member who has at least five years of service.

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 service and benefit rights are forfeited upon voluntary refund or automatic termination of membership.

A member may, upon returning to covered employment, reinstate the service 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 service.

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

Benefit Formula – All service retirement benefits are based on a formula which multiplies final average salary by the applicable benefit factor, by the years of service 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 service is the amount accumulated at retirement for covered employment and purchased service; 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%) benefit factor at age 60 with five years of service, at any age with 30 years of service, or when a combination of age and service equals 80 or more. Between July 1, 2001 and July 1, 2014, a member could retire with a 2.55% benefit factor with 31 or more years of service.

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

A special provision allows members under age 55 with 25.0 to 29.9 years of service to retire with benefits calculated under a modified benefit 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 service. The minimums for 15 but fewer than 25 years of service 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 service 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 Board. 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 policies adopted by the Board in June 2016, a 0% COLA will be given whenever the change in CPI-U for the previous fiscal year is between 0% and 2%, and a 2% COLA will be given whenever the change in CPI-U for the previous fiscal year is between 2% 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 to begin operations on 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 establishes the 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 law provides that the responsibility for the operation and administration of the retirement system is vested in the Public School Retirement System of Missouri (PSRS) Board of Trustees sitting as the Board of Trustees for PEERS. The Board is comprised of three elected PSRS members, one elected 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 System but not employees of such districts nor state employees nor state elected officials.

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 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 (except St. Louis Community College), PEERS and statewide non-profit educational associations that have elected to join.

Members working in covered employment are considered active members. Such members contribute 6.86% of their total retirement salary to PEERS. The contributions are deducted by the employer and are credited by PEERS to individual member accounts. 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 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, was 1% on June 30, 2016. Since PEERS is a defined benefit plan, benefits are based upon the member's final average salary and years of service. The amount of interest credited to a member's account has no bearing on the monthly benefit amount payable at retirement.

In addition to service earned for covered employment, members may purchase service 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 contribute an amount equal to employee contributions at a current rate of 6.86% 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 promptly and for furnishing contribution information and new membership records to PEERS. 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 service and benefit rights are forfeited upon voluntary refund or automatic termination of membership.

A member may, upon returning to covered employment, reinstate the service 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 benefit factor, by the years of service 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 service is the amount accumulated at retirement for covered employment and purchased service; 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 service, at any age with at least 30 years of service, and at the point where the member’s age plus service 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 service, or at any age with 25 years of service, as long as he or she does not qualify for Rule of 80.

A special provision allows members under age 55 with 25.0 to 29.9 years of service to retire with benefits calculated under a modified benefit 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 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 policies adopted by the Board in June 2016, a 0% COLA will be given whenever the change in CPI-U for the previous fiscal year is between 0% and 2%, and a 2% COLA will be given whenever the change in CPI-U for the previous fiscal year is between 2% 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

The Board is responsible for the adoption of the Systems' Funding Policies and assumptions. A summary of the current Funding Policy is included in the Certification of Actuarial Results.

The actuarial assumptions and methods utilized for funding and financial report purposes differ slightly. The primary difference between the two methods is the fact that financial reporting requires the recognition of investment gains at market with no smoothing.

Inflation

Inflation is assumed to be 2.25% per annum (effective 6/30/16).

Payroll Growth

Total payroll growth for PSRS is assumed to be 2.75% per annum, consisting of 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pension earnings, and 0.25% of real wage growth due to productivity (effective 6/30/16).

Total payroll growth for PEERS assumed to be 3.25% per annum, consisting of 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pension earnings, and 0.50% of real wage growth due to productivity (effective 6/30/16).

Individual Salary Growth

PSRS

Individual salaries for PSRS are assumed to increase each year with inflation of 2.25%, real wage growth generated by the cost of active health care of 0.25% (since health care costs are included in pension earnings), real wage growth due to productivity of 0.25%, and additional real salary growth for merit, promotion, and seniority (effective 6/30/16).

PSRS – Real Salary Growth

Service	Inflation	Health Care Cost	Productivity	Merit, Promotion, Seniority	Total Individual Salary Growth
0	2.25%	0.25%	0.25%	6.75%	9.50%
1	2.25%	0.25%	0.25%	3.25%	6.00%
2	2.25%	0.25%	0.25%	3.10%	5.85%
3	2.25%	0.25%	0.25%	2.95%	5.70%
4	2.25%	0.25%	0.25%	2.80%	5.55%
5	2.25%	0.25%	0.25%	2.65%	5.40%
6	2.25%	0.25%	0.25%	2.50%	5.25%
7	2.25%	0.25%	0.25%	2.35%	5.10%
8	2.25%	0.25%	0.25%	2.20%	4.95%
9	2.25%	0.25%	0.25%	2.05%	4.80%
10	2.25%	0.25%	0.25%	1.90%	4.65%
11	2.25%	0.25%	0.25%	1.75%	4.50%
12	2.25%	0.25%	0.25%	1.60%	4.35%
13	2.25%	0.25%	0.25%	1.45%	4.20%
14	2.25%	0.25%	0.25%	1.30%	4.05%
15	2.25%	0.25%	0.25%	1.23%	3.98%
16	2.25%	0.25%	0.25%	1.16%	3.91%
17	2.25%	0.25%	0.25%	1.09%	3.84%
18	2.25%	0.25%	0.25%	1.02%	3.77%
19	2.25%	0.25%	0.25%	0.95%	3.70%
20	2.25%	0.25%	0.25%	0.88%	3.63%
21	2.25%	0.25%	0.25%	0.81%	3.56%
22	2.25%	0.25%	0.25%	0.74%	3.49%
23	2.25%	0.25%	0.25%	0.67%	3.42%
24	2.25%	0.25%	0.25%	0.60%	3.35%
25	2.25%	0.25%	0.25%	0.53%	3.28%
26	2.25%	0.25%	0.25%	0.46%	3.21%
27	2.25%	0.25%	0.25%	0.39%	3.14%
28	2.25%	0.25%	0.25%	0.32%	3.07%
29	2.25%	0.25%	0.25%	0.25%	3.00%
30+	2.25%	0.25%	0.25%	0.25%	3.00%

PEERS

Individual salaries for PEERS are assumed to increase each year with inflation of 2.25%, real wage growth generated by the cost of active health care of 0.50% (since health care costs are included in pension earnings), real wage growth due to productivity of 0.50%, and additional real salary growth for merit, promotion, and seniority (effective 6/30/16).

PEERS – Real Salary Growth

Service	Inflation	Health Care Cost	Productivity	Merit, Promotion, Seniority	Total Individual Salary Growth
0	2.25%	0.50%	0.50%	7.75%	11.00%
1	2.25%	0.50%	0.50%	3.00%	6.25%
2	2.25%	0.50%	0.50%	2.50%	5.75%
3	2.25%	0.50%	0.50%	2.25%	5.50%
4	2.25%	0.50%	0.50%	2.00%	5.25%
5	2.25%	0.50%	0.50%	1.90%	5.15%
6	2.25%	0.50%	0.50%	1.80%	5.05%
7	2.25%	0.50%	0.50%	1.70%	4.95%
8	2.25%	0.50%	0.50%	1.60%	4.85%
9	2.25%	0.50%	0.50%	1.50%	4.75%
10	2.25%	0.50%	0.50%	1.40%	4.65%
11	2.25%	0.50%	0.50%	1.30%	4.55%
12	2.25%	0.50%	0.50%	1.20%	4.45%
13	2.25%	0.50%	0.50%	1.10%	4.35%
14	2.25%	0.50%	0.50%	1.00%	4.25%
15	2.25%	0.50%	0.50%	0.95%	4.20%
16	2.25%	0.50%	0.50%	0.90%	4.15%
17	2.25%	0.50%	0.50%	0.85%	4.10%
18	2.25%	0.50%	0.50%	0.80%	4.05%
19	2.25%	0.50%	0.50%	0.75%	4.00%
20+	2.25%	0.50%	0.50%	0.75%	4.00%

Investment Return

It is assumed that investments of the Systems will return a yield of 7.75% per annum, net of system expenses (investment and administrative) (effective 6/30/16).

Cost-of-Living Adjustments

The long-term cost-of-living adjustment assumed in the valuation is 1.50% per year, based on the current policy of the Board to grant a 0.00% COLA when annual inflation, as measured by the CPI-U index for a fiscal year, increases between 0.00% and 2.00% and to grant 2.00% when the increase is between 2.00% and 5.00%. The actuarial assumption increases from 1.00% to 1.50% over ten years (from fiscal year 2017 to fiscal year 2027). 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 survivor benefit, the dependent children pre-retirement death benefit, or the dependent parent pre-retirement survivor 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 6/30/16).

Mortality Rates

Active Member Mortality

PSRS

Mortality rates for PSRS active members are based on RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028 (i.e. a 12-year projection from the date first implemented, the approximate duration of the total actuarial accrued liability). Illustrative rates per 1,000 members at various ages are as follows (effective 6/30/16):

PSRS Active Member Mortality

Age	Male	Female
20	0.196	0.097
30	0.228	0.123
40	0.280	0.224
50	0.851	0.666
60	1.929	1.205
70	6.434	3.579

PEERS

Mortality rates for PEERS active members are based on the RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028 (i.e. a 12-year projection from the date first implemented, the approximate duration of the total actuarial accrued liability). Illustrative rates per 1,000 members at various ages are as follows (effective 6/30/16):

PEERS Active Member Mortality

Age	Male	Female
20	0.279	0.114
30	0.325	0.146
40	0.399	0.265
50	1.214	0.789
60	2.751	1.429
70	8.672	4.156

Service Retiree, Beneficiary and Survivor Mortality

PSRS

Mortality rates for PSRS non-disabled retirees and beneficiaries are based on the RP 2006 White Collar Mortality Table multiplied by the plan specific adjustment factors shown in the table below, with static projections using the 2014 SSA Improvement Scale to 2028 (i.e. a 12-year projection from the date first implemented, the approximate duration of the total actuarial accrued liability) (effective 6/30/16).

PSRS Non-Disabled Retiree and Beneficiary Plan Specific Mortality Adjustment Factors

Age	Male	Female
<60	1.00	1.00
60-74	0.89	0.66
75-89	1.05	0.91
>=90	1.05	1.16

Illustrative rates per 1,000 members at various ages are as follows (effective 6/30/16):

PSRS Service Retiree, Beneficiary and Survivor Mortality

Age	Male	Female
40	0.373	0.298
50	2.655	1.982
60	3.639	2.034
70	9.212	6.211
80	34.813	25.742
90	126.672	118.203
100	314.507	310.679
110	465.570	493.661

PEERS

Mortality rates for PEERS non-disabled retirees and beneficiaries are based on the RP 2006 Total Dataset Mortality Table multiplied by the plan specific adjustment factors shown in the table below, with static projections using the 2014 SSA Improvement Scale to 2028 (i.e. a 12-year projection from the date first implemented, the approximate duration of the total actuarial accrued liability) (effective 6/30/16).

PEERS Non-Disabled Retiree and Beneficiary Plan Specific Mortality Adjustment Factors

Age	Male	Female
<60	1.00	1.00
60-74	1.49	0.77
75-89	1.27	1.03
>=90	1.16	1.04

Illustrative rates per 1,000 members at various ages are as follows (effective 6/30/16):

PEERS Service Retiree, Beneficiary and Survivor Mortality

Age	Male	Female
40	0.532	0.353
50	3.904	2.642
60	9.060	3.119
70	20.854	8.702
80	50.476	33.375
90	153.099	113.293
100	347.456	278.540
110	514.345	442.593

Disability Retiree Mortality

Mortality rates for PSRS and PEERS disabled retirees are based on the RP 2006 Disabled Retiree Mortality Table, with static projections using the 2014 SSA Improvement Scale to 2028 (i.e. a 12-year projection from the date first implemented, the approximate duration of the total actuarial accrued liability) (effective 6/30/16).

Illustrative rates per 1,000 members at various ages are as follows (effective 6/30/16):

PSRS and PEERS Disability Retiree Mortality

Age	Male	Female
40	9.317	4.862
50	19.588	11.367
60	20.817	13.263
70	33.674	24.771
80	68.090	56.760
90	168.008	134.892
100	311.674	275.075
110	443.401	425.570

Retirement Rates

Retirement is assumed in accordance with the following rates per 1,000 eligible members (effective 6/30/16):

PSRS Active Member Retirement

	Years of Service										
Age	<=20	21	22	23	24	25	26	27	28	29	>=30
<50	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	3.0%	3.0%	3.0%	3.0%	45.0%
50	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	3.0%	3.0%	3.0%	3.0%	45.0%
51	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	3.0%	3.0%	3.0%	20.0%	45.0%
52	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	3.0%	3.0%	20.0%	20.0%	45.0%
53	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	3.0%	30.0%	20.0%	20.0%	45.0%
54	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	30.0%	20.0%	20.0%	20.0%	45.0%
55	5.0%	5.0%	5.0%	5.0%	5.0%	40.0%	20.0%	20.0%	20.0%	20.0%	45.0%
56	3.0%	3.0%	3.0%	3.0%	40.0%	20.0%	20.0%	20.0%	20.0%	20.0%	45.0%
57	3.0%	3.0%	3.0%	40.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	45.0%
58	3.0%	3.0%	40.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	45.0%
59	3.0%	40.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	45.0%
60	15.0%	15.0%	15.0%	15.0%	15.0%	20.0%	20.0%	20.0%	20.0%	20.0%	45.0%
61	15.0%	15.0%	15.0%	15.0%	15.0%	20.0%	20.0%	20.0%	20.0%	20.0%	45.0%
62	15.0%	15.0%	15.0%	15.0%	15.0%	20.0%	20.0%	20.0%	20.0%	20.0%	45.0%
63	15.0%	15.0%	15.0%	15.0%	15.0%	20.0%	20.0%	20.0%	20.0%	20.0%	45.0%
64	15.0%	15.0%	15.0%	15.0%	15.0%	20.0%	20.0%	20.0%	20.0%	20.0%	45.0%
65	25.0%	25.0%	25.0%	25.0%	25.0%	40.0%	40.0%	40.0%	40.0%	40.0%	45.0%
66	25.0%	25.0%	25.0%	25.0%	25.0%	30.0%	30.0%	30.0%	30.0%	30.0%	45.0%
67	25.0%	25.0%	25.0%	25.0%	25.0%	30.0%	30.0%	30.0%	30.0%	30.0%	45.0%
68	25.0%	25.0%	25.0%	25.0%	25.0%	30.0%	30.0%	30.0%	30.0%	30.0%	45.0%
69	25.0%	25.0%	25.0%	25.0%	25.0%	30.0%	30.0%	30.0%	30.0%	30.0%	45.0%
>=70	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

PEERS Active Member Retirement

	Years of Service										
Age	<=20	21	22	23	24	25	26	27	28	29	>=30
<50	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%	30.0%
50	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%	20.0%
51	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	30.0%	20.0%
52	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	5.0%	30.0%	20.0%	20.0%
53	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	30.0%	20.0%	20.0%	20.0%
54	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	30.0%	20.0%	20.0%	20.0%	20.0%
55	5.0%	5.0%	5.0%	5.0%	5.0%	30.0%	20.0%	20.0%	20.0%	20.0%	20.0%
56	5.0%	5.0%	5.0%	5.0%	30.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
57	5.0%	5.0%	5.0%	30.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
58	5.0%	5.0%	30.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
59	5.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
60	10.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
61	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
62	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
63	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
64	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
65	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%
66	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
67	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
68	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
69	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
70	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
71	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
72	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
73	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
74	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
>=75	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Withdrawal Rates

Termination of membership prior to eligibility for retirement from all causes other than death, disability or retirement is assumed in accordance with the following illustrative rates per 1,000 members (effective 6/30/16):

PSRS Active Member Withdrawal	
Years of Service	Rate
0	240.0
1	115.0
2	100.0
3	80.0
4	70.0
5	60.0
10	28.0
15	15.0
20	10.0
25+	0.0

PEERS Active Member Withdrawal	
Years of Service	Rate
0	350.0
1	230.0
2	180.0
3	150.0
4	125.0
5	100.0
10	55.0
15	33.0
20	18.0
25+	0.0

Refund of Contributions

Active members who terminate employment with less than five years of service and inactive members with less than five years of service are assumed to take an immediate refund of their contributions.

Active members who terminate employment with five or more years of service, but prior to satisfying the age and service requirements for service retirement, and inactive members with five or more years of service are assumed to select the option that has the greater present value between an immediate refund of their contributions and a life annuity deferred to their earliest retirement age (effective 6/30/2016).

Active members who terminate employment with five or more years of service and satisfy the age and service requirements for service retirement upon termination, and inactive members with five or more years of service and currently eligible for service retirement are assumed to select an immediate life annuity (effective 6/30/2016).

Disability Rates

Retirement for disability prior to age 60 is assumed in accordance with the following illustrative rates per 1,000 eligible members (effective 6/30/16):

PSRS Active Member Disability	
Age	Rates
25	0.0017%
30	0.0080%
35	0.0220%
40	0.0480%
45	0.0780%
50	0.1110%
55	0.1460%

PEERS Active Member Disability	
Age	Rates
25	0.0017%
30	0.0080%
35	0.0016%
40	0.0320%
45	0.0640%
50	0.1220%
55	0.2100%

Interest on Member Accounts

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

Service Purchases

A 1.00% load for PSRS and a 1.50% load for PEERS is added to the Normal Cost to account for anticipated losses resulting from service purchases and reinstatements (effective 6/30/16).

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 7.75% per annum (effective 6/30/16).

Dependent Assumptions

(effective 6/30/16)

- **Marriage Assumptions (Pre-retirement)** 70% of male and female members are assumed to be married. Beneficiaries are assumed to be of the opposite sex from the member. Male spouses are assumed to be two years older than that of female spouses.
- **Beneficiary Assumptions (Post-retirement)** Retired members, regardless of gender, are assumed to be three years older than their joint annuitant.

Survivor Benefits (Pre-retirement 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 zero years if the member is age 50 (effective 6/30/16).

Return of Unused Member Account Balance

A cash refund feature is included in the valuation of annuity benefits to reflect that cumulative annuity payments to members may not be less than the amount of contributions paid by the member (effective 6/30/16).

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 at June 30 of the prior year is projected by increasing the amount by 8% interest, adding contributions with 8% interest for half the year, and subtracting benefit payments for half the year. Twenty percent of the difference between the actual returns at market value for the year and expected return from the projection of the prior year actuarial value, along with corresponding amounts from each of the prior four years is added to the actuarial value. The Actuarial Value of Assets was reset to market value at June 30, 2003. The assumed rate of return was changed to 7.75% effective June 30, 2016, therefore future years will utilize 7.75% in the projections. The methodology remains unchanged (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.

For accounting, gains and losses occurring form census experience different than assumed and assumption changes are amortized into expense over the average expected future service of all plan participants (active and inactives). Gains and losses occurring from investment experience different than assumed are amortized into expense over a five year period. The effect of plan changes on the plan liability are fully recognized in expense in the year in which they occur.

Note: Dates reflect the effective date as adopted by the Board of Trustees. The most recent assumption analysis was performed as of June 30, 2016. The revised assumptions were used for the June 30, 2016 valuation.

A tradition that lives on.

The purpose of PSRS/PEERS remains constant: to provide our members and their families with a reliable and stable source of retirement income, disability and survivor benefits.

We look forward to continuing the tradition of providing reliable retirement benefits to Missouri's dedicated public school teachers and employees for the next 70 years, and beyond.

Statistical Section

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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 1,724 from 51,345 at June 30, 2015 to 53,069 at June 30, 2016. The number of PEERS service retirees on the payment rolls increased by 1,161 from 23,900 at June 30, 2015 to 25,061 at June 30, 2016.

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 65 from 892 at June 30, 2015 to 957 at June 30, 2016. The number of PEERS disability retirees on the payment rolls increased by 15 from 767 at June 30, 2015 to 782 at June 30, 2016.

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 120 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 128 show a comparison of the assets and liabilities of the Systems over time. At June 30, 2016, PSRS was 84.8% pre-funded and PEERS was 86.4% pre-funded. At June 30, 2015, PSRS was 83.9% pre-funded and PEERS was 86.8% pre-funded.

Changes in Fiduciary Net Position

The charts on page 121 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 Benefit Recipients By Type As of June 30, 2016

			Beneficiary Recipients				
Amount of Monthly Benefit	Service Retirement	Disability Retirement	Disability	Survivors	Beneficiary	Term-Certain	Total
<$1,000	4,505	30	205	451	290	5	5,486
$1,000 - $1,999	6,158	364	88	9	781	6	7,406
$2,000 - $2,999	10,309	408	26	1	800	8	11,552
$3,000 - $3,999	12,852	136	3	-	603	-	13,594
$4,000 - $4,999	9,999	17	2	-	399	1	10,418
$5,000 - $5,999	5,578	1	-	-	190	2	5,771
$6,000+	3,668	1	-	-	124	-	3,793
Total	53,069	957	324	461	3,187	22	58,020

PEERS Summary of Benefit Recipients By Type As of June 30, 2016

			Beneficiary Recipients				
Amount of Monthly Benefit	Service Retirement	Disability Retirement	Disability	Survivors*	Beneficiary	Term-Certain	Total
<$500	13,255	524	197	-	944	30	14,950
$500 - $999	6,101	214	32	-	346	10	6,703
$1,000 - $1,999	4,221	44	2	-	142	-	4,409
$2,000 - $2,999	1,002	-	-	-	24	1	1,027
$3,000 - $3,999	301	-	-	-	10	-	311
$4,000+	181	-	-	-	2	-	183
Total	25,061	782	231	-	1,468	41	27,583

** Benefit not available in PEERS.*

PSRS Schedule of Changes in Fiduciary Net Position, Last 10 Fiscal Years

(Dollar amounts in thousands)

	Fiscal Year 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Additions by source										
Member contributions	$ 514,163	$ 572,810	$ 599,582	$ 636,633	$ 638,357	$ 620,214	$ 665,926	$ 679,618	$ 689,187	$ 704,786
Employer contributions	472,217	521,242	563,454	594,326	594,732	658,936	634,040	643,763	656,925	670,794
Investment income	4,125,164	(1,385,701)	(5,301,374)	2,723,032	5,018,519	449,822	3,378,531	4,927,193	1,447,144	533,174
Other income	280	370	627	867	930	441	20	6	26	6
Total additions by source	5,111,824	(291,279)	(4,137,711)	3,954,858	6,252,538	1,729,413	4,678,517	6,250,580	2,793,282	1,908,760
Deductions by type										
Monthly benefits										
Service retirement	1,254,164	1,363,571	1,490,693	1,584,382	1,674,931	1,775,305	1,880,783	1,999,520	2,102,511	2,203,773
Service retirement -PLSO	52,122	59,793	74,042	52,117	69,956	69,392	61,062	58,849	37,191	32,365
Disability	14,982	15,599	16,355	17,284	18,406	19,640	21,120	22,138	23,447	25,309
Beneficiary	59,295	64,011	70,518	75,922	82,327	85,894	92,799	100,040	107,109	114,829
Lump-sum refunds										
Death	6,801	7,058	7,274	7,075	7,763	9,295	8,344	7,123	7,712	9,078
Withdrawal/transfers	37,209	39,243	39,134	41,084	45,876	45,161	47,051	48,799	48,226	45,553
Administrative expenses/other	7,113	8,074	10,135	10,430	8,839	8,135	8,714	8,919	10,015	11,563
Total deductions by type	1,431,686	1,557,349	1,708,151	1,788,294	1,908,098	2,012,822	2,119,873	2,245,388	2,336,211	2,442,470
Changes in plan net position	$3,680,138	$(1,848,628)	$(5,845,862)	$2,166,564	$4,344,440	$(283,409)	$ 2,558,644	$ 4,005,192	$ 457,071	$(533,710)

PEERS Schedule of Changes in Fiduciary Net Position, Last 10 Fiscal Years

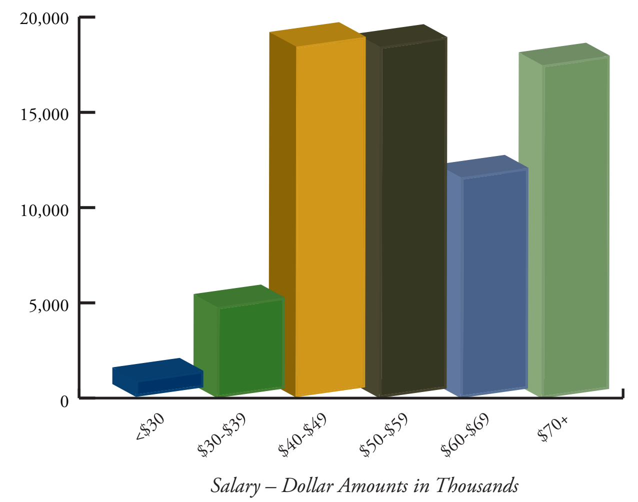
(Dollar amounts in thousands)

	Fiscal Year 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Additions by source										
Member contributions	$ 73,071	$ 81,370	$ 89,427	$ 95,924	$ 95,792	$ 95,095	$ 103,271	$ 106,430	$ 110,444	$ 114,258
Employer contributions	69,235	77,989	85,916	91,479	90,816	101,930	97,059	100,690	103,624	106,717
Investment income	373,198	(130,619)	(489,552)	261,135	502,934	39,774	353,729	544,154	163,718	60,317
Other income	-	-	1	-	-	-	-	1	2	-
Total additions by source	515,504	28,740	(314,208)	448,538	689,542	236,799	554,059	751,275	377,788	281,292
Deductions by type										
Monthly benefits										
Service retirement	93,716	104,352	115,757	124,928	136,912	150,334	163,134	179,262	195,980	212,327
Service retirement -PLSO	3,454	3,133	3,676	2,972	5,178	7,191	5,006	5,971	6,576	4,410
Disability	1,968	2,125	2,353	2,514	2,798	3,057	3,430	3,665	3,917	4,158
Beneficiary	4,044	4,454	4,881	5,382	5,881	6,363	7,094	7,847	8,769	9,791
Lump-sum refunds										
Death	816	675	765	790	1,047	1,113	1,202	1,063	1,418	1,159
Withdrawal/transfers	12,883	14,833	14,908	15,921	17,776	17,357	17,434	18,817	18,410	18,546
Administrative expenses/other	4,427	4,682	5,440	5,280	5,611	5,591	4,803	4,840	5,629	6,981
Total deductions by type	121,308	134,254	147,780	157,787	175,203	191,006	202,103	221,465	240,699	257,372
Changes in plan net position	$ 394,196	$(105,514)	$ (461,988)	$ 290,751	$ 514,339	$ 45,793	$ 351,956	$ 529,810	$ 137,089	$ 23,920

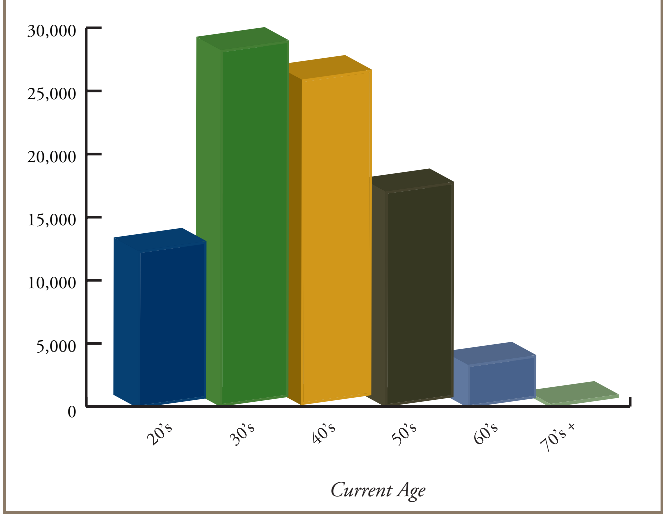
PSRS Summary of Changes in Membership During 2015-2016

		Male	Female	Total
Membership July 1, 2015		21,148	73,430	94,578
New members added		1,234	4,118	5,352
Less:	Service retirements	536	2,067	2,603
	Disability retirements	7	76	83
	Withdrawals	570	1,654	2,224
	Deaths	29	91	120
	Other	62	333	395
		1,204	4,221	5,425
Net change in membership 2015-2016		30	-103	-73
Membership June 30, 2016		21,178	73,327	94,505

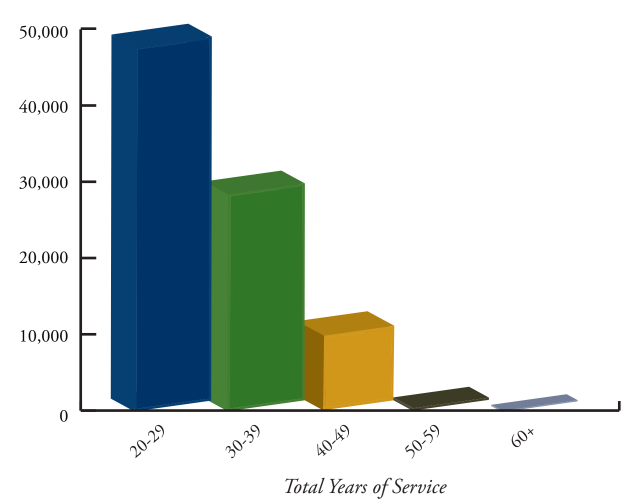
2015-2016 PSRS Members by Annual Salary



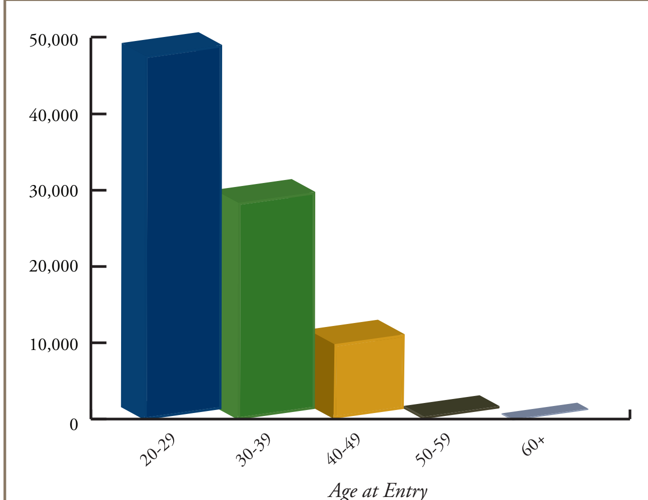
2015-2016 PSRS Members by Current Age



2015-2016 PSRS Members by Total Years of Service



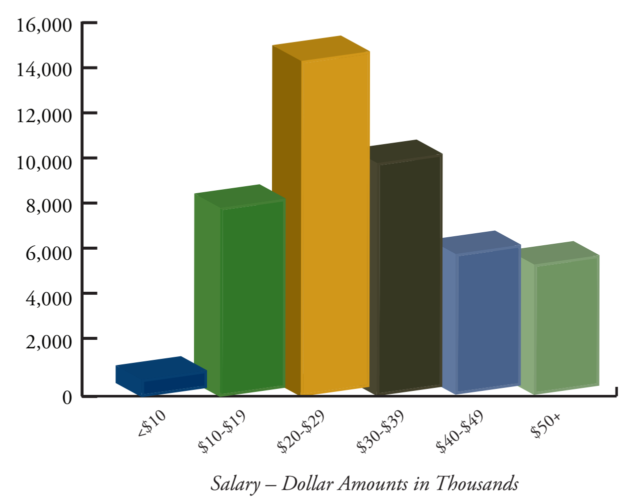
2015-2016 PSRS Member Age at Entry Into System



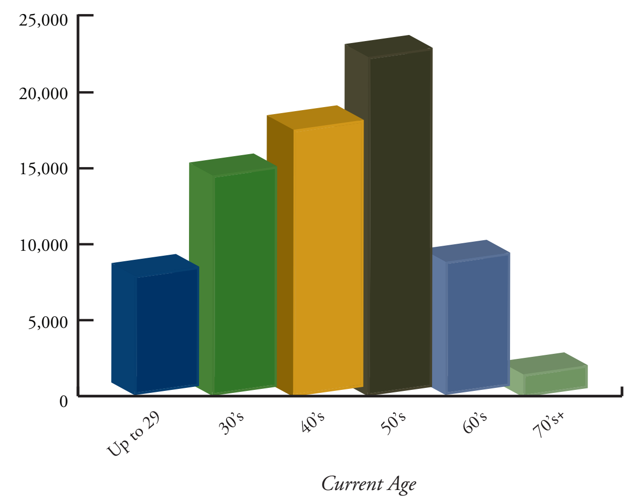
PEERS Summary of Changes in Membership During 2015-2016

		Male	Female	Total
Membership July 1, 2015		21,338	56,525	77,863
New members added		2,142	5,507	7,649
Less:	Service retirements	480	1,423	1,903
	Disability retirements	22	31	53
	Withdrawals	1,125	2,669	3,794
	Deaths	80	120	200
	Other	19	115	134
		1,726	4,358	6,084
Net change in membership 2015-2016		416	1,149	1,565
Membership June 30, 2016		21,754	57,674	79,428

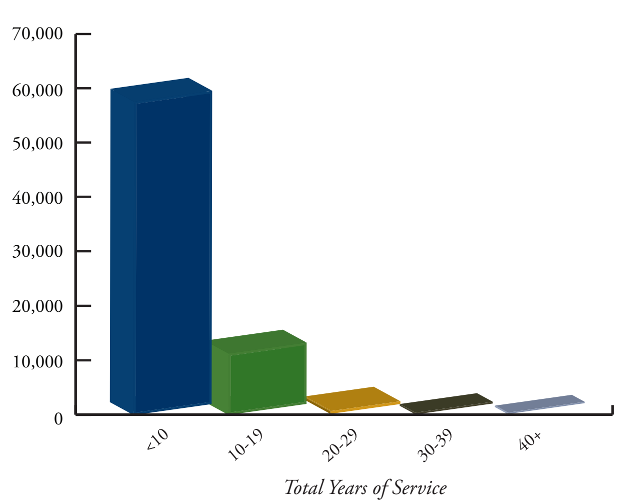
2015-2016 PEERS Members by Annual Salary



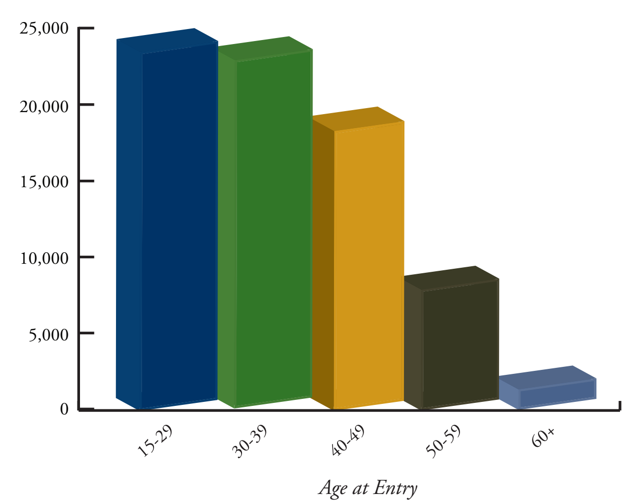
2015-2016 PEERS Members by Current Age



2015-2016 PEERS Members by Total Years of Service



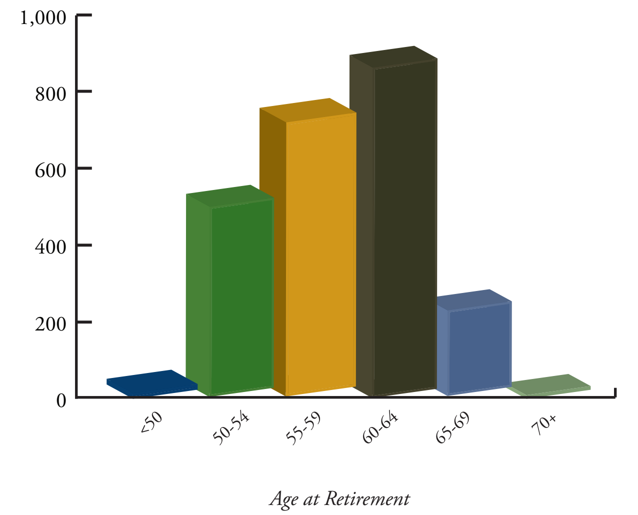
2015-2016 PEERS Member Age at Entry Into System



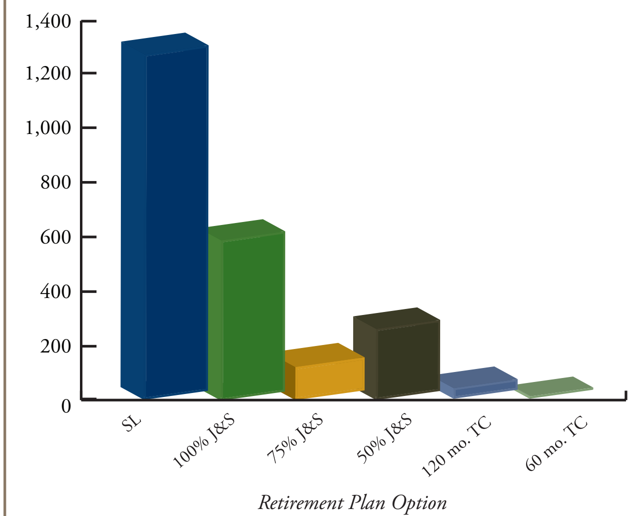
PSRS 2015-2016 New Service Retirees

	Service Retirees	Disability Retirees	Beneficiaries
Retirees July 1, 2015	51,345	892	3,884
Added during the year	2,603	83	311
Died during the Year	-883	-23	-190
Other	4	5	-11
Retirees June 30, 2016	53,069	957	3,994

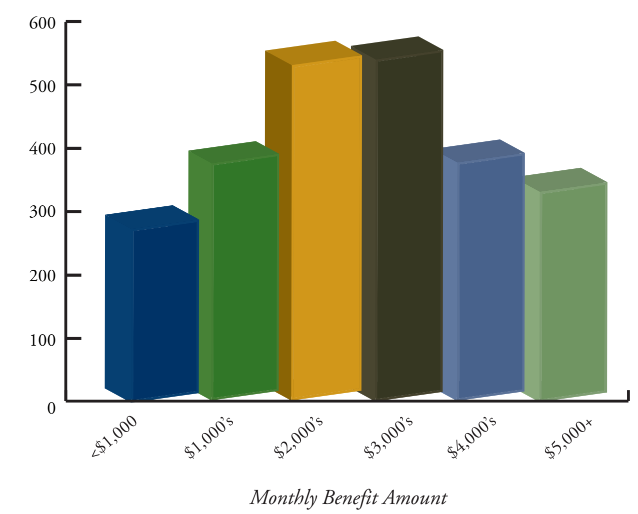
2015-2016 PSRS New Service Retirees by Age at Retirement



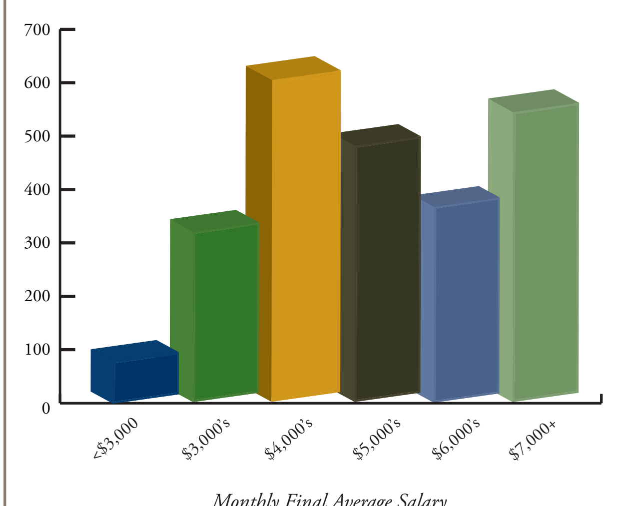
2015-2016 PSRS New Service Retirees by Retirement Plan Option



2015-2016 PSRS New Service Retirees by Single Life Monthly Benefit Amount



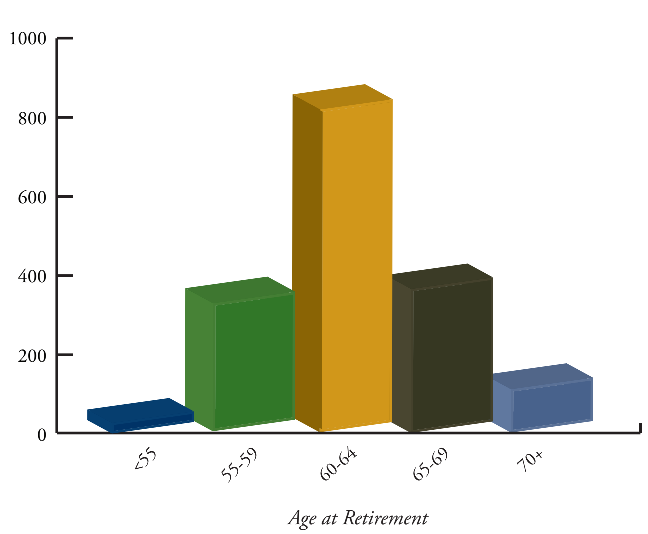
2015-2016 PSRS New Service Retirees by Final Average Monthly Salary



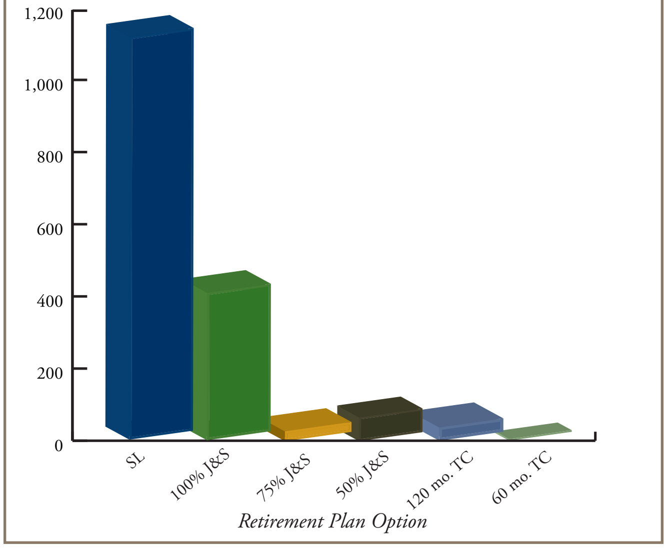
PEERS 2015-2016 New Service Retirees

	Service Retirees	Disability Retirees	Beneficiaries
Retirees July 1, 2015	23,900	767	1,631
Added during the Year	1,903	53	192
Died during the Year	-746	-31	-90
Other	4	-7	7
Retirees June 30, 2016	25,061	782	1,740

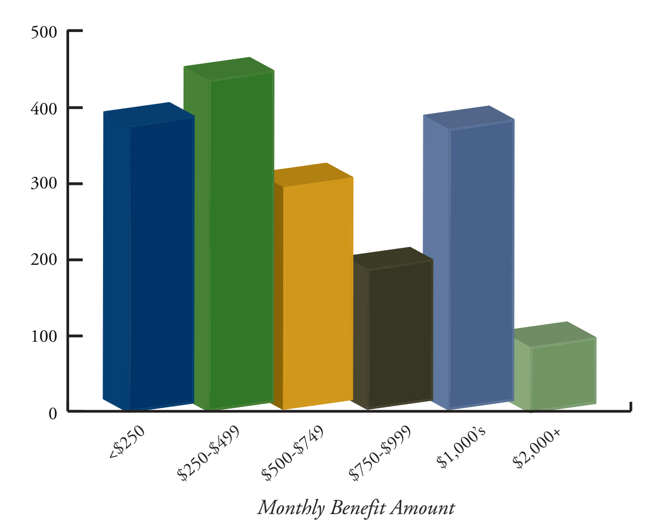
2015-2016 PEERS New Service Retirees by Age at Retirement



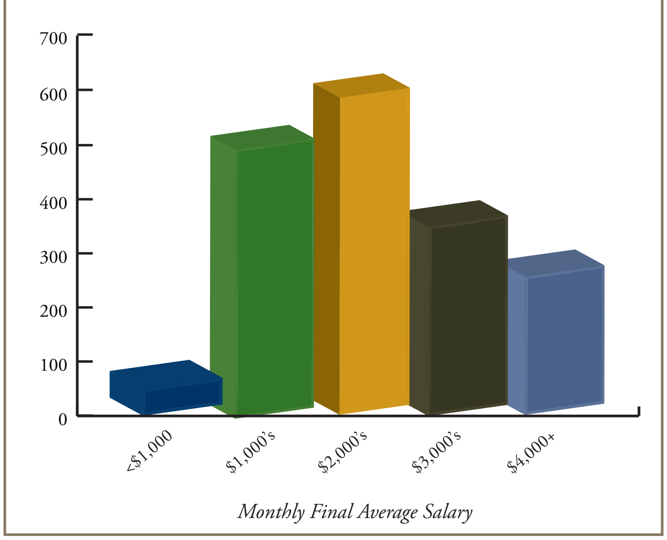
2015-2016 PEERS New Service Retirees by Retirement Plan Option



2015-2016 PEERS New Service Retirees by Single Life Monthly Benefit Amount



2015-2016 PEERS New Service Retirees by Final Average Monthly Salary



PSRS Schedule of Average Benefit Payments to New Service Retirees

	Years of Service							
	5 - 9.9	10 - 14.9	15 - 19.9	20 - 24.9	25 - 29.9	30 - 34.9	35 - 39.9	40+
2015-2016								
Average monthly benefit	$ 671	$ 1,322	$ 2,179	$ 3,127	$ 4,152	$ 4,942	$ 5,627	$ 6,686
Average final average salary	4,141	4,515	5,192	5,628	6,193	6,389	6,195	6,686
Number of retirees	251	265	328	530	745	430	37	17
2014-2015								
Average monthly benefit	$ 729	$ 1,351	$ 2,102	$ 3,083	$ 4,120	$ 5,064	$ 6,130	$ 6,418
Average final average salary	4,342	4,581	5,004	5,562	6,091	6,324	6,521	6,418
Number of retirees	255	308	313	487	677	469	46	15
2013-2014								
Average monthly benefit	$ 697	$ 1,299	$ 2,135	$ 3,108	$ 3,955	$ 5,147	$ 6,319	$ 6,601
Average final average salary	4,257	4,385	5,024	5,557	5,930	6,396	6,730	6,601
Number of retirees	274	260	317	483	746	696	101	11
2012-2013								
Average monthly benefit	$ 695	$ 1,327	$ 2,035	$ 3,143	$ 3,927	$ 4,998	$ 6,739	$ 6,033
Average final average salary	4,067	4,554	4,818	5,609	5,896	6,212	7,218	6,033
Number of retirees	233	263	286	483	692	583	79	13
2011-2012								
Average monthly benefit	$ 607	$ 1,261	$ 1,995	$ 2,980	$ 3,824	$ 4,893	$ 6,071	$ 5,262
Average final average salary	3,946	4,305	4,795	5,317	5,713	6,070	6,506	5,262
Number of retirees	248	265	293	531	723	767	81	18
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	$ 5,678
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

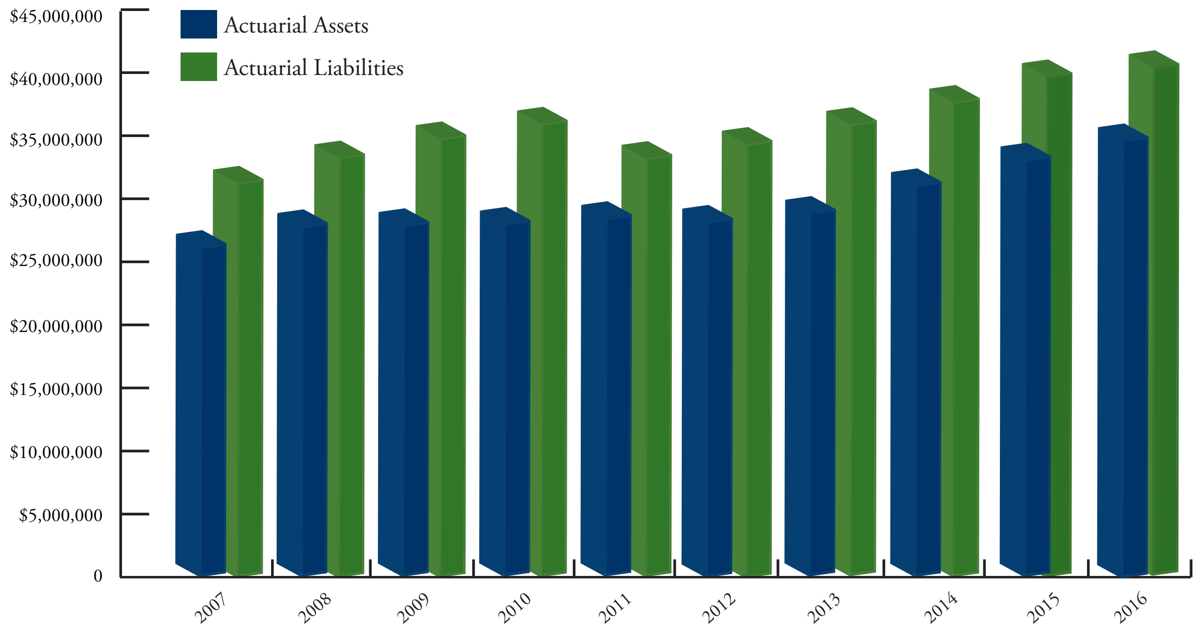
PEERS Schedule of Average Benefit Payments to New Service Retirees

	Years of Service					
	5 - 9.9	10 - 14.9	15 - 19.9	20 - 24.9	25 - 29.9	30+
2015-2016						
Average monthly benefit	$ 238	$ 493	$ 785	$ 1,160	$ 1,630	$ 2,235
Average final average salary	2,078	2,520	2,807	3,231	3,703	4,128
Number of retirees	520	410	328	289	235	121
2014-2015						
Average monthly benefit	$ 237	$ 490	$ 766	$ 1,162	$ 1,665	$ 2,212
Average final average salary	2,054	2,500	2,802	3,229	3,824	4,073
Number of retirees	529	419	303	309	197	127
2013-2014						
Average monthly benefit	$ 228	$ 461	$ 796	$ 1,178	$ 1,588	$ 2,233
Average final average salary	2,042	2,406	2,884	3,257	3,632	4,110
Number of retirees	568	429	301	283	206	132
2012-2013						
Average monthly benefit	$ 219	$ 467	$ 735	$ 1,104	$ 1,512	$ 1,995
Average final average salary	1,958	2,439	2,734	3,054	3,491	3,672
Number of retirees	475	362	250	275	173	121
2011-2012						
Average monthly benefit	$ 227	$ 433	$ 705	$ 1,063	$ 1,508	$ 1,957
Average final average salary	2,010	2,257	2,597	2,954	3,502	3,637
Number of retirees	516	371	246	250	184	147
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

Comparisons of Actuarial Assets and Total Actuarial Liabilities

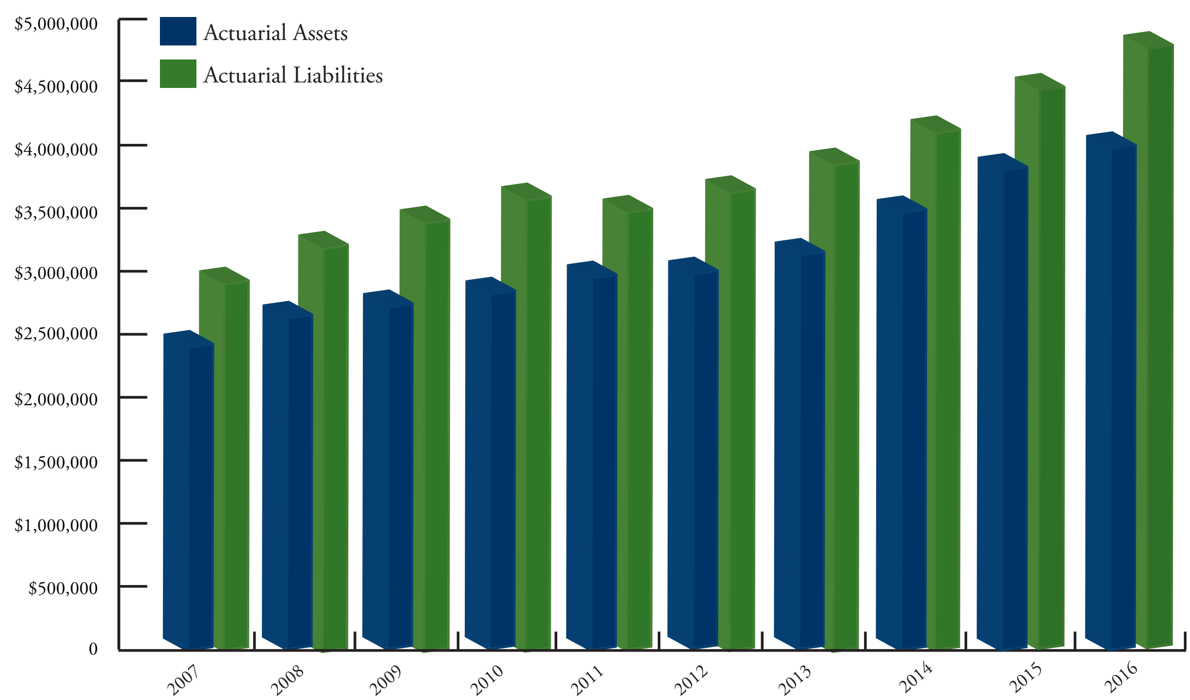
Public School Retirement System of Missouri

Dollar Amounts in Thousands



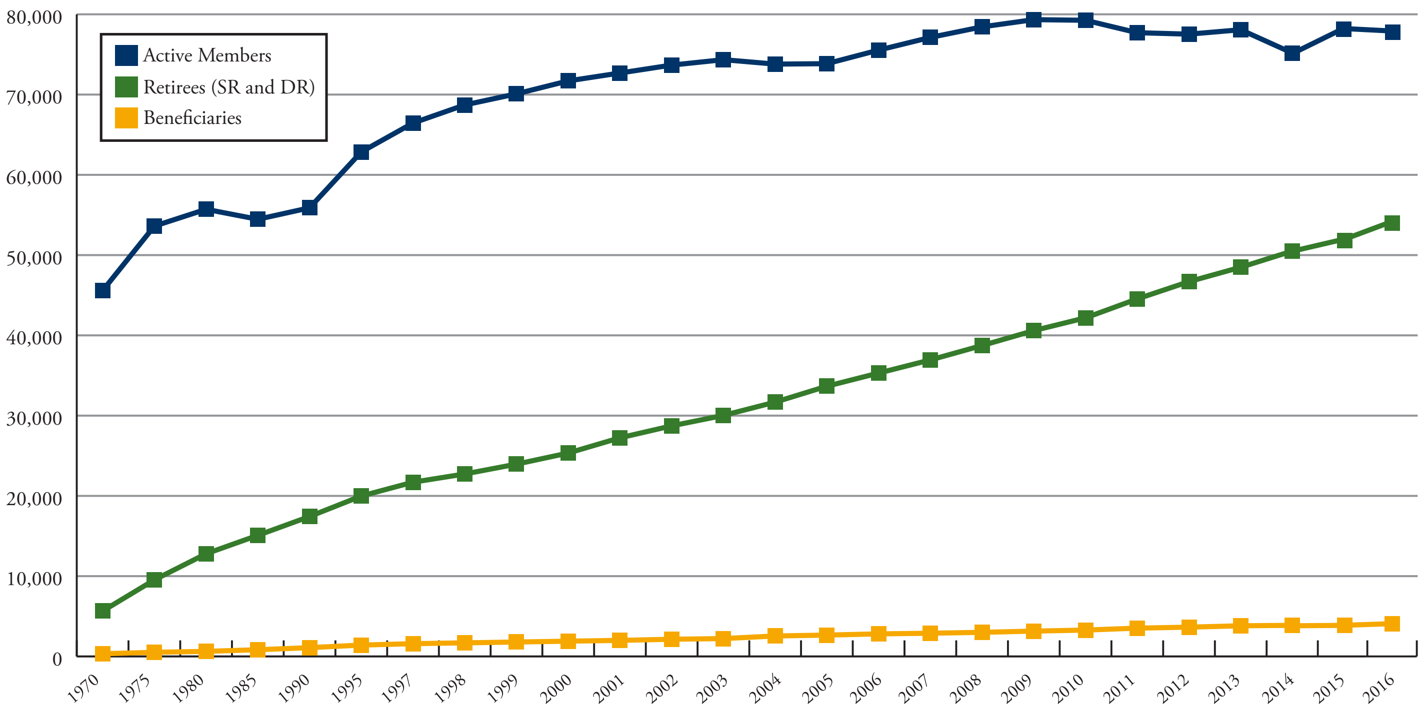
Public Education Employee Retirement System of Missouri

Dollar Amounts in Thousands

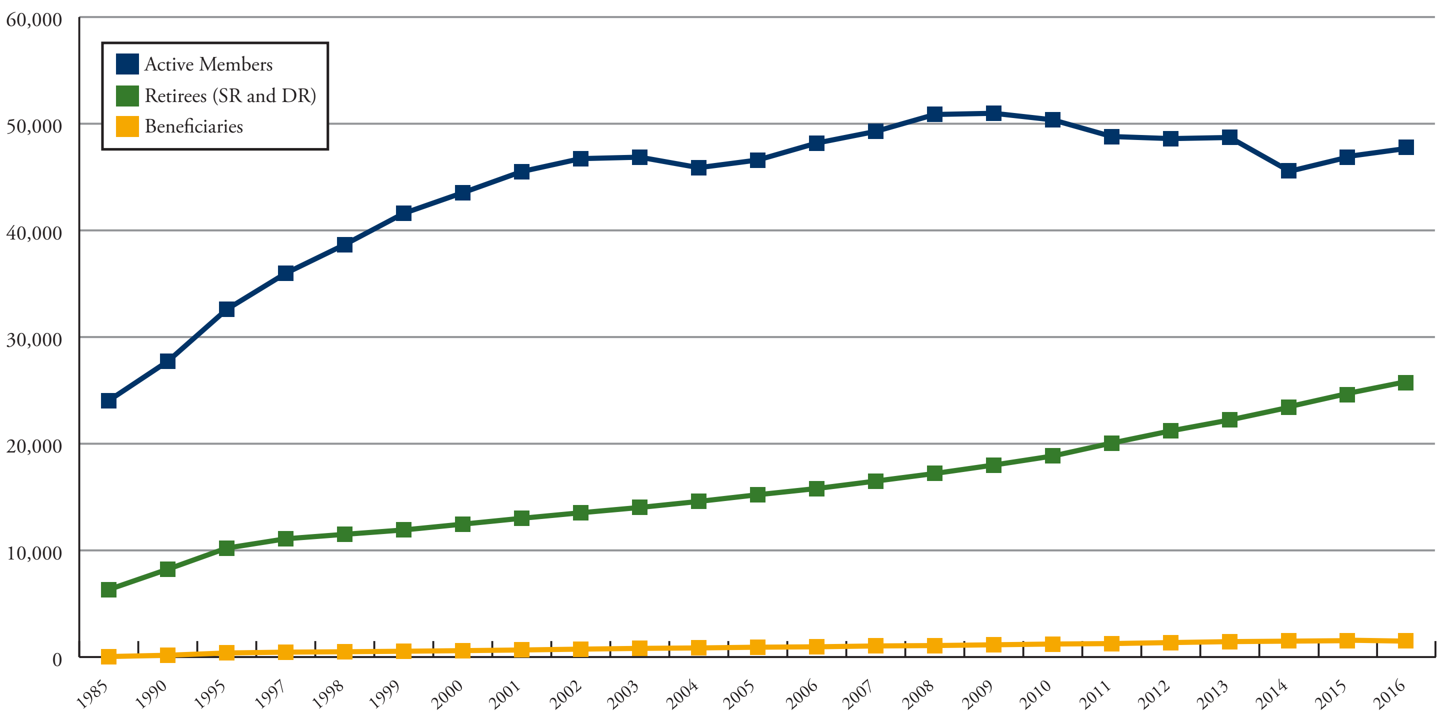


Growth in Membership

Public School Retirement System of Missouri



Public Education Employee Retirement System of Missouri



PSRS Schedule of Covered Employees in the Top 10 Employers

Employer	2016 Covered Employees	2016 Percentage of Total	2015 Covered Employees	2015 Percentage of Total
Special School District - St. Louis	2,956	4%	2,995	4%
Springfield R-XII Schools	2,208	3%	2,189	3%
Rockwood R-VI Schools	2,036	2%	2,003	2%
North Kansas City Schools	1,723	2%	1,713	2%
Columbia Public Schools	1,844	2%	1,779	2%
Parkway C-2 Schools	1,804	2%	1,769	2%
Francis Howell R-III Schools	1,549	2%	1,610	2%
Ft. Zumwalt R-II Schools	1,611	2%	1,611	2%
Hazelwood R-I Schools	1,559	2%	1,577	2%
Lee's Summit R-VII Schools	1,443	2%	1,415	2%
All Others	64,842	77%	65,940	77%
Total - 534 Employers during 2016 and 535 during 2015	83,575	100%	84,601	100%

Employer	2014 Covered Employees	2014 Percentage of Total	2013 Covered Employees	2013 Percentage of Total
Special School District - St. Louis	3,082	4%	3,080	4%
Springfield R-XII Schools	2,159	3%	2,096	3%
Rockwood R-VI Schools	1,912	2%	1,888	2%
North Kansas City Schools	1,740	2%	1,763	2%
Columbia Public Schools	1,690	2%	1,649	2%
Parkway C-2 Schools	1,672	2%	1,714	2%
Francis Howell R-III Schools	1,575	2%	1,538	2%
Ft. Zumwalt R-II Schools	1,568	2%	1,549	2%
Hazelwood R-I Schools	1,566	2%	1,600	2%
Lee's Summit R-VII Schools	1,390	2%	1,360	2%
All Others	64,335	77%	63,377	77%
Total - 535 Employers	82,689	100%	81,614	100%

Employer	2012 Covered Employees	2012 Percentage of Total	2011 Covered Employees	2011 Percentage of Total
Special School District - St. Louis	3,039	4%	3,020	4%
Springfield R-XII Schools	2,096	3%	2,116	3%
Rockwood R-VI Schools	1,910	2%	1,936	2%
Parkway C-2 Schools	1,794	2%	1,789	2%
North Kansas City Schools	1,699	2%	1,663	2%
Columbia Public Schools	1,640	2%	1,592	2%
Hazelwood R-I Schools	1,589	2%	1,510	2%
Ft. Zumwalt R-II Schools	1,508	2%	1,525	2%
Francis Howell R-III Schools	1,494	2%	1,559	2%
Lee's Summit R-VII Schools	1,341	2%	1,412	2%
All Others	62,775	77%	62,525	77%
Total - 537 Employers	80,885	100%	80,647	100%

PSRS Schedule of Covered Employees in the Top 10 Employers (continued)

Employer	2010 Covered Employees	2010 Percentage of Total	2009 Covered Employees	2009 Percentage of Total
Special School District - St. Louis	3,021	4%	2,931	4%
Springfield R-XII Schools	2,132	3%	2,089	3%
Rockwood R-VI Schools	1,990	2%	1,893	2%
Parkway C-2 Schools	1,745	2%	1,656	2%
North Kansas City Schools	1,630	2%	1,497	2%
Columbia Public Schools	1,612	2%	1,594	2%
Francis Howell R-III Schools	1,573	2%	1,462	2%
Hazelwood R-I Schools	1,549	2%	1,578	2%
Ft. Zumwalt R-II Schools	1,493	2%	1,441	2%
Lee's Summit R-VII Schools	1,435	2%	1,358	2%
All Others	63,994	77%	63,490	77%
Total - 538 Employers during 2010 and 540 during 2009	82,174	100%	80,989	100%

Employer	2008 Covered Employees	2008 Percentage of Total	2007 Covered Employees	2007 Percentage of Total
Special School District - St. Louis	2,913	4%	2,861	4%
Springfield R-XII Schools	2,037	3%	2,031	3%
Rockwood R-VI Schools	1,773	2%	1,751	2%
Hazelwood R-I Schools	1,639	2%	1,481	2%
Columbia Public Schools	1,626	2%	1,560	2%
Parkway C-2 Schools	1,589	2%	1,520	2%
North Kansas City Schools	1,517	2%	1,483	2%
Francis Howell R-III Schools	1,468	2%	1,459	2%
Ft. Zumwalt R-II Schools	1,395	2%	1,351	2%
Lee's Summit R-VII Schools	1,337	2%	1,285	2%
All Others	62,964	77%	61,939	77%
Total - 542 Employers during 2008 and 543 during 2007	80,258	100%	78,721	100%

Note: Schedules reflect total members reported at any time during the fiscal year.

PEERS Schedule of Covered Employees in the Top 10 Employers

Employer	2016 Covered Employees	2016 Percentage of Total	2015 Covered Employees	2015 Percentage of Total
Special School District - St. Louis	2,501	5%	2,496	5%
Springfield R-XII Schools	1,540	3%	1,540	3%
North Kansas City Schools	1,397	3%	1,369	3%
Rockwood R-VI Schools	1,319	2%	1,230	2%
Lee's Summit R-VII Schools	1,294	2%	1,283	2%
Ft. Zumwalt R-II Schools	1,228	2%	1,232	2%
Columbia Public Schools	1,126	2%	1,081	2%
Independence Public Schools	1,111	2%	1,135	2%
Parkway C-2 Schools	1,060	2%	1,054	2%
Hazelwood R-I Schools	964	2%	1,004	2%
All Others	40,351	75%	40,627	75%
Total - 530 Employers during 2016 and 532 during 2015	53,891	100%	54,051	100%

Employer	2014 Covered Employees	2014 Percentage of Total	2013 Covered Employees	2013 Percentage of Total
Special School District - St. Louis	2,405	5%	2,386	5%
Springfield R-XII Schools	1,480	3%	1,488	3%
North Kansas City Schools	1,296	2%	1,246	2%
Lee's Summit R-VII Schools	1,207	2%	1,164	2%
Rockwood R-VI Schools	1,186	2%	1,179	2%
Ft. Zumwalt R-II Schools	1,180	2%	1,141	2%
Independence Public Schools	1,143	2%	1,065	2%
Columbia Public Schools	1,043	2%	982	2%
Parkway C-2 Schools	1,031	2%	1,041	2%
Hazelwood R-I Schools	960	2%	961	2%
All Others	39,568	76%	38,464	76%
Total - 532 Employers	52,499	100%	51,117	100%

Employer	2012 Covered Employees	2012 Percentage of Total	2011 Covered Employees	2011 Percentage of Total
Special School District - St. Louis	2,481	5%	2,532	5%
Springfield R-XII Schools	1,478	3%	1,502	3%
Rockwood R-VI Schools	1,222	2%	1,206	2%
North Kansas City Schools	1,216	2%	1,203	2%
Lee's Summit R-VII Schools	1,171	2%	1,174	2%
Ft. Zumwalt R-II Schools	1,131	2%	1,128	2%
Parkway C-2 Schools	1,085	2%	1,106	2%
Independence Public Schools	1,071	2%	1,082	2%
Hazelwood R-I Schools	964	2%	977	2%
Columbia Public Schools	945	2%	906	2%
All Others	38,222	76%	38,146	76%
Total - 534 Employers	50,986	100%	50,962	100%

PEERS Schedule of Covered Employees in the Top 10 Employers (continued)

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

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

Note: Schedules reflect total members reported at any time during the fiscal year.

PO Box 268
3210 W. Truman Blvd.
Jefferson City, MO 65102-0268
(573) 634-5290 or (800) 392-6848
Email: psrspeers@psrspeers.org
Website: www.psrs-peers.org

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