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Public Education Employee Retirement System of Missouri

Actuarial Valuation as of
June 30, 2014

pwc

October 20, 2014

Board of Trustees
Public Education Employee Retirement System of Missouri
3210 W. Truman Blvd.
Jefferson City, MO 65109

Re: Certification of the Actuarial Valuation of the Public Education Employee Retirement System of Missouri as of June 30, 2014

Dear Board of Trustees:

An actuarial valuation is performed annually for the Public Education Employee Retirement System of Missouri ("PEERS") defined benefit pension plan ("Plan"). The results of the latest actuarial valuation were prepared as of June 30, 2014 and are presented herein pursuant to the engagement letter between PEERS and PricewaterhouseCoopers LLP ("PwC"), dated June 9, 2014. This report is intended to provide the Board of Trustees ("Board") with information on the funded status of the Plan, development of the actuarially determined contribution rates, and certain financial statement disclosure information.

Financing Objectives and Funding Policy

Under Missouri statutes, contribution rates are adopted annually by the Board. The recommended contribution rate presented herein was actuarially determined based on the funding policy, actuarial assumptions, and actuarial methods adopted by the Board.

In setting contribution rates, the principal objectives of the Board's funding policy are:

- To set contribution rates such that the funded ratio will reach 100% over a closed 30-year period ending June 30, 2040.
- To set contribution rates such that they remain stable over time.
- To set contribution rates such that they promote intergenerational equity.
- To provide a reasonable margin for adverse experience to help offset risks.

Progress Toward Realization of Financing Objectives

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a Plan's funded status. In the absence of benefit improvements and adverse experience, it should increase over time, until it reaches 100%. The funded ratio for the Plan increased by 3.5% from the preceding year to 85.1%, primarily due to the recognition of excess returns from prior years in the AVA development and experience gains on the liability from salary increases less than assumed.

Benefit Provisions

The benefit provisions reflected in the valuation reports are those which were in effect at June 30, 2014, as set forth in the related Missouri statutes. There were no changes in benefit provisions that had a significant impact since the 2013 valuation.

Assets and Member Data

The valuation was based on asset values of the trust fund and member census data as of June 30, 2014. All asset information and member data were provided by PEERS. While certain checks for reasonableness were performed, the data was used unaudited. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying asset and census information.

Actuarial Assumptions and Methods

The majority of the actuarial assumptions used in the June 30, 2014 valuations were adopted by the Board pursuant to an experience study completed in 2011, which reflected the experience period from June 30, 2005 through June 30, 2010, and were first used in the June 30, 2011 valuation. Additional minor assumption changes were made for the June 30, 2012 valuation. For the June 30, 2013 valuation, the retirement assumption was updated to reflect the permanent extension of the Special Early Retirement ("25-and-out") benefit. There were no updates to the actuarial assumptions for the June 30, 2014 valuation.

We believe the actuarial assumptions and methods are reasonable for the purposes of this valuation report and comply with the parameters set forth in Statements No. 67 and No. 68 of the Governmental Accounting Standards Board ("GASB"). Different assumptions and methods may be reasonable for other purposes. As such, the results presented in the valuation reports should only be relied upon for the intended purpose.

Certification
We certify that the information presented herein is accurate and fairly portrays the actuarial position of the Plan administered by PEERS as of June 30, 2014 based on the underlying census data, asset information and selected assumptions and methods.

This report contains certain accounting information required to be included in the System's Comprehensive Annual Financial Report. This information has been prepared in accordance with our understanding of GASB No.67. This report also contains employer accounting information prepared in accordance with our understanding of GASB No. 68.

To the best of our knowledge this actuarial statement is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with 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 PEERS that may impair our objectivity.

The content of this document is limited to the matters specifically addressed herein and does not address any other potential tax consequences, or the potential application of tax penalties, to any matter other than as set forth herein. Our conclusions are not binding upon any taxing authority or the courts and there is no assurance that any relevant taxing authority will not successfully assert a contrary position. In addition, no exceptions (including the reasonable cause exception) are available for any federal or state penalties imposed if any portion of a transaction is determined to lack economic substance or fails to satisfy any similar rule of law, and our advice will not protect you from any such penalties. This document supersedes all prior written or oral advice with respect to the issues addressed in this document and all such prior communications should not be relied upon by any person for any purpose. This document has been prepared pursuant to an engagement letter between PEERS and PwC, and is intended solely for the use and benefits of PEERS and not for reliance by any other person.

Respectfully submitted,

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HIGHLIGHTS OF THE ACTUARY'S REPORT

This report presents the results of the actuarial valuation of the Public Education Employee Retirement System of Missouri ("PEERS") defined benefit plan ("Plan") as of June 30, 2014 and has been prepared to present the current funded status of the Plan, contribution requirements for fiscal year 2016 (July 1, 2015 through June 30, 2016), and certain financial statement disclosure information. The valuation was performed using census data for plan members as of June 30, 2014 provided by PEERS and summarized in Section IV of this report, asset information as of June 30, 2014 provided by PEERS, the actuarial assumptions and methods approved by the Board and summarized in Section V, and the plan provisions effective June 30, 2014 summarized in Section VI.

Contributions

The Board sets, at its discretion and subject to certain restrictions, the applicable employer and member contribution rates upon considering the results of the actuarial valuation and other analysis as appropriate. A total contribution rate of 13.72% (6.86% for employers and 6.86% for members) is recommended for fiscal year 2016. This represents no change from the rate currently in effect for fiscal year 2015. The contribution rate approved by the Board becomes effective on July 1, 2015. Therefore, the dollar cost will depend on the actual payroll during fiscal year 2016.

Members of PEERS pay half of the total contribution rate, currently 6.86% of pay. If a member terminates employment with less than 5 years of service, their accumulated contributions with interest can be withdrawn as a lump sum, or the member may direct PEERS to make a direct rollover of the distribution amount. When a member becomes vested with at least 5 years of service, the member also has the option to leave their contributions in the Plan and select from various retirement annuity options at retirement age.

Funded Status

The funded status of PEERS 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 funding strategy is the Actuarial Accrued Liability (“AAL”).

Using the Actuarial Value of Assets ("AVA"), a smoothed asset value that recognizes 20% of the total investment gain or loss on the prior year AVA for each of the preceding five (5) years, the PEERS AAL funded ratio increased from 81.6% at June 30, 2013 to 85.1% as of June 30, 2014. The increase is primarily due to the recognition of excess returns from prior years in the AVA development and experience gains on the liability from salary increases less than assumed.

Investment Experience

The market value of the assets available for benefits has increased from $3.32 billion as of June 30, 2013 to $3.85 billion as of June 30, 2014. The actuarial value of assets increased from $3.24 billion as of June 30, 2013, to $3.58 billion as of June 30, 2014. The actuarial value of assets is less than the market value by $0.27 billion and the difference will be recognized over the next four years.

The assets of the Plan returned 16.7% (net of all expenses) for the year ended June 30, 2014. Based on the Actuarial Value of Assets, the approximate return for the same period was 11.0%. The return on actuarial value is different due to the smoothing of returns greater or less than expected returns over five years. For GASB acocunting purposes, the money-weighted return, net of investment expenses only, was 16.7%.

HIGHLIGHTS OF THE ACTUARY'S REPORT (CONTINUED)

Funding Policy

The Board has adopted a formal funding policy with the objective of fully funding the system over a closed 30-year period while adhering to sound financial principles, such as maintaining contribution rate stability and intergenerational equity, and the applicable statutes of the State of Missouri. The policy sets forth certain actions, actuarial assumptions and actuarial methods that are to be utilized in executing the funding strategy. The funding policy is summarized in Section II.

Governmental Accounting Standards

This report contains certain financial statement information, including notes and required supplemental information, prepared in accordance with our understanding of Governmental Accounting Standards No. 67 and No. 68 ("GASB 67" and "GASB 68") to assist PEERS with the implementation of the new standards. GASB 67 is effective for fiscal years beginning after June 15, 2013. GASB 68 is effective for employers sponsoring and/or participating in public pension plans for fiscal years beginning after June 15, 2014.

Changes in Actuarial Assumptions

There were no assumption changes for the June 30, 2014 valuation.

Changes in Plan Provisions

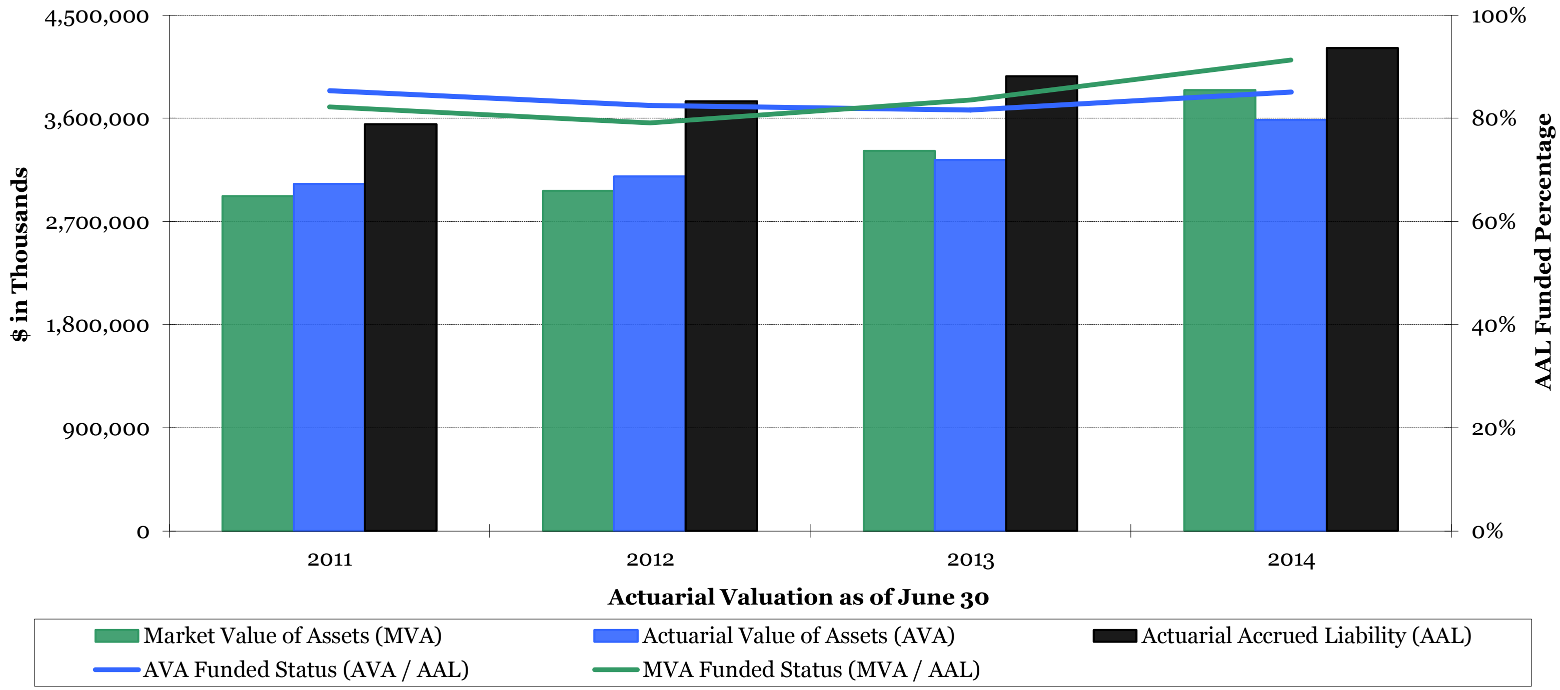
It is our understanding that there were no changes to the Plan that impacted the pension benefits during the fiscal year.

Changes in Actuarial Methods

There were no changes in the actuarial methods for the June 30, 2014 valuation.

HISTORICAL SUMMARY

PEERS – 4 Year History of Funded Status



Actuarial Valuation as of June 30:	2011	2012	2013	2014
Actuarial Accrued Liability (AAL)	$3,549,349	$3,746,347	$3,967,619	$4,211,489
Actuarial Value of Assets (AVA)	$3,028,757	$3,090,880	$3,237,200	$3,584,719
Market Value of Assets (MVA)	$2,918,764	$2,964,557	$3,316,513	$3,846,323
Unfunded Liability (AAL - AVA)	$520,591	$655,467	$730,419	$626,770
AVA Funded Status (AVA / AAL)	85.3%	82.5%	81.6%	85.1%
MVA Funded Status (MVA / AAL)	82.2%	79.1%	83.6%	91.3%

HISTORICAL SUMMARY (CONTINUED)

Summary of Valuation Results [1]

Valuation Date	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
Development of Actuarially Determined Contribution Rate:				
1. Anticipated Payroll	$ 1,414,442,144	$ 1,437,310,138	$ 1,470,829,580	$ 1,442,700,979
2. Total Normal Cost (Mid-Year)				
a. Amount	$ 152,693,840	$ 155,067,161	$ 159,672,364	$ 156,599,641
b. Percentage of Payroll	10.80%	10.79%	10.86%	10.85%
3. Total Unfunded Actuarial Accrued Liability Annual Amortizations (Mid-Year)				
a. Amount	$ 31,317,192	$ 39,970,396	$ 44,064,744	$ 38,917,522
b. Percentage of Payroll	2.21%	2.78%	3.00%	2.70%
4. Total Actuarially Determined Contribution Rate:				
a. Percentage of Payroll: (2)(b) + (3)(b)	**13.01%**	**13.57%**	**13.86%**	**13.55%**
b. Effective UAAL Amortization Period		29.1 Years	28.3 Years	26.8 Years
5. Recommended Total Contribution Rate, Member + Employer				
a. Percentage of Payroll	**13.72%**	**13.72%**	**13.72%**	**13.72%**
b. Effective UAAL Amortization Period		26.4 Years	31.0 Years	24.1 Years
c. Effective Date	July 1, 2012	July 1, 2013	July 1, 2014	July 1, 2015

[1] The contribution rates shown were developed on a funding basis only and do not reflect accounting requirements.

HISTORICAL SUMMARY (CONTINUED)

Summary of Valuation Results (Continued)

	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
Census Information				
Active				
Number	48,800	48,605	48,709	45,589
Average Age	47.9	48.1	48.1	48.6
Average Years of Service	8.3	8.4	8.5	8.9
Anticipated Payroll of Actives ($ in 000's) [1]	$ 1,414,442	$ 1,437,310	$ 1,470,830	$ 1,442,701
Inactive Members				
Vested				
Number	4,832	4,940	5,140	6,131
Annual Deferred Annuities	$ 15,701,678	$ 16,247,408	$ 17,446,096	$ 22,283,846
Non Vested				
Number	22,294	9,615	9,299	10,084
Account Balance	$ 25,772,615	$ 18,059,443	$ 18,843,912	$ 22,208,522
Former Members				
Entitled to a Deferred Annuity				
Number			41	63
Account Balance			$ 186,326	$ 229,540
Entitled to a Refund of Contributions				
Number	3	13,637	14,032	15,122
Account Balance	$ 13,331	$ 10,355,388	$ 11,122,418	$ 13,411,695
Retiree/Beneficiary/Disabled				
Number	21,328	22,562	23,674	25,029
Annual Benefits Payable ($ in 000's)	$ 162,200	$ 178,933	$ 174,468	$ 191,823

[1] Figures shown are the anticipated pay for the one-year period following the valuation date.

HISTORICAL SUMMARY (CONTINUED)

Summary of Valuation Results (Continued)

	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
Present Value of Future Benefits				
Member Contribution Balances	$ 783,112,051	$ 822,485,255	$ 862,034,650	$ 894,649,839
Retiree/Beneficiary/Disabled	1,398,620,374	1,541,541,277	1,653,613,287	1,861,575,021
Inactive	35,864,349	37,758,244	43,351,365	54,693,962
Active	2,544,619,283	2,564,966,424	2,646,723,060	2,606,097,222
Total	$ 4,762,216,057	$ 4,966,751,200	$ 5,205,722,362	$ 5,417,016,044
Actuarial Accrued Liability (AAL)				
Member Contribution Balances	$ 783,112,051	$ 822,485,255	$ 862,034,650	$ 894,649,839
Retiree/Beneficiary/Disabled	1,398,620,374	1,541,541,277	1,653,613,287	1,861,575,021
Inactive	35,864,349	37,758,244	43,351,365	54,693,962
Active	1,331,751,689	1,344,562,530	1,408,619,450	1,400,570,010
Total	$ 3,549,348,463	$ 3,746,347,306	$ 3,967,618,752	$ 4,211,488,832
Actuarial Value of Assets (AVA)				
Member Contribution Balances	$ 783,112,051	$ 822,485,255	$ 862,034,650	$ 894,649,839
Retiree/Beneficiary/Disabled	1,398,620,374	1,541,541,277	1,653,613,287	1,861,575,021
Inactive	35,864,349	37,758,244	43,351,365	54,693,962
Active	811,160,397	689,095,192	678,200,253	773,800,411
Total	$ 3,028,757,171	$ 3,090,879,968	$ 3,237,199,555	$ 3,584,719,233
Unfunded Actuarial Accrued Liability: AAL - AVA				
Member Contribution Balances	$ -	$ -	$ -	$ -
Retiree/Beneficiary/Disabled	-	-	-	-
Inactive	-	-	-	-
Active	520,591,292	655,467,338	730,419,197	626,769,599
Total	$ 520,591,292	$ 655,467,338	$ 730,419,197	$ 626,769,599
Funded Percentage: AVA / AAL [1]				
Member Contribution Balances	100.0%	100.0%	100.0%	100.0%
Retiree/Beneficiary/Disabled	100.0%	100.0%	100.0%	100.0%
Inactive	100.0%	100.0%	100.0%	100.0%
Active	60.9%	51.3%	48.1%	55.2%
Total	85.3%	82.5%	81.6%	85.1%
Market Value of Assets	$ 2,918,763,618	$ 2,964,557,038	$ 3,316,512,798	$ 3,846,322,885
Summary of Assumptions				
Valuation Interest Rate	8.0%	8.0%	8.0%	8.0%
Salary Increases	5.0% - 12.0%	5.0% - 12.0%	5.0% - 12.0%	5.0% - 12.0%
Cost-of-Living Assumption	2.0%	2.0%	2.0%	2.0%

[1] In determining the funded percentage, the assets are allocated first to member contribution balances, then to the retiree/beneficiary/disabled liability, then to the inactive liability, and then to the active liability.

FUNDING

SECTION II - FUNDING

A. Summary of Funding Policy

Introduction

The Board of Trustees ("Board") for the Public Education Employee Retirement System of Missouri (PEERS) has adopted a funding policy to record the funding objectives and help ensure the systematic funding of future benefit payments for members of PEERS. The funding policy governs the methods used in performing the actuarial valuation, which is the basis for determining the annual contribution rate for both employers and members. The funding policy shall be updated every five years in conjunction with an experience study. Other changes to the funding policy may be considered between the five-year periods as recommended by the actuary.

The "Funding" results presented in this section of the report were prepared in accordance with the funding policy.

Funding Objective

The funding objective is to achieve a funded ratio of 100% over a closed 30-year period from fiscal year 2011 through fiscal year 2040. 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 Cost Method with Normal Costs calculated as a percentage of payroll using the actuarial assumptions adopted by the Board.

Principles of Funding

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 an 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 those paid during 2010-2011.

A. Summary of Funding Policy (continued)

Annual Actuarial Valuation to Set Contribution Rates

Annual actuarial valuations of the System's assets and liabilities shall be performed by an actuary. The contribution rate shall be established based on the results of these valuations. The funding policy requires that the Actuarially Determined Contribution Rate ("ADC") is equal to the sum of the employer normal cost and an amortization of the unfunded actuarial accrued liability (UAAL). The contribution rates shall be approved by the Board no later than December 31st for the upcoming school year.

The Board, at its discretion (to the extent permitted by law), may authorize a change in the member and employer contribution rates from one year to the next should the actuary determine that the target date of full funding by 2040 will not be met. The decision by the Board will be based on the number of years of the divergence from the target date and the likelihood that this divergence is permanent.

B. Development of Funded Status

		June 30, 2013	June 30, 2014
1.	Present Value of Future Benefits		
a.	Member Contribution Balances	$ 862,034,650	$ 894,649,839
b.	Retirees, Beneficiaries, and Disableds	1,653,613,287	1,861,575,021
c.	Inactives	43,351,365	54,693,962
d.	Actives	2,646,723,060	2,606,097,222
e.	Total: (1)(a) + (1)(b) + (1)(c) + (1)(d)	$ 5,205,722,362	$ 5,417,016,044
2.	Actuarial Accrued Liability		
a.	Member Contribution Balances	$ 862,034,650	$ 894,649,839
b.	Retirees, Beneficiaries, and Disableds	1,653,613,287	1,861,575,021
c.	Inactives	43,351,365	54,693,962
d.	Actives	1,408,619,450	1,400,570,010
e.	Total: (2)(a) + (2)(b) + (2)(c) + (2)(d)	$ 3,967,618,752	$ 4,211,488,832
3.	Actuarial Value of Assets [1]		
a.	Member Contribution Balances	$ 862,034,650	$ 894,649,839
b.	Retirees, Beneficiaries, and Disableds	1,653,613,287	1,861,575,021
c.	Inactives	43,351,365	54,693,962
d.	Actives	678,200,253	773,800,411
e.	Total: (3)(a) + (3)(b) + (3)(c) + (3)(d)	$ 3,237,199,555	$ 3,584,719,233
4.	Unfunded Actuarial Accrued Liability [1]		
a.	Member Contribution Balances: (2)(a) - (3)(a)	$ -	$ -
b.	Retirees, Beneficiaries, and Disableds: (2)(b) - (3)(b)	-	-
c.	Inactives: (2)(c) - (3)(c)	-	-
d.	Actives: (2)(d) - (3)(d)	730,419,197	626,769,599
e	Total: (2)(e) - (3)(e)	730,419,197	626,769,599
5.	Funded Percentage [1]		
a.	Member Contribution Balances: (3)(a)/(2)(a)	100.0%	100.0%
b.	Retirees, Beneficiaries, and Disableds: (3)(b)/(2)(b)	100.0%	100.0%
c.	Inactives: (3)(c)/(2)(c)	100.0%	100.0%
d.	Actives: (3)(d)/(2)(d)	48.1%	55.2%
e.	Total: (3)(e)/(2)(e)	81.6%	85.1%

[1] In determining the funded percentage, the assets are allocated first to member contribution balances, then to the retiree/beneficiary/disabled liability, then to the inactive liability, and then to the active liability.

C. Reconciliation of Unfunded Actuarial Accrued Liability

				June 30, 2014
1.	Unfunded Actuarial Accrued Liability, Prior Year		$	730,419,197
2.	Changes in Unfunded Actuarial Accrued Liability			
	a.	Impact of Plan Changes	$	-
	b.	Actuarial (Gains) / Losses		-
		i. From Investment	$	(98,428,310)
		ii. From Actuarial Liabilities Due to Assumption Changes		-
		iii. From Actuarial Liabilities Due to Actual vs. Expected COLA		-
		iv. From Actuarial Liabilities Due to Actual vs. Expected Salary Changes		(10,411,491)
		v. From Actuarial Liabilities Due to Other Demographic and Experience		(3,897,385)
		vi. Total Unfunded Actuarial Accrued Liability (Gain)/Loss	$	(112,737,186)
	c.	(Excess) / Shortfall of Contributions [1]		(3,586,406)
	d.	Total New Amortization Bases: (2)(a) + (2)(b)(vi) + (2)(c)	$	(116,323,592)
	e.	Net Change in Existing Bases Due to Prior Year Contributions, Net of Interest		12,673,994
	f.	Total Changes in Unfunded Actuarial Accrued Liability: (2)(d) + (2)(e)	$	(103,649,598)
3.	Unfunded Actuarial Accrued Liability, Current Year: (1) + (2)(f)		$	626,769,599

[1] Includes the net effect of total contributions in excess of the Actuarially Determined Contribution Rate and member contributions for service purchases being less than the resulting increase in liability.

D. Reconciliation of Actuarial Accrued Liability

1.	June 30, 2013 Actuarial Accrued Liability	$	3,967,618,752	
2.	Normal Cost for 2014 Plan (Mid-Year)		159,672,364	
3.	Benefit Payments [1]		216,624,810	
4.	Interest of 8% on (1) + (2)/2 - (3)/2		315,131,402	
5.	Expected June 30, 2014 Actuarial Accrued Liability: (1) + (2) - (3) + (4)	$	4,225,797,708	
			Dollar Change in Liability	**Percent Change in Liability**
6.	(Gain)/Loss Components			
	a. Legislative Changes	$	-	0.0%
	b. Assumption Changes		-	0.0%
	c. Actual vs. Expected COLA		-	0.0%
	d. Actual vs. Expected Salary Changes		(10,411,491)	(0.2%)
	e. Demographic and Other Experience		(3,897,385)	(0.1%)
	f. Total: (6)(a) + (6)(b) + (6)(c) + (6)(d) + (6)(e)	$	(14,308,876)	(0.3%)
7.	Actual June 30, 2014 Actuarial Accrued Liability: (5) + (6)(f)	**$**	**4,211,488,832**	

[1] Includes refunds of accumulated member contributions.

E. Reconciliation of Market Value of Assets

				June 30, 2014
1.	Market Value of Assets, Prior June 30		$	3,316,512,798
2.	Operating Revenues (Receipts)			
	a.	Employer Contributions	$	100,699,735
	b.	Member Contributions		106,420,656
	c.	Interest		18,112,442
	d.	Dividends		16,893,754
	e.	Net Income from Security Lending Activities		373,112
	f.	Net Capital Appreciation/(Depreciation)		516,558,020
	g.	Investment Expenses		(7,783,364)
	h.	Other Income		977
	i	Total Receipts: (2)(a) + (2)(b) + (2)(c) + (2)(d) + (2)(e) + (2)(f)+(2)(g)+(2)(h)	$	751,275,332
3.	Operating Expenses (Disbursements)			
	a.	Benefit Payments	$	196,744,702
	b.	Refunds to Members		19,880,108
	c.	Administrative Expenses		4,837,920
	d.	Other Expenses		2,515
	e.	Total Disbursements: (3)(a) + (3)(b) + (3)(c) + (3)(d)	$	221,465,245
4.	Excess of Revenues over Expenses: (2)(i) - (3)(e)		$	529,810,087
5.	Market Value of Assets, Current June 30: (1) + (4)		**$**	**3,846,322,885**

F. Development of Actuarial Value of Assets

1.	Actuarial Value of Assets June 30, 2013		$	3,237,199,555
2.	Activity for Fiscal Year 2014			
	a.	Contributions	$	207,120,391
	b.	Benefit Payments		(216,624,810)
	c.	Net Cash Flow	$	(9,504,419)
3.	Expected Returns		$	258,595,787
4.	Assets Before Allocation of Gain/Loss: (1) + (2) + (3)		$	3,486,290,923
5.	Actual Returns for 2014 (Net of Expenses)		$	539,314,506
6.	Excess Returns for 2015: (5) - (3)		$	280,718,719
7.	Recognized Excess Returns:			
		2014	$	56,143,744
		2013		21,305,916
		2012		(40,553,513)
		2011		54,216,915
		2010		7,315,248
	Total		$	98,428,310
8.	Actuarial Value of Assets, June 30, 2014: (4) + (7)		**$**	**3,584,719,233**

G. Contribution Rate

Development of Actuarially Determined Contribution Rate:

	June 30, 2013	June 30, 2014
1. Anticipated Payroll	$ 1,470,829,580	$ 1,442,700,979
2. Normal Cost (Mid-Year)		
a. Amount	$ 159,672,364	$ 156,599,641
b. Percentage of Payroll	10.86%	10.85%
3. Unfunded Actuarial Accrued Liability (UAAL) Annual Amortizations (Mid-Year)		
a. Amount	$ 44,064,744	$ 38,917,522
b. Percentage of Payroll	3.00%	2.70%
4. Actuarially Determined Contribution Rate		
a. Percentage of Payroll: (2)(b) + (3)(b)	**13.86%**	**13.55%**
b. Effective UAAL Amortization Period	28.3 Years	26.8 Years
5. Recommended Total Contribution Rate, Member + Employer		
a. Percentage of Payroll	**13.72%**	**13.72%**
b. Effective UAAL Amortization Period	31.0 Years	24.1 Years
c. Effective Date	July 1, 2014	July 1, 2015

H. Determination of the Normal Cost Rate

		Dollar (mid-year) [1]	Rate
1.	Active Members		
	a. Retirement Benefits	$ 122,448,660	8.49%
	b. Termination Benefits	29,655,948	2.05%
	c. Death Benefits	3,011,766	0.21%
	d. Disability Benefits	1,483,267	0.10%
	e. Total Normal Cost	$ 156,599,641	10.85%
2.	Anticipated Member Payroll	$ 1,442,700,979	

[1] Normal cost amounts include a 1.50% load for anticipated losses on service purchases.

I. Determination of the Unfunded Actuarial Accrued Liability Amortization Rate

	Date Base Established	Reason	Remaining Balance [1]	Remaining Period	Amortization Amount Mid-Year	Rate
1.	6/30/2007	Plan Amendment	$ 1,096,428	13	$ 110,355	0.01%
2.	6/30/2011	UAAL Fresh Start	546,474,145	27	33,796,677	2.34%
3.	6/30/2012	Experience Loss	130,293,316	28	7,899,100	0.55%
4.	6/30/2013	Plan Amendment [2]	1,744,507	19	133,790	0.01%
5.	6/30/2013	Experience Loss	63,484,795	29	3,777,250	0.26%
6.	6/30/2014	Experience Gain	(116,323,592)	30	(6,799,650)	-0.47%
	Total		$ 626,769,599		$ 38,917,522	2.70%

7. Anticipated Member Payroll $ 1,442,700,979

[1] Amortized as a level percent of payroll using the 3.75% payroll growth assumption and an 8% discount rate.
[2] Permanent extension of the Special Early Retirement ("25-and-out") benefit.

J. History of Contribution Rates [1]

Valuation Date	Effective Date	Total Contribution Rate
June 30, 2001	July 1, 2002	10.00%
June 30, 2002	July 1, 2003	10.00%
June 30, 2003	July 1, 2004	10.50%
June 30, 2004	July 1, 2005	11.00%
June 30, 2005	July 1, 2006	11.50%
June 30, 2006	July 1, 2007	12.00%
June 30, 2007	July 1, 2008	12.50%
June 30, 2008	July 1, 2009	13.00%
June 30, 2009	July 1, 2010	13.26%
June 30, 2010	July 1, 2011	13.72%
June 30, 2011	July 1, 2012	13.72%
June 30, 2012	July 1, 2013	13.72%
June 30, 2013	July 1, 2014	13.72%

[1] Valuation results prior to June 30, 2009 were calculated by the prior actuary.

K. Historical Investment Experience

	Rate of Investment Return		Actuarial Assumed
Year Ending June 30	Market Basis [1]	Actuarial Basis [2, 3]	Interest Rate
2005	9.1%	8.9%	8.00%
2006	9.6%	9.2%	8.00%
2007	16.4%	10.9%	8.00%
2008	(4.4%)	7.9%	8.00%
2009	(18.9%)	2.0%	8.00%
2010	12.5%	2.5%	8.00%
2011	21.2%	4.3%	8.00%
2012	1.4%	1.9%	8.00%
2013	12.1%	4.8%	8.00%
2014	16.7%	11.4%	8.00%

[1] As provided by PEERS. Net of all expenses and fees.

[2] Approximate return, assuming all cash flows occurred at mid-year.

[3] Valuation results prior to June 30, 2009 were calculated by the prior actuary.

ACCOUNTING

SECTION III - ACCOUNTING

PLAN FINANCIAL STATEMENTS UNDER GASB #67

A. Statement of Fiduciary Net Position under GASB #67 as of June 30, 2014

1.	Assets			
	a.	Cash	$	17,449,984
	b.	Receivables		
		i. Contributions Receivable	$	26,930,002
		ii. Accrued Interest and Dividends		6,316,924
		iii. Investment Sales		166,422,495
		iv. Due from PSRS		1,901,569
		v. Other		38,027
		vii. Total Receivables	$	201,609,017
	c.	Total Investments		
		i. Short-Term Investments	$	83,649,545
		ii. US Treasuries and TIPS		577,683,646
		iii. US Public Equities		1,434,938,035
		iv. Global Public Equities		604,922,173
		v. Public Debt		299,116,430
		vi. Private Equity		266,817,662
		vii. Private Credit		38,805,450
		viii. Private Real Estate		264,610,070
		ix. Hedged Assets		560,643,938
		x. Total Investments	$	4,131,186,949
	d.	Invested Securities Lending Collateral		43,003,529
	e.	Prepaid Expenses		30,416
	f.	Fixed Assets, Net of Depreciation		-
	g.	Total Assets: (1)(a) + (1)(b)(vii) + (1)(c)(x) + (1)(d) + (1)(e) + (1)(f)	$	4,393,279,895
2.	Liabilities			
	a.	Accounts Payable	$	2,142,458
	b.	Interest Payable		16,368
	c.	Securities Lending Collateral		43,003,611
	d.	Investment Purchases		500,593,681
	e.	Due to PSRS		-
	f.	Lease Liability		-
	g.	Accrued Medical Claims		-
	h.	OPEB Liability		567,865
	i.	Compensated Absences		633,027
	j.	Total Liabilities: (2)(a) + (2)(b) + (2)(c) + (2)(d) + (2)(e) + (2)(f) + (2)(g) + (2)(h) + (2)(i)	$	546,957,010
3.	Fiduciary Net Position Restricted for Pensions: (1)(g) - (2)(j)		**$**	**3,846,322,885**

PLAN FINANCIAL STATEMENTS UNDER GASB #67

B. Statement of Changes in Fiduciary Net Position under GASB #67 for the Year Ended June 30, 2014

1.	Fiduciary Net Position as of June 30, 2013			$	3,316,512,798
2.	Additions				
	a.	Contributions			
		i.	Member Contributions	$	106,420,656
		ii.	Employer Contributions		100,699,735
		iii.	Non-Employer Contributing Entity Contributions		-
		iv.	Total Contributions	$	207,120,391
	b.	Investment Income/(Loss)			
		i.	Net Appreciation/(Depreciation)	$	516,558,020
		ii.	Net Interest and Dividend Income		35,006,196
		iii.	Securities Lending Income		115,859
		iv.	Other Net Investment Income		-
		v.	Investment Expenses		(7,783,364)
		vi.	Securities Lending Expenses		257,253
		vii.	Total Investment Income/(Loss)	$	544,153,964
	c.	Other Additions			
		i.	PEERS Capital Asset Change	$	-
		ii.	Miscellaneous Income		977
		iii.	Total Other Additions	$	977
	d.	Total Revenue (Additions): (2)(a)(iv) + (2)(b)(vii) + (2)(c)(iii)		$	751,275,332
3.	Deductions				
	a.	Monthly Benefits		$	196,744,702
	b.	Refunds of Contributions			19,880,108
	c.	Administrative Expenses			4,837,920
	d.	Other Expenses			2,515
	e.	Total Expenses (Deductions): (3)(a) + (3)(b) + (3)(c) + (3)(d)		$	221,465,245
4.	Net Increase (Decrease) in Fiduciary Net Position: (2)(d) - (3)(e)			$	529,810,087
5.	Fiduciary Net Position as of June 30, 2014: (1) + (4)			**$**	**3,846,322,885**

EMPLOYER FINANCIAL STATEMENTS UNDER GASB #68

C. Net Pension Liability under GASB #68 for the Year Ended June 30, 2014

1.	Total Pension Liability		
a.	Total Pension Liability - Beginning of year		$ 3,967,618,752
b.	Total service cost [1]		159,672,364
c.	Interest cost [2]		315,131,402
d.	Experience (gains)/losses		(14,308,876)
e.	Assumption changes		-
f.	Plan amendments		-
g.	Benefit payments [3]		(216,624,810)
h.	Total Pension Liability - End of year		$ 4,211,488,832
2.	Plan Fiduciary Net Position		
a.	Plan Fiduciary Net Position - Beginning of year		$ 3,316,512,798
b.	Employer contributions		100,699,735
c.	Member contributions		106,420,656
d.	Non-employer contributing entity contributions		-
e.	Investment return		
i.	Expected investment return [4]	$ 272,273,341	
ii.	Investment gain/(loss)	279,407,711	
iii.	Total investment return	$ 551,681,052	
iv.	Investment Expenses [5]	(7,526,111)	
v.	Net investment return		544,154,941
f.	Benefit payments [3]		(216,624,810)
g.	Administrative and Other Expenses		(4,840,435)
h.	Plan Fiduciary Net Position - End of year:		$ 3,846,322,885
3.	Net Pension Liability		
a.	Net Pension Liability: (1)(h) - (2)(h)		**$ 365,165,947**
b.	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability : (2)(h) / (1)(h)		91.3%

[1] Mid-year

[2] Includes interest of 4.00% on the mid-year service cost and reflects actual benefit payments.

[3] Includes refunds of accumulated member contributions.

[4] 8.00%, net of investment expenses and assuming cash flows occur at mid-year.

[5] Includes securities lending expenses.

EMPLOYER FINANCIAL STATEMENTS UNDER GASB #68

D. Deferred Inflows and Outflows of Resources under GASB #68 for the Year Ended June 30, 2014 [1]

	Fiscal Year Established	Reason	Remaining Balance	Remaining Period	Annual Recognition
1. Liability experience gains / (losses)					
a.	2014	Experience gain	$ 14,308,876	4.15	$ 3,447,922
		Sub-Total	$ 14,308,876		$ 3,447,922
2. Assumption change gains / (losses)					
	None		$ -		$ -
		Sub-Total	$ -		$ -
3. Investment gains / (losses) [2]					
a.	2014	Investment gain	$ 271,881,600	5.00	$ 54,376,320
		Sub-Total	$ 271,881,600		$ 54,376,320
4. Total collective deferred inflows / (outflows): (1) + (2) + (3)			**$ 286,190,476**		**$ 57,824,242**

Amounts reported as collective deferred inflows / outflows of resources to be recognized in pension expense:

Year Ending June 30:	
2014	$ 57,824,242
2015	$ 57,824,242
2016	$ 57,824,242
2017	$ 57,824,242
2018	$ 54,893,508
2019	$ -
Thereafter	$ -

[1] The effort and cost to re-create financial statement information for 10-years was not practical. Information was prepared prospectively from June 30, 2013 for GASB #68 purposes.

[2] Net of investment expenses.

EMPLOYER FINANCIAL STATEMENTS UNDER GASB #68

E. Pension Expense under GASB #68 for the Year Ended June 30, 2014

1. Service cost			
a.	Total service cost [1]	$	159,672,364
b.	Member contributions		(106,420,656)
c.	Administrative and other expenses		4,840,435
d.	Net employer service cost	$	58,092,143
2. Plan amendments		$	-
3. Interest cost [2]		$	315,131,402
4. Expected return on assets [3]		$	(272,273,341)
5. Recognition of deferred (inflows) / outflows of resources related to:			
a.	Liability experience (gains) / losses	$	(3,447,922)
b.	Assumption changes (gains) / losses		-
c.	Investment (gains) / losses		(54,376,320)
d.	Total: (5)(a) + (5)(b) + (5)(c)	$	(57,824,242)
6. Total collective pension expense: (1)(d) + (2) + (3) + (4) + (5)(d)		**$**	**43,125,962**

[1] Mid-year.

[2] Includes interest of 4.00% on the total mid-year service cost.

[3] 8.00% net of investment expenses and assuming cash flows occur at mid-year. Includes interest of 4.00% on member contributions and administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS UNDER GASB #67 AND #68

F. Selected Notes to the Financial Statements under GASB #67 and #68

1. The Public Education Employee Retirement System of Missouri is a cost-sharing multiple-employer plan for GASB accounting purposes.

2. Significant actuarial assumptions and other inputs used to measure the total pension liability:

- Measurement Date	June 30, 2014
- Valuation Date	June 30, 2014
- Inflation	2.50%
- Total Payroll 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.
- Future Salary Increases	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	2.0% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase.
- Mortality Assumption	
Actives:	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:	RP 2000 Mortality Table set forward one year for males and no set back/forward for females, then projected to 2016 using Scale AA.
Disabled Retirees:	RP 2000 Disabled Mortality Table
- Experience Study	The Board of Trustees shall adopt actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience under the System, derived from experience studies conducted every fifth year. The most recent comprehensive experience study was completed in 2011 and was based on member experience between June 30, 2005 and June 30, 2010. With the exception of the expected return on assets assumption, which was reviewed independently by PEERS investment staff and consultants, all economic and demographic assumptions were reviewed and updated, if necessary, based on the results of the study and effective with the June 30, 2011 valuation. Since that time, there have been only minor changes to the assumptions to reflect changes in the administrative conversion factors for computing optional forms of benefit, a reduction in the assumed interest on member contribution balances, and a change in future retirement rates to reflect the legislative change that made the Special Early Retirement ("25-and-out") benefit a permanent feature.

NOTES TO THE FINANCIAL STATEMENTS UNDER GASB #67 AND #68

F. Selected Notes to the Financial Statements under GASB #67 and #68 (Cont.)

- Discount Rate

The discount rate used to measure the total pension liability was 8.00% as of June, 30, 2014, and is equal to the long-term expected return on plan investments. 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, 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.

- Discount Rate Sensitivity

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Net Pension Liability	$ 876,257,294	$ 365,165,947	$ (66,599,982)

3. Classes of plan members covered:

- Retired members, beneficiaries and disabled members receiving benefits:	25,029
- Inactive members (vested and non-vested):	16,215
- Former members:	15,185
- Active Plan Members:	45,589
- Total membership:	102,018

4. Money-weighted rate of return:
The money-weighted rate of return equals the investment performance, net of pension plan investment expenses, and adjusted for the changing amounts actually invested. For the fiscal year ending June 30, 2014, the money-weighted return on the plan assets is 16.7%.

5. The components of the Net Pension Liability for the Public Education Employee Retirement System of Missouri as of June 30, 2014, are as follow

- Total Pension Liability	$ 4,211,488,832
- Plan Fiduciary Net Position	3,846,322,885
- Net Pension Liability	$ 365,165,947
- Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.3%

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #67 AND #68

G. Schedule of Changes in the Net Pension Liability and Plan Fiduciary Net Position under GASB #67 and #68 [1]

Year Ending June 30:		2014
1. Total Pension Liability		
a. Total Pension Liability - Beginning of year	$	3,967,618,752
b. Service cost [2]		159,672,364
c. Interest cost [3]		315,131,402
d. Experience (gains)/losses		(14,308,876)
e. Assumption changes		-
f. Plan amendments		-
g. Benefit payments [4]		(216,624,810)
h. Total Pension Liability - End of year:	$	4,211,488,832
2. Plan Fiduciary Net Position		
a. Plan Fiduciary Net Position - Beginning of year	$	3,316,512,798
b. Employer contributions		100,699,735
c. Member contributions		106,420,656
d. Non-employer contributing entity contributions		-
e. Net investment return		544,154,941
f. Benefit payments [4]		(216,624,810)
g. Administrative and Other Expenses		(4,840,435)
h. Plan Fiduciary Net Position - End of year:	$	3,846,322,885

[1] The effort and cost to re-create financial statement information for 10-years was not practical. Information was prepared prospectively from June 30, 2013 for GASB #67 and GASB #68 purposes.

[2] Mid-year.

[3] Includes interest of 4.00% on the mid-year service cost.

[4] Includes refunds of accumulated member contributions and other interfund transfers.

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #67 AND #68

H. Schedule of Net Pension Liability and Related Ratios under GASB #67 and #68 [1]

1. Year Ending	2. Total Pension Liability	3. Plan Fiduciary Net Position	4. Net Pension Liability (2) - (3)	5. Fiduciary Net Position as a Percentage of Total Pension Liability (3) / (2)	6. Anticipated Covered Employee Payroll	7. Net Pension Liability as a Percentage of Covered Payroll (4) / (6)
6/30/2014	$ 4,211,488,832	$ 3,846,322,885	$ 365,165,947	91.3%	$ 1,442,700,979	25.3%

[1] The effort and cost to re-create financial statement information for 10-years was not practical. Information was prepared prospectively from June 30, 2013 for GASB #67 and GASB #68 purposes.

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #67 AND #68

I. Schedule of Contributions under GASB #67 and #68 [1]

1. Year Ending	2. Actuarially Determined Contribution [1]	3. Actual Employer Contributions	4. Contribution Excess / (Deficiency) (Deficiency) (3) - (2)	5. Actual Covered Member Payroll	6. Contributions as a Percentage of Covered Payroll (3) / (5)
6/30/2005	$ 73,948,917	$ 53,109,687	$ (20,839,230)	$ 1,011,613,086	5.25%
6/30/2006	79,707,834	61,745,505	(17,962,329)	1,122,645,545	5.50%
6/30/2007	89,945,503	69,235,160	(20,710,343)	1,204,089,739	5.75%
6/30/2008	90,727,016	77,988,839	(12,738,177)	1,299,813,983	6.00%
6/30/2009	96,775,289	85,915,562	(10,859,727)	1,374,648,992	6.25%
6/30/2010	95,560,084	91,478,725	(4,081,359)	1,407,365,000	6.50%
6/30/2011	90,816,155	90,816,155	-	1,369,776,094	6.63%
6/30/2012	95,094,785	95,094,785	-	1,386,221,356	6.86%
6/30/2013	87,013,816	97,059,313	10,045,497	1,414,858,790	6.86%
6/30/2014	98,497,846	100,699,735	2,201,889	1,467,926,166	6.86%

[1] Valuation results prior to June 30, 2009 were computed by the prior actuary.

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #67 AND #68

J. Schedule of Money-Weighted Returns under GASB #67 and #68 [1]

1.	2.
Year Ending	Money-Weighted Rate of Return
6/30/2014	16.7%

[1] The effort and cost to re-create financial statement information for 10-years was not practical. Information was prepared prospectively from June 30, 2013 for GASB #67 and GASB #68 purposes.

CENSUS DATA

A. Reconciliation of Member Counts

	Actives	Former Members [1]	Inactive Members	Disabled Retirements	Service Retirements	Beneficiary	Total
Total as of June 30, 2013 [2]	48,709	14,073	14,439	709	21,519	1,446	100,895
New Memberships	5,593	0	1,036	0	0	0	6,629
Terminated Members Reinstated	274	(1)	(273)	0	0	0	0
Withdrawals	(1,929)	(1,628)	(1,182)	0	0	0	(4,739)
Other Terminations	(5,348)	2,761	2,587	0	0	0	0
Service Retirements	(1,576)	0	(309)	0	1,885	0	0
Disabled Retirements	(49)	0	(10)	59	0	0	0
Death with Beneficiary	(14)	(12)	(4)	(18)	(108)	156	0
Death without Beneficiary	(54)	(8)	(47)	(13)	(541)	(64)	(727)
Reciprocity	0	0	0	0	0	0	0
Benefit Expirations and Permanent Holds	0	0	0	(1)	0	0	(1)
Data Adjustments [3]	(17)	0	(22)	(1)	1	0	(39)
Total as of June 30, 2014[4]	45,589	15,185	16,215	735	22,756	1,538	102,018

[1] Includes terminated and deceased former members whose contributions had yet to be distributed as of the valuation date.
[2] Includes 92 members with benefits on hold that will be re-started at a future date.
[3] Includes 36 voided memberships.
[4] Includes 87 members with benefits on hold that will be re-started at a future date.

B. Member Census Statistics as of June 30, 2014

	Male	Female	Total
1. Active			
Number	11,919	33,670	45,589
Average Age	48.8	48.6	48.6
Average Years of Service	7.9	9.2	8.9
Anticipated Payroll of Actives [1]	$ 451,189,448	$ 991,511,531	$ 1,442,700,979
2. Inactive			
Vested			
Number	934	5,197	6,131
Annual Deferred Annuities	$ 4,813,510	$ 17,470,336	$ 22,283,846
Non Vested			
Number [2]	2,782	7,302	10,084
Account Balance	$ 6,424,204	$ 15,784,318	$ 22,208,522
Former Members Entitled to a Deferred Annuity			
Number	20	43	63
Annual Deferred Annuities	$ 117,306	$ 112,234	$ 229,540
Former Members Entitled to a Refund of Contributions			
Number	5,371	9,751	15,122
Account Balance	$ 3,578,980	$ 9,832,715	$ 13,411,695
3. Retiree/Beneficiary/Disabled			
Number	6,063	18,966	25,029
Annual Benefits Payable	$ 55,035,048	$ 136,787,988	$ 191,823,036

[1] Figures shown are the anticipated pay for the one-year period following the valuation date.

[2] Five non vested inactive members missing gender are assumed to be female.

C. History of Active Member Average Pay, Age, and Service [1]

1. Valuation Date	2. Active Members	3. Covered Payroll ($ in Thousands)	4. Average Pay (3) / (2)	5. Annual Percent Change	Average Attained Age	Average Years of Service
6/30/1994	30,662	$ 452,339	$ 14,752	3.1%	45.5	7.6
6/30/1995	32,598	495,449	15,199	3.0%	45.3	7.3
6/30/1996	34,153	538,022	15,753	3.6%	45.2	7.2
6/30/1997	35,982	556,534	15,467	-1.8%	45.1	7.1
6/30/1998	38,672	616,303	15,937	3.0%	44.8	6.7
6/30/1999	41,599	685,272	16,473	3.4%	44.6	6.5
6/30/2000	43,533	735,400	16,893	2.5%	44.5	6.4
6/30/2001	45,517	814,158	17,887	5.9%	44.6	6.3
6/30/2002	46,728	895,420	19,162	7.1%	44.8	6.4
6/30/2003	46,863	971,177	20,724	8.2%	45.3	6.6
6/30/2004	45,880	984,866	21,466	3.6%	46.2	7.0
6/30/2005	46,598	1,055,204	22,645	5.5%	46.6	7.1
6/30/2006	48,188	1,190,994	24,716	9.1%	46.4	7.1
6/30/2007	49,281	1,275,199	25,876	4.7%	46.6	7.2
6/30/2008	50,865	1,377,506	27,082	4.7%	46.8	7.3
6/30/2009	51,234	1,417,485	27,667	2.2%	47.1	7.5
6/30/2010	50,363	1,433,691	28,467	2.9%	47.5	8.0
6/30/2011	48,800	1,414,442	28,984	1.8%	47.9	8.3
6/30/2012	48,605	1,437,310	29,571	2.0%	48.1	8.4
6/30/2013	48,709	1,470,830	30,196	2.1%	48.1	8.5
6/30/2014	45,589	1,442,701	31,646	4.8%	48.6	8.9

[1] Valuation results prior to June 30, 2009 were computed by the prior actuary.

D. Distribution of Active Members by Salary

Annual Salary	Number	Percent
Under $5,000	697	1.53%
$5,000 - 9,999	1,891	4.15%
$10,000 - 14,999	3,584	7.86%
$15,000 - 19,999	5,587	12.26%
$20,000 - 24,999	7,214	15.82%
$25,000 - 29,999	6,530	14.32%
$30,000 - 34,999	5,303	11.63%
$35,000 - 39,999	4,107	9.01%
$40,000 - 44,999	3,360	7.37%
$45,000 - 49,999	2,409	5.28%
$50,000 - 54,999	1,576	3.46%
$55,000 - 59,999	1,017	2.23%
$60,000 - 64,999	636	1.40%
$65,000 - 69,999	471	1.03%
$70,000 - 74,000	349	0.77%
$75,000 & Over	858	1.88%
Total	45,589	100.00%

E. Distribution of Active Members by Age and Service

Attained Age	Distribution of Active Members by Age and Service as of June 30, 2014							
	0 to 4 years	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	Over 30	Total
<25	1,076	15						1,091
25-29	2,039	460	13					2,512
30-34	1,809	999	233	11				3,052
35-39	1,989	1,130	557	167	3			3,846
40-44	2,122	1,664	776	360	86	8		5,016
45-49	1,970	1,981	1,276	719	222	113	6	6,287
50-54	1,818	2,091	1,717	1,374	506	236	109	7,851
55-59	1,596	1,723	1,558	1,614	821	308	138	7,758
60-64	1,084	1,197	954	867	610	305	140	5,157
≥65	598	801	667	395	234	175	149	3,019
Total	16,101	12,061	7,751	5,507	2,482	1,145	542	45,589

F. Distribution of Inactive Members by Age and Service

Attained Age	Distribution of Inactive Members by Age and Service as of June 30, 2014							
	0 to 4 years	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	Over 30	Total
<25	741	2						743
25-29	2,161	97						2,258
30-34	1,566	301	23	2				1,892
35-39	1,144	428	68	4				1,644
40-44	1,144	537	119	20	4			1,824
45-49	989	675	227	49	10	2		1,952
50-54	839	978	450	136	24	4	1	2,432
55-59	618	1,008	463	167	37	4	2	2,299
60-64	359	283	102	32	8	3		787
≥65	247	93	23	16	3	2		384
Total	9,808	4,402	1,475	426	86	15	3	16,215

G. Distribution of Retired Members, Beneficiaries, and Disabled Members by Age and Number of Years Retired

Attained Age	Distribution of Retired Members, Beneficiaries, and Disabled Members by Age and Number of Years Retired as of June 30, 2014							
	0 to 4 years	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	Over 30	Total
<50	85	32	18	8	2	3		148
50-54	205	74	30	8	6	1	1	325
55-59	883	196	47	13	8	4	3	1,154
60-64	2,669	844	137	32	4	6	5	3,697
65-69	2,420	2,288	730	76	7	5	4	5,530
70-74	946	1,766	1,866	484	28	8	1	5,099
75- 79	311	528	1,256	1,324	267	15	3	3,704
80-84	99	208	368	1,023	897	111	9	2,715
85-89	24	72	95	238	670	544	16	1,659
≥90	3	14	30	58	154	388	351	998
Total	7,645	6,022	4,577	3,264	2,043	1,085	393	25,029

H. History of Retirees, Beneficiaries, and Disabled Members [1]

	Service Retirees			Disability Retirees			Beneficiaries		
Valuation Date	Added	Removed	End of Year	Added	Removed	End of Year	Added	Removed	End of Year
6/30/1994	658	358	9,557	29	9	235	60	9	344
6/30/1995	782	372	9,967	33	19	249	54	12	386
6/30/1996	799	390	10,376	26	8	267	47	18	415
6/30/1997	823	388	10,811	22	13	276	63	18	460
6/30/1998	841	424	11,218	29	17	288	59	22	497
6/30/1999	813	431	11,600	35	7	316	67	19	545
6/30/2000	945	432	12,113	45	14	347	76	20	601
6/30/2001	987	468	12,632	53	22	378	76	14	663
6/30/2002	980	471	13,141	30	21	387	97	18	742
6/30/2003	979	501	13,619	31	13	405	96	25	813
6/30/2004	1,081	541	14,159	44	18	431	86	44	855
6/30/2005	1,116	505	14,770	43	26	448	98	29	924
6/30/2006	1,080	528	15,322	53	23	478	86	50	960
6/30/2007	1,250	563	16,009	29	18	489	120	39	1,041
6/30/2008	1,256	569	16,696	46	21	514	99	62	1,078
6/30/2009	1,439	578	17,557	45	18	541	113	41	1,150
6/30/2010	1,471	670	18,358	51	15	577	140	67	1,223
6/30/2011	1,681	595	19,444	74	31	620	114	73	1,264
6/30/2012	1,680	587	20,537	65	17	668	152	59	1,357
6/30/2013	1,656	674	21,519	68	27	709	164	75	1,446
6/30/2014	1,886	649	22,756	59	33	735	156	64	1,538

[1] Valuation results prior to June 30, 2009 were computed by the prior actuary.

I. History of Cost of Living Increases to Retired Members

Retirement In	Effective Date of First COLA	First COLA Percentage Increase	Total Increases Through January 2014	January 2015 Increase Based on Proposal	Total Increases Through January 2015	Number of Retired Members at 6/30/2014 [1]
1987 & Earlier	Various	Various	80.00%	0.00%	80.00%	734
1988	Jan. 1992	4.00%	77.74%	1.27%	80.00%	241
1989	Jan. 1993	3.10%	70.91%	2.00%	74.33%	246
1990	Jan. 1994	3.00%	65.79%	2.00%	69.11%	310
1991	Jan. 1995	2.50%	60.96%	2.00%	64.18%	328
1992	Jan. 1996	3.00%	57.03%	2.00%	60.17%	380
1993	Jan. 1997	2.80%	52.45%	2.00%	55.50%	391
1994	Jan. 1998	2.30%	48.28%	2.00%	51.25%	444
1995	Jan. 1999	1.70%	44.95%	2.00%	47.85%	510
1996	Jan. 2000	2.00%	42.52%	2.00%	45.37%	554
1997	Jan. 2001	3.70%	39.74%	2.00%	42.53%	624
1998	Jan. 2002	3.30%	34.75%	2.00%	37.45%	621
1999	Jan. 2003	1.10%	30.46%	2.00%	33.07%	721
2000	Jan. 2004	2.10%	29.03%	2.00%	31.61%	782
2001	Jan. 2005	3.30%	26.37%	2.00%	28.90%	778
2002	Jan. 2006	2.50%	22.35%	2.00%	24.80%	826
2003	Jan. 2007	4.30%	19.36%	2.00%	21.75%	916
2004	Jan. 2008	2.70%	14.44%	2.00%	16.73%	947
2005	Jan. 2009	5.00%	11.42%	2.00%	13.65%	1,007
2006	Jan. 2010	0.00%	6.12%	2.00%	8.24%	1,042
2007	Jan. 2011	0.00%	6.12%	2.00%	8.24%	1,199
2008	Jan. 2012	2.00%	6.12%	2.00%	8.24%	1,203
2009	Jan. 2013	2.00%	4.04%	2.00%	6.12%	1,289
2010	Jan. 2014	2.00%	2.00%	2.00%	4.04%	1,680
2011	Jan. 2015	2.00%		2.00%	2.00%	1,699
2012						1,647
2013						1,858
2014						514
Total						**23,491**

[1] Includes Service Retirees and Disabled Retirees as of June 30, 2014

J. Distribution of Retired Members by Type and Monthly Amount

Monthly	Service	Disability	Beneficiary	Total
Less than $100	1,352	25	157	1,534
$100-199	3,775	139	325	4,239
$200-299	3,223	140	273	3,636
$300-399	2,484	128	176	2,788
$400-499	1,837	85	149	2,071
$500-999	5,435	183	325	5,943
$1,000-1,499	2,485	31	91	2,607
$1,500 & Over	2,165	4	42	2,211
Total	22,756	735	1,538	25,029

K. Distribution of Retired Members by Type of Benefit

Type of Benefit	Number	Annual Benefit
Service Retirees		
Options 1 & 10 (Life Only)	15,602	$ 113,709,720
Options 2 & 21 (100% J&S with Pop-Up)	4,016	35,398,177
Options 3 & 31 (75% J&S with Pop-Up)	585	7,312,862
Options 4 & 41 (50% J&S with Pop-Up)	1,004	12,794,701
Option 5 (10 Years Certain & Life)	761	4,991,866
Option 6 (5 Years Certain & Life)	226	1,717,375
Options 20 (100% J&S)	86	456,072
Options 30 (75% J&S)	1	4,110
Options 40 (50% J&S)	12	103,611
Accelerated Payment	463	3,542,691
Total	22,756	$ 180,031,185
Disability Retirees	735	$ 3,717,578
Beneficiaries	1,538	$ 8,074,273

ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

The assumptions used in the valuation were selected and approved by the PEERS Board of Trustees. The demographic assumptions are reviewed every five years through a study of actual experience. In this way, the actuary provides guidance to in selecting the assumptions. The actuary and other economic and investment professionals also provide advice for selecting the economic assumptions. The most recent comprehensive experience study was completed in 2011 and was based on member experience between June 30, 2005 and June 30, 2010. In our opinion, the assumptions are reasonable for purposes of this valuation.

Inflation — 2.50% per annum

Total Payroll 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

Salary Increases

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

A. Actuarial Assumptions (continued)

Investment Returns

Funding: 8% per annum (net of investment and administrative expenses).

Accounting: 8% per annum (net of investment expenses).

Cost of Living Adjustments: 2.00% per year, based on the current policy of the Board to grant a 2.00% COLA whenever annual inflation, ☐ as measured by the CPI-U index for a fiscal year, increases between 0.00% and 5.00%.

The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over age 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. Members begin receiving COLAs on the fourth January after benefit commencement. 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.

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

Age	Male	Female
20	0.244	0.131
30	0.380	0.171
40	0.898	0.342
50	1.492	0.782
60	4.593	2.237
70	15.549	7.955

For non-disabled retirees, beneficiaries, and survivors are based on the RP 2000 Mortality Table set forward one year for males and no set back/forward for females, then projected to 2016 using Scale AA. Illustrative rates per 1,000 members at various ages are as follows:

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

A. Actuarial Assumptions (continued)

Mortality Rates (continued)

For disabled retirees are based on the RP 2000 Disabled Retiree Mortality Table. Illustrative rates per 1,000 members at various ages are as follows:

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

Withdrawal Rates

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

Years of Service	Rate
0	300
1	220
2	150
3	120
4	100
5	81
10	48
15	33
20	18
25+	0

A. Actuarial Assumptions (continued)

Retirement Rates

Retirement is assumed in accordance with the following rates per 1,000 eligible members:

	Service										
Age	<=20	21	22	23	24	25	26	27	28	29	>=30
<50	0	0	0	0	0	50	50	50	50	50	150
50	0	0	0	0	0	50	50	50	50	50	250
51	0	0	0	0	0	50	50	50	50	250	150
52	0	0	0	0	0	50	50	50	250	150	150
53	0	0	0	0	0	50	50	250	150	150	150
54	0	0	0	0	0	50	250	150	150	150	150
55	30	30	30	30	30	270	170	170	170	170	170
56	30	30	30	30	130	170	170	170	170	170	170
57	30	30	30	130	30	170	170	170	170	170	170
58	30	30	130	30	30	170	170	170	170	170	170
59	30	130	30	30	30	170	170	170	170	170	170
60	160	160	160	160	160	160	160	160	160	160	160
61	100	100	100	100	100	100	100	100	100	100	100
62	240	240	240	240	240	240	240	240	240	240	240
63	200	200	200	200	200	200	200	200	200	200	200
64	140	140	140	140	140	140	140	140	140	140	140
65	260	260	260	260	260	260	260	260	260	260	260
66	200	200	200	200	200	200	200	200	200	200	200
67	200	200	200	200	200	200	200	200	200	200	200
68	200	200	200	200	200	200	200	200	200	200	200
69	200	200	200	200	200	200	200	200	200	200	200
70	200	200	200	200	200	200	200	200	200	200	200
71	200	200	200	200	200	200	200	200	200	200	200
72	200	200	200	200	200	200	200	200	200	200	200
73	200	200	200	200	200	200	200	200	200	200	200
74	200	200	200	200	200	200	200	200	200	200	200
>=75	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000

A. Actuarial Assumptions (continued)

Disability Rates

Retirement for disability prior to age 60 is assumed in accordance with the following illustrative rates per 1,000 eligible members:

Age	Male and Female Rates
30	0.08
35	0.16
40	0.32
45	0.64
50	1.04
55	1.68

Refund of Contributions

It is assumed that 80% of those leaving after earning 5 years of service, but before retirement age, leave their contributions in the fund and receive a vested benefit. The remaining 20% are assumed to take an immediate refund of their contributions, thus forfeiting their vested retirement benefit. For the remaining 80%, if the present value of the deferred benefit is less than the member account balance, the member's account balance is valued.

It is assumed that 100% of those leaving prior to earning 5 years of service will take an immediate refund of their contributions.

Interest on Member Accounts

1.00% per annum.

Service Purchases

A 1.50% load is added to the Normal Cost to account for anticipated losses resulting from service purchases and reinstatements

Provisions for Expenses

There is no specific provision for expenses. The implicit assumption for funding purposes is that investment and administrative expenses are paid from investment income in excess of 8.00% per annum. For accounting purposes the expected return is assumed to be net of investment expenses. Administrative expenses are included in the current year expense.

Dependent Assumptions

85% of male members and 70% of female members are assumed to be married.

Beneficiaries are assumed to be of the opposite sex from the member.

Male and Female members are assumed to be 5 years older than their beneficiary.

A. Actuarial Assumptions (continued)

Return of Unused Member Account Balance	Under the single life annuity payment option, any unused balance of contributions and interest in the member account balance at the time of death is paid in a lump sum to a designated beneficiary. This benefit is approximated with a 3-year certain benefit.
Data Assumptions	Members without a date of birth provided are assumed to be 30 years old. Pensionable pay for valuation purposes is assumed to be the greater of the current year's salary, the previous year's salary and $5,000. Pensionable pay for active members hired in the current year is assumed to be the greater of annualized pay and $5,000. Pensionable pay for valuation purposes for inactive members is assumed to be the greater of the two most recent years of salary history provided and $5,000.
Assumption Changes Since the Prior Valuation	There have been no changes in the actuarial assumptions since the June 30, 2013 valuation.

B. Actuarial Methods

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.
Amortization of Unfunded Actuarial Accrued Liability	For funding, 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 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. For accounting, gains and losses occurring from census experience different than assumed and assumption changes are amortized into expense over the average expected future service of all plan participants (actives and inactives). Gains and losses occurring from investment experience different than assumed are amortized into expense over a 5-year period. The effect of plan changes on the plan liability are fully recognized in expense in the year in which they occur.
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 with 8% interest for half the year. 20% of the difference between the actual returns on market value for the year and the 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. For accounting purposes, market value was used.
Changes Since the Prior Valuation	There have been no changes in the actuarial methods since the June 30, 2013 valuation.

SUMMARY OF BENEFIT PROVISIONS

SECTION VI - SUMMARY OF PLAN PROVISIONS

A. Summary of Benefit Provisions

Member Contributions	Half the total PEERS contribution rate. For fiscal year 2014, the total PEERS contribution rate is 13.72%.
Normal (Unreduced) Retirement	
Eligibility	Attainment of age 60 with at least five years of Creditable Service, or Completion of 30 years of Creditable Service at any age, or Age plus Creditable Service is at least 80.
Benefit	1.61% of Final Average Salary for each year of Membership Service. A year of Prior Service is treated as 0.6 year of Membership Service. Any person retiring prior to age 62 under the Rule of 80 or with 30 years of creditable service will receive an additional benefit payable to attainment of age 62. This benefit is equal to 0.8% of Final Average Salary for each year of Membership Service.
Compensation	All regular earnings as an employee of a PEERS-covered employer. Compensation or salary includes, but is not limited to, payments for extra duties, overtime payments and employer-paid medical, dental and vision insurance premiums for the member.
Final Average Salary	Average monthly salary over the Member's three highest consecutive years of service. Effective August 28, 2007, the maximum increase in the annual compensation used for the final average salary shall not exceed twenty percent.
Membership Service	Service while a participating member of PEERS. Service is measured each year in relation to minimum salary for 20 hours per week in the position for that year.
Prior Service	Service rendered in a covered position prior to November 1, 1965.
Creditable Service	Membership Service plus any Prior Service.
Normal Form of Benefit	Single Life Annuity
	Options available include joint and survivor (50%, 75%, or 100%), term certain (60 or 120 months) and life thereafter, partial lump sum option (PLSO), and accelerated payment plan (APP).

A. Summary of Benefit Provisions (continued)

Early (Age Reduced) Retirement

Eligibility	Attainment of age 55 and under age 60 with at least five years of creditable service.
Benefit	Normal retirement benefit accrued to the date of early retirement, actuarially reduced from age 60.

Special Early Retirement Under Modified Formula

Eligibility	Retirement at an age under 55 and with at least 25 years of creditable service but not eligible for the Rule of 80.
Benefit	Based on a percentage of final average salary per year of creditable service. Percentages are as follows:

Years of Service	Benefit Percentage
25-25.9	1.51%
26-26.9	1.53%
27-27.9	1.55%
28-28.9	1.57%
29-29.9	1.59%

COLA Adjustments

The Board has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00%, the Board will provide a COLA of 5.00%. If the CPI decreases, no COLA is provided.

For any member such adjustments commence in the fourth January after commencement of benefits. The total of such increases may not exceed 80% of the original benefit for any member.

Disability Benefits

Definition of Disability	Incapacity for performance of gainful employment after completion of five years of creditable service and before age 60.
Benefit	Lifetime benefit equal to 90% of accrued normal retirement benefit.
Form of Benefit	If eligible, surviving spouse may elect a survivor benefit. COLA adjustments similar to those provided to retirees are provided on this benefit.

A. Summary of Benefit Provisions (continued)

Vesting	
Eligibility	Completion of five years of creditable service.
Benefit	Accrued normal retirement benefit payable at earliest retirement age based on service at date of termination. Benefit is based on formula in effect at commencement of benefit.
Death/Survivor Benefits	
Refund	Refund of accumulated member contributions with interest.
Survivor Benefits	If the member has at least 5 years of creditable service at date of death, the spouse may receive a survivor benefit based on 100% J&S equivalent of the benefit accrued to date of death. The benefit may commence: 1. Immediately if member is eligible to retire at date of death, or 2. At a future retirement date of the deceased member. The benefit may be reduced for early commencement if the deceased member would not have been eligible for unreduced retirement at that date based on service to date of death. COLA adjustments similar to those provided to retirees are provided on these benefits.
Changes in Benefit Provisions	There have been no changes since the June 30, 2013 valuation.