

Park Hill School District

INVESTMENT SECTION



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

Pictured at right is the current Graden Elementary School.



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

Growing schools for growing minds

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December 1, 2008

To the Members of the Board:

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

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

The Total Fund return for the fiscal year ended June 30, 2008 was -4.6% for both PSRS and PEERS, ahead of the policy benchmark return of -4.9%. The absolute returns in both U.S. equity and global equity were negative at -12.7% and -8.8%, respectively. The Systems continue to see evidence that efforts to more broadly diversify the portfolio are having the effect intended, delivering higher returns at a marginal increase in volatility relative to the legacy policy. Allocations to private equity, real estate and hedge funds all produced much stronger returns than the public equity markets for the fiscal year.

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

We at Russell have enjoyed another productive year working with Missouri PSRS/PEERS, and are looking forward to the coming year.

Regards,



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





December 11, 2008

To the Members of the Systems:

On behalf of the PSRS and PEERS Board of Trustees and the internal investment staff, I am pleased to present the following reports on the Systems' investments for the fiscal year ended June 30, 2008.

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

The primary purpose of this annual letter is to review the investment activity of the prior fiscal year and to provide the members with an update on significant investment changes within the Systems' portfolios. However, the credit crisis that began to unfold last year escalated into a major stock market decline in the months following the close of the PSRS and PEERS most recent fiscal year. Thus, it is worthwhile to spend a portion of this letter on the current financial environment.

Fiscal Year 2008 Review

As discussed in previous letters in this publication, the Systems have increased exposure (in a deliberate manner) over the last several years to alternative investments. However, the Systems have **not** meaningfully increased the total portfolio risk or the exposure to derivative instruments. In fact, the investment staff and the Board made a significant decision in December 2007 to **lower** the credit risk of the portfolio. In my annual letter last year I stated that, "We expect further volatility in the financial markets for much of fiscal year 2008. The global unwinding of risk is probably not over nor are the daily reports of new portfolio problems from market participants." As a result of this view, approximately 25% of the entire PSRS/PEERS portfolio was transitioned to U.S. Treasury bonds in January 2008. Treasury bonds are the safest and most liquid assets in the world today. As of November 30, 2008, the Systems had over \$7 billion invested in high quality bonds including U.S. Treasury securities. As a direct result of this movement of assets from corporate bonds to Treasury bonds, the Systems' level of assets is almost \$1 billion greater than without the transition.

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

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

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 www.psr-peers.org

assumption of 8.0%. The PSRS/PEERS investment returns were generated while taking less risk than a large majority of other public pension funds in the nation over all time periods. Investment performance throughout this report is calculated using a time-weighted rate of return based on market values.

A Fall Fall

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

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

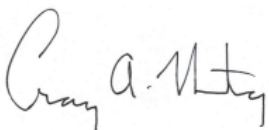
PSRS/PEERS will almost assuredly experience negative investment returns again in fiscal year 2009. The losses most likely will occur despite significant exposure to safe assets, such as U.S. Treasuries, that provided some stability over the last 18 months. Regardless of the market environment, the investment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

Long-term Commitment

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

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

Sincerely,



Craig A. Husting, CFA
Chief Investment Officer

As of June 30, 2008

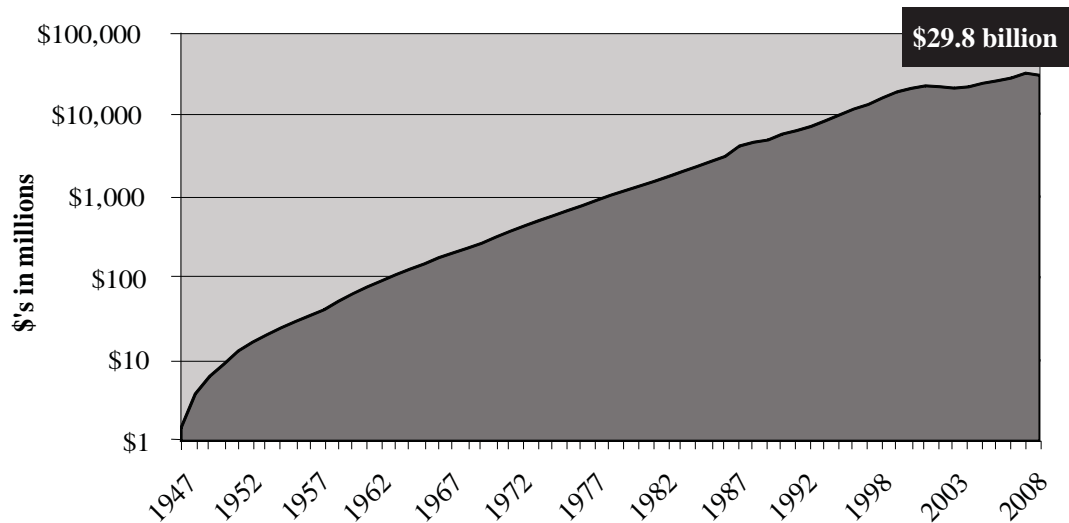
The Board of Trustees of the Public School and Public Education Employee Retirement Systems of Missouri (PSRS/PEERS) is charged with the responsibility for investing the assets of the Systems in a manner consistent with the fiduciary standards set forth in the 'prudent person' rule. To that end, the Board has adopted the following principles to guide all investment-related decisions:

- (1) Act in the exclusive interest of the members of the Systems,
- (2) Maximize total return within prudent risk parameters,
- (3) Preserve the long-term purchasing power of the fund.

The investment portfolios of PSRS/PEERS represent all contributions to the plans, from members and their employers, as well as all net earnings on these assets. These funds are held in support of both current and future liabilities.

Total assets decreased to \$29.8 billion as of June 30, 2008 from \$31.8 billion at the beginning of the fiscal year, a change of approximately \$2 billion. This decrease resulted from the poor environment in the U.S. and international equity markets primarily due to the credit crisis. The long-term growth in assets since the inception of PSRS in 1946 and PEERS in 1965 is shown in the graph below.

61 YEARS OF GROWTH



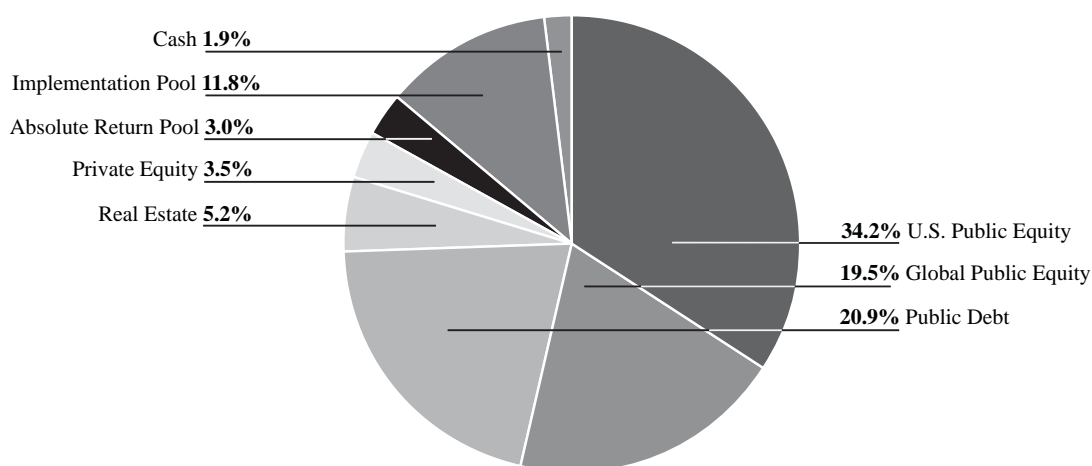
As of June 30, 2008

The time horizon of the Systems' investment portfolio reflects the long-term nature of the PSRS/PEERS pension obligations. Accordingly, diversification among investments displaying unique risk and return characteristics provides the framework for selecting an asset allocation that is expected, in the aggregate, to give the Systems the highest long-term return within a prudent risk level.

The Systems' investment portfolio includes strategic, long-term commitments in the following asset classes: U.S. Public Equity, Global Public Equity, Public Debt, Real Estate, Private Equity and Absolute Return Assets. An Implementation Pool serves as a placeholder for interim assets that will be utilized in funding the alternative asset classes: Real Estate, Private Equity and the Absolute Return Pool. The Systems' asset allocation is reviewed in conjunction with plan liabilities at least every three years.

ASSET ALLOCATION

June 30, 2008



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

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

** Total Investments includes accrued income and excludes securities lending collateral as of June 30, 2008.

Periods Ended June 30, 2008

Total Fund Investment Returns*

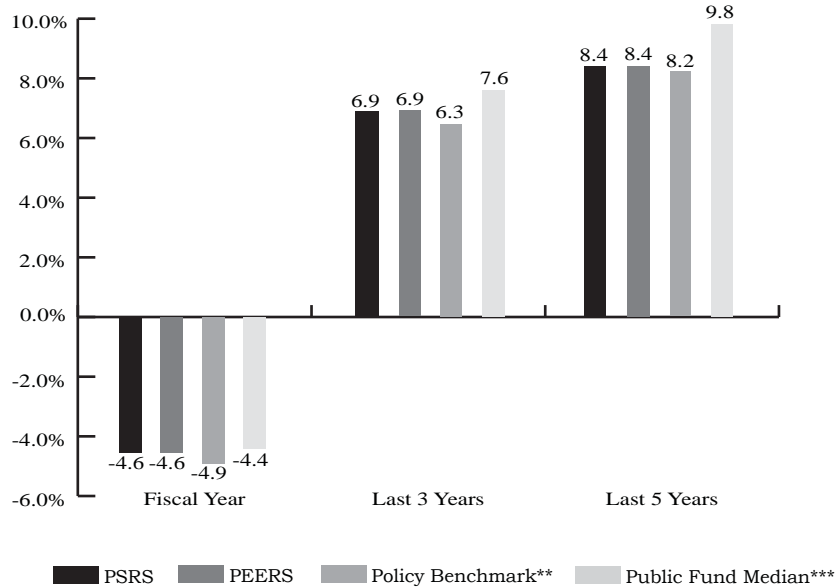
The Board has established a long-term goal to achieve a total investment return of at least 8.0% per year and a real rate of return of at least 4.75% per year. The real rate of return is the rate by which the long-term total return exceeds the inflation rate. The one- and three-year total returns for PSRS and PEERS were below the long-term investment objective of 8.0% due to the negative global equity market environment resulting from the ongoing credit crisis, while the five-year total returns exceeded the long-term objective. The Systems'

total returns for the three time periods were below the public fund median returns largely due to asset allocation differences. PSRS/PEERS' performance exceeded the policy benchmark returns for all three time periods through the utilization of active investment management. The policy benchmark provides an indication of the returns that have been achieved (excluding transaction costs) by a portfolio invested passively in the broad market with percentage weights allocated to each asset class in the PSRS/PEERS policy asset allocation.

TOTAL FUND INVESTMENT RETURNS

June 30, 2008

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



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

** As of June 30, 2008, the Policy Benchmark was comprised of 41.5% Russell 3000 Index, 24.5% Lehman U.S. Treasury Blend, 18.0% MSCI All Country World ex-U.S. Free Index, 5.0% Lehman U.S. TIPS 1-10yr Index, 4.5% MSCI All Country World Free Index, 3.5% NCREIF Property Index, 2.0% Absolute Return of 8% and 1.0% FTSE NAREIT Equity Index.

***The Public Fund Median return reflects the performance of a universe of public pension plans with assets in excess of \$1 billion.

As of June 30, 2008

Market Value

As of June 30, 2008, the combined PSRS/PEERS domestic public equity assets had a market value of approximately \$10.4 billion, representing 34.9% of total assets.

U.S. Public Equity Statistics

The following table displays the statistical characteristics of the PSRS/PEERS U.S. Public Equity composite as of June 30, 2008 with comparisons shown to the portfolio's policy benchmark (Russell 3000 Index). In addition, the top 10 U.S. stock holdings as of June 30, 2008 are shown in the table below the characteristics.

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

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

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

As of June 30, 2008

U.S. Public Equity Structure

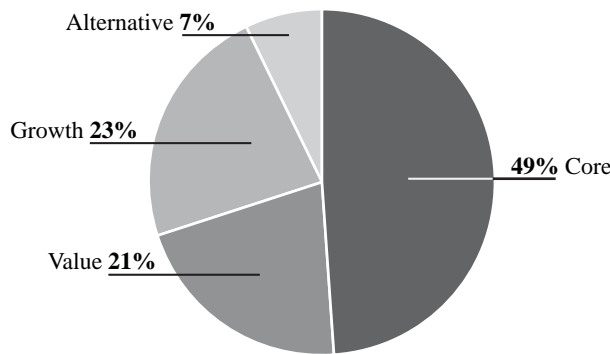
As of June 30, 2008, 39.8% of the PSRS/PEERS domestic public equity composite was passively managed. The remainder of the portfolio was actively managed and diversified across a broad array of capitalization ranges and investment styles, including the Small Cap Alpha Pool (S-CAP) and the Alpha Overlay composite (formerly the Equity Manager Alpha Pool). Both programs represent

multi-manager pools of assets managed within the overall PSRS/PEERS domestic public equity structure. The S-CAP Program encompasses all small capitalization assets and began on July 1, 2005. The Alpha Overlay composite focuses on managers offering higher 'alpha' generating strategies and includes alternative equity mandates (hedge funds).

The pie charts below depict the domestic public equity portfolio by presenting the current style structure of the portfolio as well as the allocation by composite.

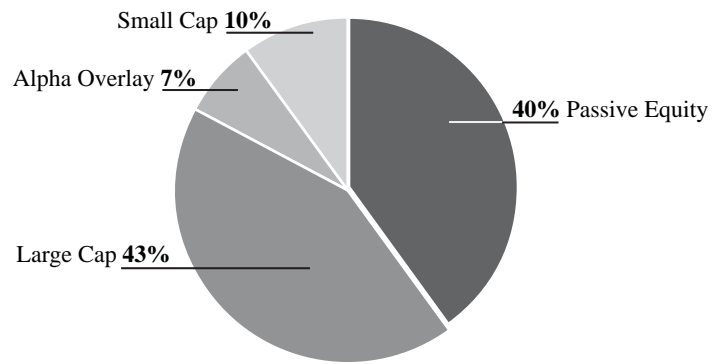
STYLE ALLOCATION

June 30, 2008

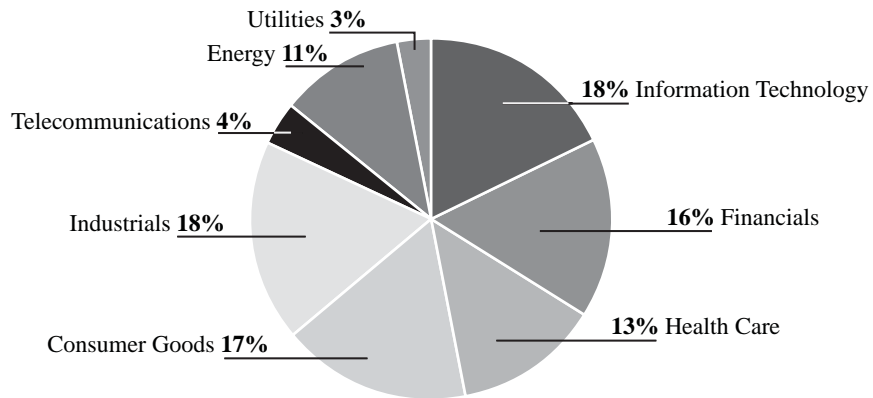


COMPOSITE ALLOCATION

June 30, 2008



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



As of June 30, 2008

U.S. Public Equity Investment Advisors

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

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

* Includes manager cash.

Periods ended June 30, 2008

U.S. Public Equity Investment Returns

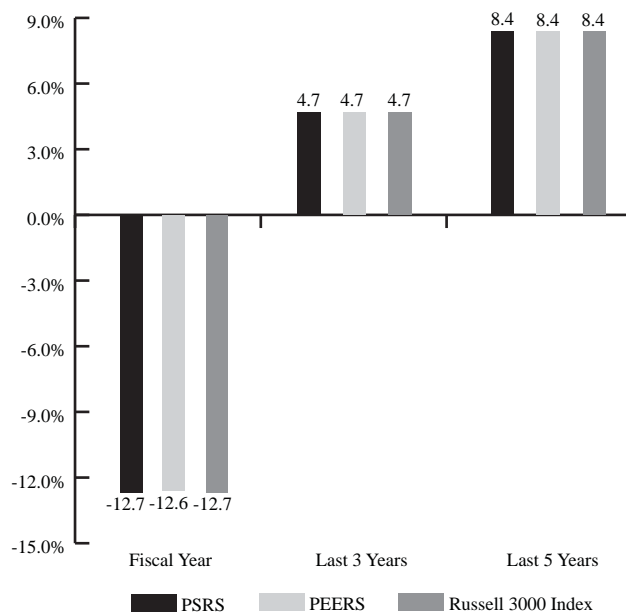
The U.S. equity market experienced negative returns during fiscal year 2008 due to the ongoing global credit crisis. Financial, consumer staples and consumer discretionary stocks recorded the largest losses during the year, which overwhelmed gains in the oil, other energy and materials portion of the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

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

U.S. PUBLIC EQUITY INVESTMENT RETURNS

June 30, 2008

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



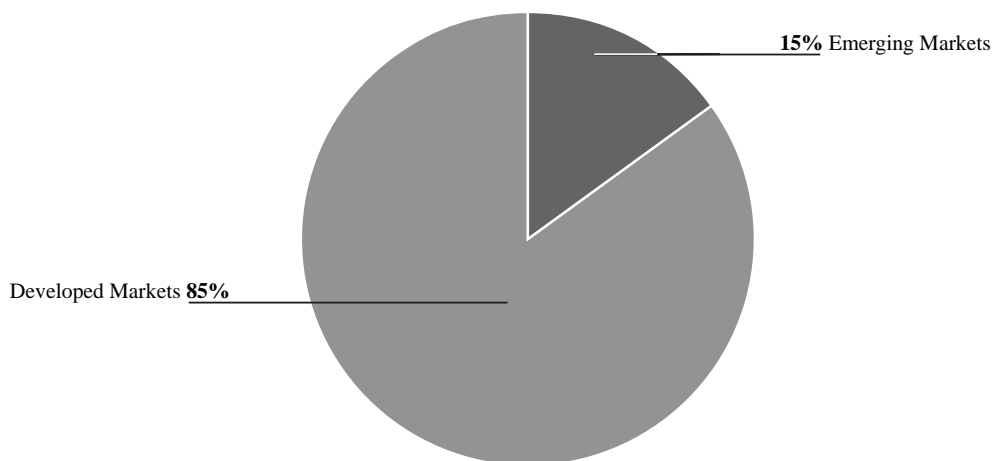
As of June 30, 2008

Market Value

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

Global Public Equity Statistics

The pie chart below presents a breakdown of investments across developed and emerging markets in the global public equity composite. The following table displays the top 10 global stock holdings as of June 30, 2008.



Top 10 Largest Holdings* June 30, 2008

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

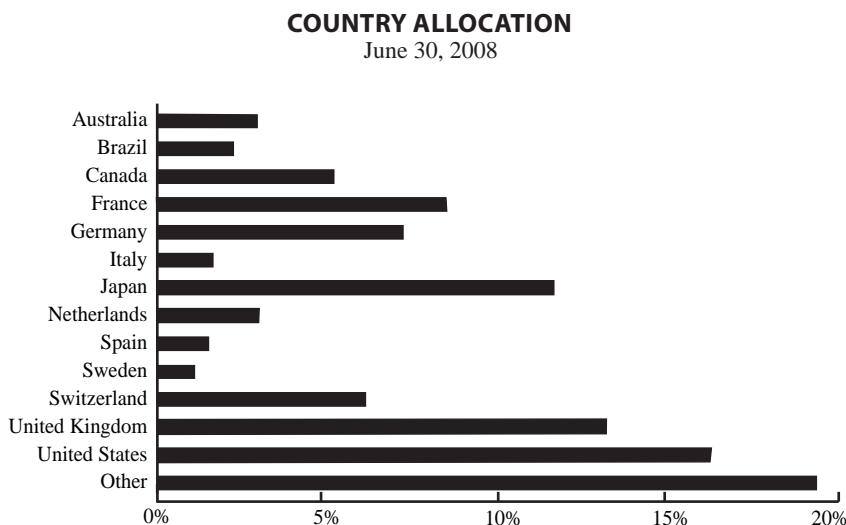
*Includes only actively managed separate accounts.
A complete list of portfolio holdings is available upon request.

As of June 30, 2008

Global Public Equity Structure

As of June 30, 2008, the PSRS/PEERS global equity portfolios were 10.2% passively managed. The remaining 89.8% of the portfolio was actively managed and diversified across capitalization ranges, styles and

a number of developed and emerging market countries. The bar graph below displays the specific country exposure within the composite.



Global Public Equity Investment Advisors

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

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

*Includes manager cash.

Periods ended June 30, 2008

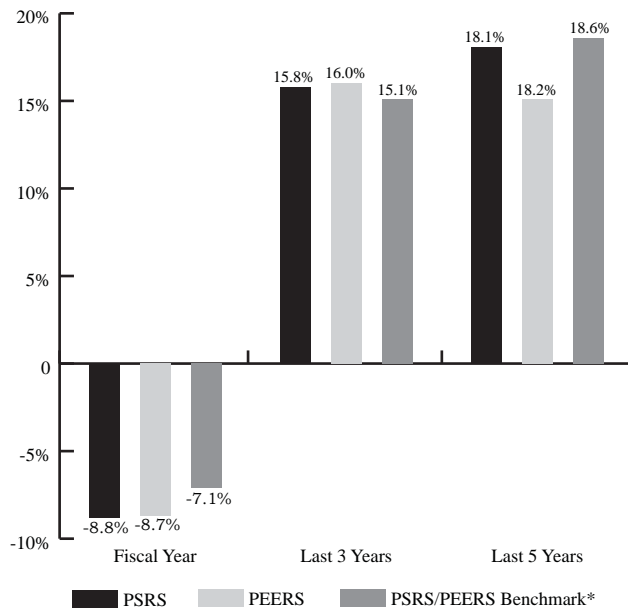
Global Public Equity Investment Returns

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

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

GLOBAL PUBLIC EQUITY INVESTMENT RETURNS
June 30, 2008

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



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

As of June 30, 2008

Market Value

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

Fixed Income Statistics

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

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

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

* The PSRS/PEERS public debt composite benchmark consisted of 72.0% Lehman Intermediate U.S. Treasury Index, 20.0% Lehman U.S. TIPS 1-10 Year Index and 8.0% Lehman Long U.S. Treasury Index as of June 30, 2008.

** Includes only actively managed separate accounts.

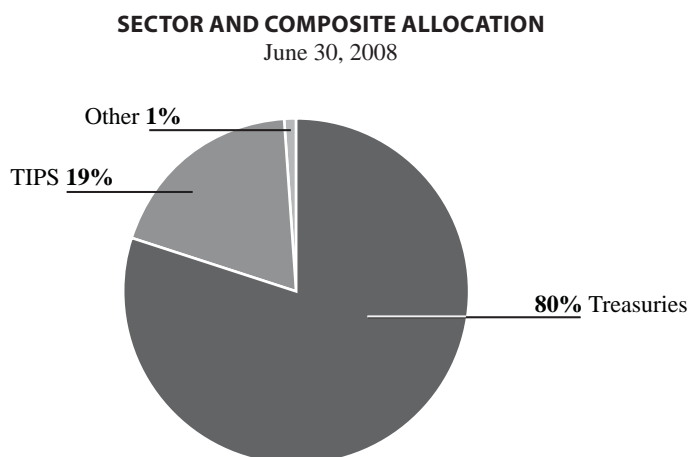
A complete list of portfolio holdings is available upon request.

As of June 30, 2008

Public Debt Structure

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

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



Public Debt Investment Advisor

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

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

*Includes manager cash.

Periods Ended June 30, 2008

Public Debt Investment Returns

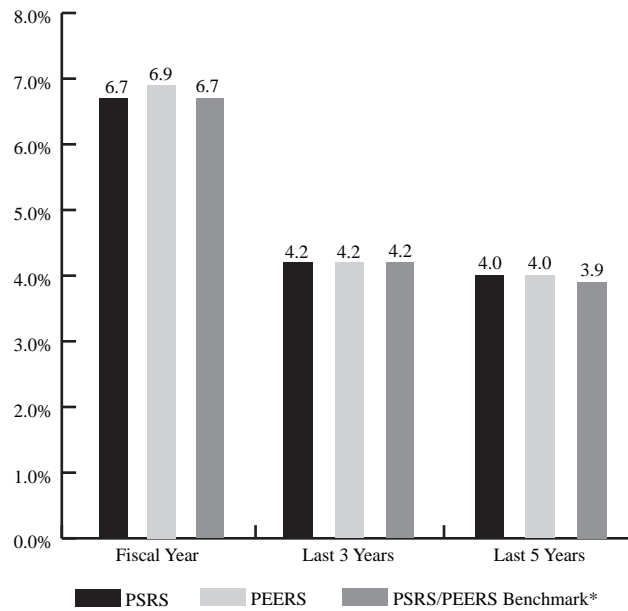
The total annualized returns on the PSRS and PEERS public debt portfolios for the fiscal year were 6.7% and 6.9%, respectively. PSRS' performance equaled the Systems' Public Debt benchmark, while PEERS outperformed the benchmark by 20 basis points. The

annualized total return on the PSRS and PEERS public debt portfolios for the three-year time period equaled the performance of the Systems' Public Debt Benchmark, while the annualized total return for the five-year time period exceeded the benchmark by 10 basis points.

PUBLIC DEBT INVESTMENT RETURNS

June 30, 2008

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



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

As of June 30, 2008

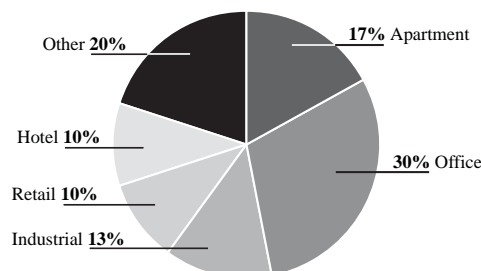
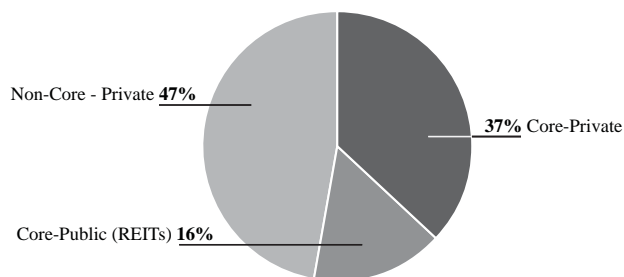
Market Value

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

Real Estate Structure

In October 2006, the PSRS/PEERS Board of Trustees approved an increase to 7.5% for the target allocation to the real estate asset class. Within the overall real estate allocation, the Systems have established a 50% target allocation to non-core real estate, a 30% allocation to core private real estate and a 20% allocation to core public real estate (REITs). The non-core allocation includes both high return and enhanced property types. The objective of the real estate allocation is to achieve superior risk-adjusted returns, as well as to benefit from the diversification effect provided by real estate investments.

The left pie chart below shows the current allocation to real estate investment strategies utilizing the market value of the Systems' invested real estate assets. The right pie chart shows the diversification within the real estate composite by property type.



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

As of June 30, 2008

Real Estate Investment Advisors

The following investment advisors and limited partnerships provided investment management for the Retirement Systems' real estate assets as of June 30, 2008.

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

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

Periods ended June 30, 2008

Real Estate Investment Returns

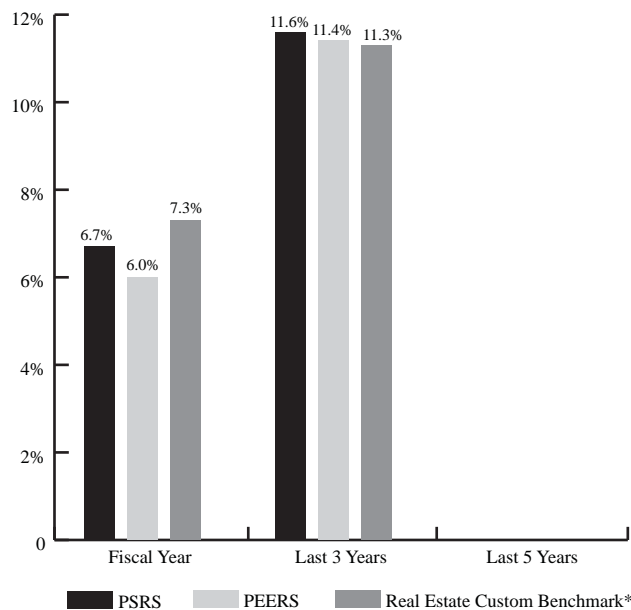
Fiscal year 2008 represented the third year that PSRS and PEERS had meaningful assets invested in the real estate asset class. The Systems have benefited from the strong real estate market through that time period. However, the real estate market weakened in the latter part of fiscal year 2008 and performance going forward is expected to decline. The funds and partnerships within the PSRS/PEERS real estate allocation were selected in conjunction with the Systems' real estate consultant, The Townsend Group.

Within the overall real estate universe, public REITs lost 13.6% for the fiscal year while private real estate provided a positive total return of 9.2%. The total returns for the PSRS and PEERS real estate portfolios were 6.7% and 6.0%, respectively, compared to the Systems' benchmark return of 7.3% for the fiscal year ended June 30, 2008. Three-year real estate composite returns outperformed the benchmark.

REAL ESTATE INVESTMENT RETURNS

June 30, 2008

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



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

As of June 30, 2008

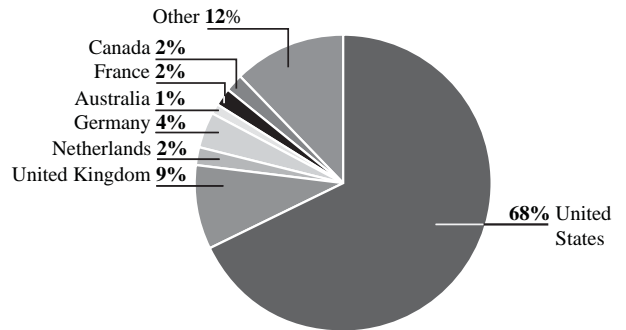
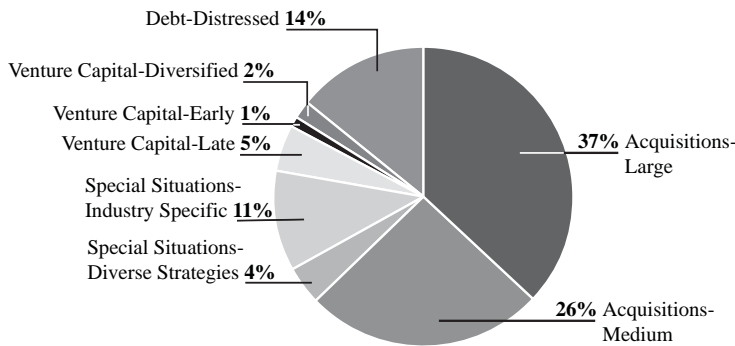
Market Value

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

Private Equity Structure

The objective for the Systems' allocation to private equity is to achieve returns that are higher than those attainable in the public equity markets with the added benefit of diversification. The target allocation to the private equity asset class as of June 30, 2008 was 7.5%. The PSRS/PEERS Board of Trustees approved an increase to 10.5% for the target allocation in October 2008. The long-term and illiquid nature of the private equity asset class dictates that capital must be invested at a measured pace. Pathway Capital Management has been retained by the Systems to provide private equity investment management services through two structures; a discretionary fund-of-funds relationship and an advisory relationship.

The pie charts below show the diversification (utilizing the market value of the assets that have been invested) of the Systems' private equity holdings as of June 30, 2008 from both strategy and country perspectives.



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

As of June 30, 2008

Private Equity Investment Advisors

The following investment advisors and limited partnerships provided investment management for the Retirement Systems' private equity assets as of June 30, 2008.

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

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

Periods ended June 30, 2008

Private Equity Investment Returns

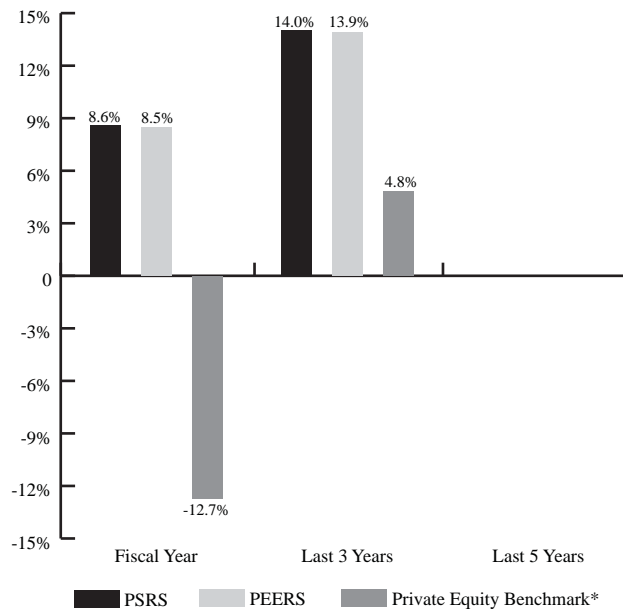
Fiscal year 2008 represented the fourth year that PSRS and PEERS had meaningful assets invested in the private equity asset class. During the beginning of fiscal year 2008 private equity funds experienced record volumes of buyout activity; however by the end of the fiscal year they were experiencing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

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

PRIVATE EQUITY INVESTMENT RETURNS

June 30, 2008

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



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

As of June 30, 2008

Market Value

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

Absolute Return Pool Structure

In October 2006, the PSRS/PEERS Board of Trustees approved the Absolute Return Pool as a separate and distinct asset class with a target allocation of 7.0%. This composite will differ from the Systems' other asset classes primarily through a greater focus on earning consistent, absolute returns across economic and market

cycles, as well as providing diversification benefits to the total fund. Within the overall absolute return composite, guidelines have been adopted specifying the following sub-asset class ranges: (1) 0 to 100% in traditional investments such as public equity and debt, (2) 0 to 50% in non-traditional investments such as hedge funds, and (3) 0 to 75% in private investments.

The primary objective of this composite is to achieve a net-of-fees return in excess of 8.0% over a full market cycle with volatility (standard deviation, or risk) similar to the total fund. It is expected that the volatility will be significantly higher than the Public Debt asset class but lower than the Public Equity asset class over long periods of time.

Absolute Return Pool Investment Advisors

The following investment advisors and limited partnerships provided investment management for the Retirement Systems' absolute return assets as of June 30, 2008.

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

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

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

As of June 30, 2008

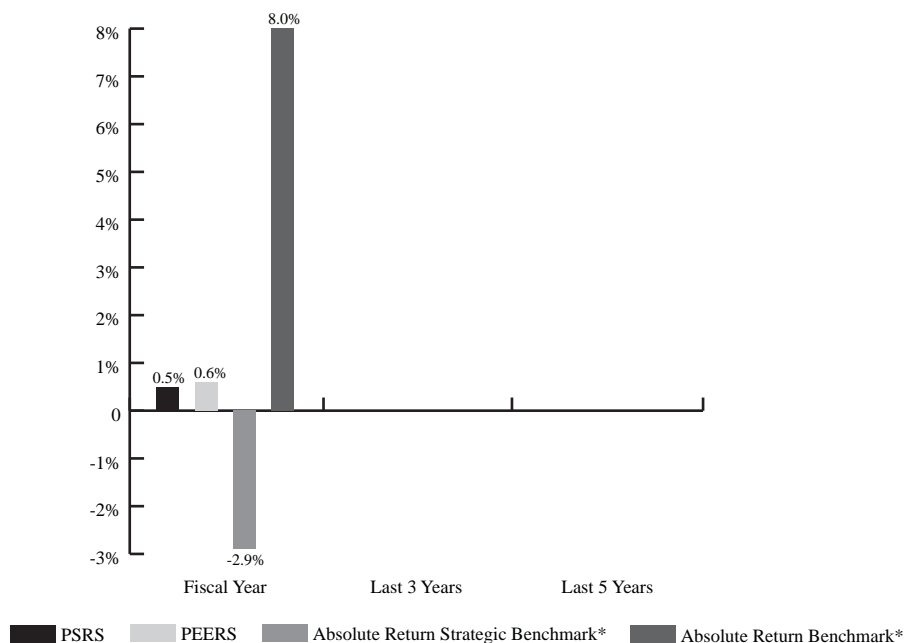
Absolute Return Pool Investment Returns

The total annualized returns on the PSRS and PEERS absolute return pool portfolios for the fiscal year were 0.5% and 0.6%, respectively. PSRS' and PEERS' performance was significantly below the Systems' Absolute Return Benchmark by policy but above the short-term Strategic

Benchmark*. The Absolute Return Pool is in the early stages of development, which results in a significant J-Curve Effect** for the private assets held within the strategy. The J-Curve Effect contributed to the underperformance relative to the Policy benchmark, which is common in the early stages of such investments.

ABSOLUTE RETURN INVESTMENT RETURNS
June 30, 2008

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



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

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

As of June 30, 2008

Market Value

As of June 30, 2008, the combined PSRS/PEERS implementation assets had a market value of approximately \$3.6 billion, representing 12.0% of total assets.

Implementation Pool Structure

In April 2007, the PSRS/PEERS Board of Trustees approved the Implementation Pool as a separate, but temporary, asset class for inclusion in the Systems' investment portfolios. This composite will act as a placeholder for assets that will eventually be invested in the PSRS/PEERS alternative asset classes: Real Estate, Private Equity and the Absolute Return Pool. The allocation to implementation assets will decline as assets

are transitioned into the alternative asset classes. It is anticipated that the Implementation Pool could be utilized for up to five years because of the long-term investment cycle involved with private assets.

The primary objective of this composite is to earn meaningful returns above public debt over a full market cycle while taking less risk than public equities. The Implementation Pool will include a diversified group of liquid investment vehicles that primarily provide favorable risk-adjusted rates of return. The expected volatility for the composite should be similar to that of the total fund while providing diversification benefits for the total portfolio. The funding of this composite has been completed and assets are being transitioned to private investments.

Implementation Pool Investment Advisors

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

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

* Includes manager cash.

Implementation Pool Review

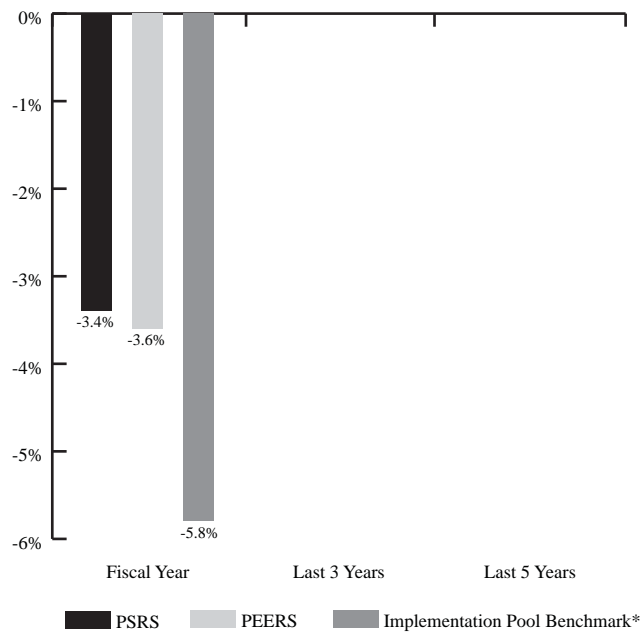
As of June 30, 2008

Implementation Pool Investment Returns
The total annualized returns on the PSRS and PEERS implementation pool portfolios for the fiscal year were

-3.4% and -3.6%, respectively. PSRS and PEERS outperformed the Systems' Implementation Pool Benchmark* by 240 and 220 basis points, respectively.

IMPLEMENTATION POOL INVESTMENT RETURNS
June 30, 2008

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



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

For the Fiscal Year Ended June 30, 2008

PSRS

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

PEERS

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

Global Public Equity Broker Commissions Report

INVESTMENT SECTION

For the Fiscal Year Ended June 30, 2008

PSRS

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

PEERS

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

As of June 30, 2008

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

Reconciliation with financial statements

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

Investment Expenses

INVESTMENT SECTION

For the year ended June 30, 2008

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

(continued on page 85)

For the year ended June 30, 2008

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

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

