FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of plan net assets of the Public School and Public Education Employee Retirement Systems of Missouri (the Systems) as of June 30, 2009 and the related statements of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Systems' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Public School and Public Education Employee Retirement Systems of Missouri at June 30, 2009 and the changes in plan net assets for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 20 through 25 and the schedules of funding progress and employer contributions on pages 44 through 46 are not a required part of the basic financial statements of the systems, but are supplementary information required by the Governmental Accounting Standards Board (GASB). The required supplementary information is the responsibility of management of the Systems. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included on pages 47 through 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Systems. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The Introductory, Investment, Actuarial, and Statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Williams Keepers LLC

October 20, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

This discussion and analysis of the financial position of the Public School Retirement System and the Public Education Employee Retirement System (collectively referred to as the Systems) provides an overview of the Systems' financial activities for the fiscal year ended June 30, 2009. We encourage you to consider the information presented here in conjunction with additional information presented in the financial statements and required supplementary information.

Financial Highlights

The following highlights are explained in more detail for each System later in this discussion.

The combined net assets of the Systems at June 30, 2009 were $23.7 billion. The net assets were down $6.3 billion from June 30, 2008. This decrease was directly related to the extended global credit crisis and overall global economic slowdown that began during fiscal year 2008 and increased in severity during fiscal year 2009. These events resulted in a decrease in the fair value of investments.

The overall investment return (loss) was (19.3%) for the Public School Retirement System (PSRS) and (18.9%) for the Public Education Employee Retirement System (PEERS). This was a direct result of unprecedented investment market events which resulted in the failure of several large domestic and foreign financial institutions during the year. The overall investment return of the Systems was marginally below the Systems' benchmark returns and comparable to the median return of large institutional pension funds.

The Systems' funding objective is to meet long-term benefit obligations through the accumulation of contributions and investment income. This funding is to be carried out in such a way to ensure that the burden of paying retirement costs shall be shared equitably by present and succeeding generations of members and taxpayers.

As of June 30, 2009, the funded ratios were 79.9% for PSRS and 80.7% for PEERS. As of June 30, 2008, the funded ratios were 83.4% for PSRS and 82.5% for PEERS. To arrive at the actuarial value of assets as of June 30, 2009 and 2008, we used an asset smoothing method by which investment returns above or below 8% are recognized over a five-year period.

Revenues for fiscal year 2009 were comprised of contribution revenue of $1.3 billion and investment losses of $5.8 billion, compared to contribution revenue of $1.2 billion and investment losses of $1.5 billion for fiscal year 2008.

Expenses increased 9.7% over the prior year from $1.7 billion to $1.9 billion. Service retirement benefits increased by $138.6 million from $1.47 billion in fiscal year 2008 to $1.6 billion in fiscal year 2009. Another $77.7 million was paid to retirees electing the Partial Lump Sum Option (PLSO). This cost was up $14.8 million from the $62.9 million paid during fiscal year 2008. This option allows eligible retirees to elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time payment at retirement equal to 12, 24, or 36 times the Option 1, Single-Life benefit amount.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial report of the Systems. The financial report consists of: The basic financial statements, comprised of the Statements of Plan Net Assets and the Statements of Changes in Plan Net Assets; the notes to the basic financial statements; and the required and other supplementary information.

The Statements of Plan Net Assets (page 26) present information on the assets and liabilities of the Systems, with the difference between the two reported as net assets. The net assets of the Systems reflect the resources available to pay benefits to members when due. Over time, increases and decreases in net assets measure whether the Systems' financial position is improving or deteriorating.

The Statements of Changes in Plan Net Assets (page 27) present information detailing the changes in net assets that occurred during the current fiscal year. All changes in net assets are reported on an accrual basis. This means that the revenue or expense is recognized as soon as the underlying event giving rise to the change occurs, regardless of when the actual cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. For example, contributions due from a district, even though not yet paid by year end, will be reflected as revenue. Earned vacation accruals will be reflected as an expense, even though they have not been paid to employees.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 28 through 43. The report also contains required supplementary information in addition to the basic financial statements themselves.

The Schedules of Funding Progress (page 44) include historical trend information about the actuarially funded status of each pension plan from a long-term, ongoing perspective and the progress made in accumulating assets to pay benefits when due.

The Schedules of Employer Contributions (page 45) present historical trend information about the annual required contributions of employers and the actual contributions made by employers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Schedule of Funding Progress (page 46) includes historical trend information about the actuarially funded status of the defined benefit other post-employment benefit (OPEB) plan from a long-term, ongoing perspective and the progress made in accumulating assets to pay benefits when due.

The Schedule of Employer Contributions (page 46) presents historical trend information about the annual required contributions of the employer and the actual employer contributions made for the defined benefit OPEB plan.

The Schedule of Percentage of OPEB Cost Contributed (page 46) presents historical trend information about the annual OPEB costs and the actual contributions made for the defined benefit OPEB plan.

Other supplementary schedules are also included. The Schedule of Administrative Expenses (page 47) presents the overall cost of administering the Systems. The Schedule of Professional/Consultant Fees (page 49) further details this category of administrative expense.

The Schedule of Investment Expenses (page 48) shows the costs associated with investing the assets of the Systems. These expenses are shown as a reduction of revenue on the Statement of Changes in Plan Net Assets.

Financial Analysis of the Public School Retirement System

The Public School Retirement System (PSRS) is a mandatory cost-sharing multiple employer retirement system for full-time certificated employees and certain part-time employees of participating employers. PSRS members were required to contribute 13.0% of their annual covered salary during 2009. The employer was required to match that amount. Most PSRS members do not contribute to Social Security, except for employees hired after 1986 who contribute to Medicare only.

Assets
Total assets of PSRS as of June 30, 2009 were $25.2 billion and were mostly comprised of cash, investments, and contributions due from employers. Total assets decreased by $12.1 billion or 32.5% from the prior year due to investment losses and a $5.5 billion decrease in securities lending collateral. A corresponding reduction in liabilities was also noted for obligations under securities lending arrangements.

Liabilities
Total liabilities as of June 30, 2009, were $3.6 billion and were mostly comprised of payables from the purchase of investments. Total liabilities decreased by $6.3 billion from the prior year. This decrease was primarily due to decreased obligations under security lending arrangements as discussed above.

Net Assets
System assets exceeded liabilities at June 30, 2009, by $21.6 billion. This was down from 2008 net assets of $27.4 billion by $5.8 billion. This reduction was primarily due to investment losses from the unprecedented adverse market conditions previously discussed. Investment losses totaled $5.3 billion for the year. In addition, benefit payments and other expenses exceeded contribution revenue by $0.5 billion. This trend is a natural progression in a mature defined benefit plan.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	2009	2008	Change
Cash & investments	$ 22,564,548	$ 34,009,978	$ (11,445,430)
Receivables	2,640,432	3,306,861	(666,429)
Other	12,442	14,293	(1,851)
Total assets	25,217,422	37,331,132	(12,113,710)
Total liabilities	3,628,245	9,896,093	(6,267,848)
Plan net assets	$ 21,589,177	$ 27,435,039	$ (5,845,862)

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

	2009	2008	Change
Additions			
Member contributions	$ 599,582	$ 572,810	$ 26,772
Employer contributions	563,454	521,242	42,212
Investment loss	(5,301,374)	(1,385,701)	(3,915,673)
Other	627	370	257
Total deductions	(4,137,711)	(291,279)	(3,846,432)
Deductions			
Monthly benefits	1,651,608	1,502,974	148,634
Refunds of contributions	46,408	46,301	107
Administrative expenses	10,122	8,042	2,080
Other	13	32	(19)
Total deductions	1,708,151	1,557,349	150,802
Change in plan net assets	$ (5,845,862)	$ (1,848,628)	$ (3,997,234)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues – Additions to Plan Net Assets
The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through investment earnings. Total contribution revenue for the year increased by $69.0 million to $1.2 billion. This was a 6.3% increase over the prior year. Retirement contributions were calculated at 13.0% of retirement salary for each member during fiscal year 2009. The employer matched this amount. Contribution rate increases accounted for 4.0% of the increase. In addition to contributions on salary, members may also pay contributions to reinstate previously withdrawn service credit or to purchase various types of elective credit. Such contributions for the year decreased by $15.2 million or 27.1%. The remainder of the increase in contributions is attributed to increased salaries and healthcare benefits.

The net investment loss was $5.3 billion as compared to a net investment loss of $1.4 billion in 2008. The 2009 investment markets experienced significant adverse conditions which resulted in investment losses. Such conditions included the extended global credit crisis and an overall global economic slowdown. These events resulted in the failure of several large domestic and foreign financial institutions during the year. All investment related expenses, such as fees paid to investment managers, are reflected as a reduction in revenue and are accounted for in this net figure.

Expenses – Deductions from Plan Net Assets
The primary expenses of PSRS include the payment of pension benefits to members and beneficiaries, refunds of contributions to former members, and the cost of administering the System. Total expenses for fiscal year 2009 were $1.7 billion, an increase of 9.7% over fiscal year 2008.

Benefit expenses increased by $148.6 million. This was a result of cost-of-living increases applied to the benefits of current retirees, increased PLSO payments and the addition of 2,666 new service and disability retirees. There were no changes to the benefit formula during 2009. Refunds of contributions increased by $0.1 million to $46.4 million.

Administrative expenses increased by $2.1 million to $10.1 million. This was a 25.9% increase, which is attributable to a variety of factors including: providing a 3.9% COLA increase plus a 3% merit pool for staff members, increased depreciation expense related to newly completed information technology projects and increased external legal fees. The cost of these items was charged 60% to PSRS and 40% to PEERS, unless the expense was determined to be of direct benefit to only one system. In such instance, the allocation of expense was 100% to the benefited System. As always, we will continue to look for ways to streamline costs where prudent.

Financial Analysis of the Public Education Employee Retirement System

The Public Education Employee Retirement System (PEERS) is a mandatory cost-sharing multiple employer retirement system for non-certificated employees and certain part-time certificated employees of participating employers. PEERS members were required to contribute 6.25% of their annual covered salary during 2009. The employer was required to match that amount. PEERS members also contribute to Social Security.

Assets
Total assets of PEERS as of June 30, 2009 were $2.5 billion and were mostly comprised of cash, investments, and contributions due from employers. Total assets decreased by $1.1 billion or 31.2% from the prior year primarily due to investment losses and a $0.6 billion decrease in securities lending collateral. A corresponding reduction in liabilities was also noted for obligations under securities lending arrangements.

Liabilities
Total liabilities as of June 30, 2009 were $0.4 billion and were mostly comprised of payables from the purchase of investments. Total liabilities decreased by $0.7 billion. This decrease was primarily due to decreased obligations under security lending arrangements as discussed above.

Net Assets
PEERS assets exceeded liabilities at the close of fiscal year 2009 by $2.1 billion. This was down from 2008 net assets by $0.5 billion. This reduction was primarily due to a reduction in investment earnings due to the adverse market conditions previously discussed. Investment losses totaled $0.5 billion for the year. Because PEERS is a much younger plan than PSRS, contribution revenues exceeded benefit payments and other expenses by $27.6 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	2009	2008	Change
Cash & investments	$ 2,231,072	$ 3,321,490	$ (1,090,418)
Receivables	253,462	287,819	(34,357)
Total assets	2,484,534	3,609,309	(1,124,775)
Total liabilities	370,861	1,033,647	(662,786)
Plan net assets	$ 2,113,673	$ 2,575,662	$ (461,989)

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

	2009	2008	Change
Additions			
Member contributions	$ 89,427	$ 81,370	$ 8,057
Employer contributions	85,916	77,989	7,927
Investment loss	(489,552)	(130,619)	(358,933)
Total deductions	(314,209)	28,740	(342,949)
Deductions			
Monthly benefits	126,667	114,064	12,603
Refunds of contributions	15,673	15,509	164
Administrative expenses	5,431	4,681	750
Other	9	-	9
Total deductions	147,780	134,254	13,526
Change in plan net assets	$ (461,989)	$ (105,514)	$ (356,475)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues – Additions to Plan Net Assets
The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through investment earnings. Total contribution revenue for the year increased by $16.0 million to $175.3 million. This was a 10.0% increase over the prior year. Retirement contributions were calculated at 6.25% of retirement salary for each member during fiscal year 2009. The employer matched this amount. Contribution rate increases accounted for 4.0% of the increase. In addition to contributions on salary, members may also pay contributions to reinstate previously withdrawn service credit or to purchase various types of elective credit. The remainder of the increase in contributions is attributed to increased salaries and healthcare benefits.

The net investment loss was $490.0 million as compared to a net investment loss of $130.6 million in 2008. The 2009 investment markets experienced significant adverse conditions which resulted in investment losses. Such conditions included the extended global credit crisis and an overall global economic slowdown. These events resulted in the failure of several large domestic and foreign financial institutions during the year. All investment related expenses, such as fees paid to investment managers, are reflected as a reduction in revenue and are accounted for in this net figure.

Expenses – Deductions from Plan Net Assets
The primary expenses of PEERS include the payment of pension benefits to members and beneficiaries, refunds of contributions to former members, and the cost of administering the System. Total expenses for fiscal year 2009 were $147.8 million, an increase of 10.1% over fiscal year 2008.

Benefit expenses increased by $12.6 million. This was a result of cost-of-living increases applied to the benefits of current retirees and the addition of 1,369 new service and disability retirees. There were no changes to the benefit formula during 2009. Refunds of contributions increased by $0.2 million to $15.7 million.

Administrative expenses increased by $0.8 million to $5.4 million. This was a 16.0% increase. This increase is attributable to a variety of factors including: providing a 3.9% COLA increase plus a 3% merit pool for staff members and increased depreciation expense related to newly completed information technology projects. The cost of these items was charged 60% to PSRS and 40% to PEERS, unless the expense was determined to be of direct benefit to only one system. In such instance, the allocation of expense was 100% to the benefited System. As always, we will continue to look for ways to streamline costs where prudent.

Summary
Due to the long-term nature of defined benefit pension plans, it is important to look at the financial performance of the Systems over a period of years and not just at this single point in time. Although our earnings did not meet the 8% return assumption in 2009, the current 25-year return of the Systems is 9.3%. As indicated earlier, the current year decrease in net assets is a result of an overall investment market slowdown that began during fiscal year 2008 and increased in severity during 2009. Such events have affected all pension systems. PSRS and PEERS are large institutional investors with the ability to create diversified portfolios over long periods of time. Over the long-term, we believe the Systems' investments will continue to provide consistent and meaningful investment returns. Subsequent to fiscal year end, the investment markets improved significantly. For the first quarter of fiscal year 2010, the S&P 500 Index was up over 16%. The Systems' return for the first quarter of fiscal year 2010 was approximately 10.0% (unaudited). The total assets of both Systems increased by approximately $2.3 billion (unaudited) from June 30, 2009 to September 30, 2009. The current fiscal year 2011 contribution rate recommended for PSRS is 28.0%, which is limited by state statute. The recommended rate is below the annual required contribution rate of 30.11%. The current contribution rate recommended for PEERS for fiscal year 2011 is equal to the annual required contribution rate of 13.26%. The Board of Trustees, management and staff continually strive to improve the financial position of the Systems through a prudent investment program and long-term strategic planning.

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

STATEMENTS OF PLAN NET ASSETS

As of June 30, 2009 with comparative totals for June 30, 2008

	PSRS	PEERS	Combined Totals June 30, 2009	Combined Totals June 30, 2008
ASSETS				
Cash	$ 29,732,574	$8,492,059	$38,224,633	$61,479,347
Receivables				
Contributions	163,499,025	16,500,599	179,999,624	158,880,383
Accrued interest and dividends	208,483,117	22,961,699	231,444,816	188,137,138
Investment sales	2,267,712,174	213,973,847	2,481,686,021	3,247,121,063
Due from PEERS	525,465	-	525,465	352,855
Other	212,440	25,853	238,293	189,200
Total receivables	2,640,432,221	253,461,998	2,893,894,219	3,594,680,639
Investments, at fair value				
Public debt	6,931,987,859	710,928,224	7,642,916,083	8,447,812,195
U.S. equities	7,733,432,052	749,177,465	8,482,609,517	11,707,577,524
Global equities	3,882,181,340	376,575,224	4,258,756,564	6,144,697,135
Short-term investments	563,936,273	71,348,922	635,285,195	791,880,129
Private equity	1,116,683,997	90,909,449	1,207,593,446	1,133,299,652
Real estate	1,095,373,976	96,697,466	1,192,071,442	1,608,042,020
Total investments	21,323,595,497	2,095,636,750	23,419,232,247	29,833,308,655
Invested securities lending collateral	1,211,220,105	126,943,576	1,338,163,681	7,436,680,227
Prepaid expenses	138,328	-	138,328	586,502
Capital assets, net of accumulated depreciation	12,303,602	-	12,303,602	13,706,076
Total assets	25,217,422,327	2,484,534,383	27,701,956,710	40,940,441,446
LIABILITIES				
Accounts payable	13,317,397	1,299,927	14,617,324	16,525,159
Interest payable	304,472	112,917	417,389	48,659,326
Securities lending collateral	1,294,503,245	135,034,000	1,429,537,245	7,436,680,227
Investment purchases	2,319,163,274	233,272,052	2,552,435,326	3,426,259,599
Due to PSRS	-	525,465	525,465	352,855
Net other post-employment benefit obligation	217,800	145,200	363,000	183,290
Compensated absences	738,736	471,191	1,209,927	1,079,935
Total liabilities	3,628,244,924	370,860,752	3,999,105,676	10,929,740,391
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 21,589,177,403	$ 2,113,673,631	$ 23,702,851,034	$ 30,010,701,055

See accompanying Notes to the Financial Statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS

For the year ended June 30, 2009 with comparative totals for June 30, 2008

			Combined Totals Year Ended	
	PSRS	**PEERS**	**June 30, 2009**	**June 30, 2008**
ADDITIONS (REDUCTIONS)				
Contributions				
Employer	$ 563,454,487	$ 85,915,562	$ 649,370,049	$ 599,230,340
Member	599,582,276	89,427,259	689,009,535	654,180,552
Total contributions	1,163,036,763	175,342,821	1,338,379,584	1,253,410,892
Investment income (loss)				
From investing activities:				
Net depreciation in fair value of investments	(5,655,263,419)	(524,856,882)	(6,180,120,301)	(2,127,072,480)
Interest from investments	152,644,848	16,519,808	169,164,656	274,491,913
Interest from bank deposits	98,275	7,418	105,693	451,267
Dividends	253,022,030	23,680,743	276,702,773	346,422,457
Total investment loss	(5,249,498,266)	(484,648,913)	(5,734,147,179)	(1,505,706,843)
Less investment expenses	48,180,160	4,868,309	53,048,469	72,262,703
Net loss from investing activities	(5,297,678,426)	(489,517,222)	(5,787,195,648)	(1,577,969,546)
From security lending activities:				
Security lending gross income	138,170,727	14,434,713	152,605,440	253,420,210
Net depreciation in fair value of security lending collateral pool	(83,283,140)	(8,090,424)	(91,373,564)	-
Less security lending activity expenses:				
Agent fees	8,377,168	848,024	9,225,192	10,976,578
Broker rebates	50,206,215	5,531,350	55,737,565	180,794,076
Total security lending expenses	58,583,383	6,379,374	64,962,757	191,770,654
Net (loss) income from security lending activity	(3,695,796)	(35,085)	(3,730,881)	61,649,556
Total net investment loss	(5,301,374,222)	(489,552,307)	(5,790,926,529)	(1,516,319,990)
Other income				
PEERS capital asset charge	619,614	-	619,614	326,778
Miscellaneous income	7,670	757	8,427	43,671
Total other income	627,284	757	628,041	370,449
Total reductions	(4,137,710,175)	(314,208,729)	(4,451,918,904)	(262,538,649)
DEDUCTIONS				
Monthly benefits	1,651,607,588	126,666,805	1,778,274,393	1,617,037,841
Refunds of contributions	46,408,252	15,673,105	62,081,357	61,810,427
Administrative expenses	10,121,964	5,431,199	15,553,163	12,722,585
Other expenses	13,240	8,964	22,204	32,560
Total deductions	1,708,151,044	147,780,073	1,855,931,117	1,691,603,413
Net decrease	(5,845,861,219)	(461,988,802)	(6,307,850,021)	(1,954,142,062)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
Beginning of year	27,435,038,622	2,575,662,433	30,010,701,055	31,964,843,117
End of year	$ 21,589,177,403	$ 2,113,673,631	$ 23,702,851,034	$ 30,010,701,055

See accompanying Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009 with comparative information for June 30, 2008

Note 1 – Plan Descriptions

The Board of Trustees of the Public School Retirement System administers two separate retirement systems, the Public School Retirement System (PSRS) and the Public Education Employee Retirement System (PEERS). The Board of Trustees consists of seven members, three of whom are elected PSRS active members, one an elected active member of PEERS and three persons appointed by the Governor, one of whom must be a retired member of either PSRS or PEERS.

The funds of the two Systems are invested in conjunction with each other but each System retains title to its own investments. Each System's assets may be used only for the payment of benefits to the members of the separate System in accordance with the statutes governing that System as well as expenses required to administer the System.

The Public School Retirement System

The Public School Retirement System of Missouri (PSRS) is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. The System also includes certificated employees of PSRS, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the State of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989.

PSRS was established as an independent trust fund by an Act of the Missouri General Assembly effective August 1, 1945. Statutes governing the retirement system are found in Sections 169.010-169.141 and Sections 169.560-169.595 RSMo. It is a defined benefit plan providing service retirement, death and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of creditable service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service credit and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% formula factor. Beginning July 1, 2001, and ending July 1, 2013, a 2.55% formula factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55 or with 25 years of service (if not yet age 55). Members who are less than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of credit may retire with a lesser benefit formula factor during a window that will close July 1, 2013. Members who are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Option 1, Single-Life benefit amount. Annual cost-of-living adjustments (COLAs) are provided for eligible service and disability retirees and for surviving beneficiaries receiving payments under optional retirement plans, up to a lifetime maximum of 80% of the original benefit amount.

Contributions – PSRS members were required to contribute 13.0% of their annual covered salary during 2008-2009 and 12.5% during 2007-2008. The employing districts were required to match the contributions made by employees. The contribution rate is set each year by the Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Administrative costs are financed through investment earnings. Contributions for employees of the State of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

Members – The number of PSRS membership and benefit recipients served by the System at June 30 was:

	2009		2008	
Retirees and beneficiaries receiving benefits		43,746		41,738
Inactive members entitled to but not yet receiving benefits		6,515		6,392
Active members: Vested	56,117		55,415	
Non-vested	23,218		23,021	
Total active members		79,335		78,436
Other inactive members		5,055		5,188
Total		134,651		131,754

Employers – PSRS had 541 and 543 contributing employers during fiscal years 2009 and 2008, respectively.

NOTES TO THE FINANCIAL STATEMENTS

The Public Education Employee Retirement System

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

PEERS was established as a trust fund by an Act of the Missouri General Assembly effective October 13, 1965. Statutes governing the retirement system are found in Sections 169.600 - 169.715 and Sections 169.560-169.595 RSMo. The statutes place responsibility for the operation of PEERS on the Board of Trustees of the Public School Retirement System.

PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of creditable service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service credit and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% formula factor. Members qualifying for "Rule of 80" or "30 and Out" are entitled to an additional temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are less than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of credit may retire with a lesser benefit formula factor during a window that will close July 1, 2013. Members who are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Option 1, Single-Life benefit amount. Annual cost-of-living adjustments (COLAs) up to a lifetime maximum of 80% of the original benefit amount are provided for eligible service and disability retirees and for surviving beneficiaries receiving payments under optional retirement plans.

Contributions – PEERS members were required to contribute 6.25% of their annual covered salary during 2008-2009 and 6.0% during 2007-2008. The employing districts were required to match the contributions made by their employees. The contribution rate is set each year by the Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions in Section 169.620 RSMo. The annual statutory increase in the total contribution rate may not exceed .5% of pay. Administrative costs proportional to its membership size are reimbursed by PEERS to the Public School Retirement System and are financed through investment earnings.

Members – The number of PEERS membership and benefit recipients served by the System at June 30 was:

	2009		2008	
Retirees and beneficiaries receiving benefits		19,151		18,288
Inactive members entitled to but not yet receiving benefits		4,586		4,304
Active members: Vested	26,778		26,345	
Non-Vested	24,200		24,520	
Total active members		50,978		50,865
Other inactive members		11,952		12,319
Total		86,667		85,776

Employers – PEERS had 535 and 536 contributing employers during fiscal years 2009 and 2008, respectively.

NOTES TO THE FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting – The financial statements of both Systems were prepared using the accrual basis of accounting. For both Systems, member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds are recognized when due and payable in accordance with the statutes governing the Systems. Expenses are recognized when the liability is incurred, regardless of when payment is made. Administrative expenses are funded through investment earnings.

Cash – Cash includes cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables – Receivables consist primarily of contributions owed and yet to be remitted by the employing districts, pending investment trades and interest and dividends payable to the Systems as of the end of each fiscal year.

Method Used to Value Investments – Investments are reported at fair value on a trade date basis. Securities traded on international exchanges are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The value of real estate investments are based on estimated current values and independent appraisals. The value of private equity investments, that do not have an established market, are determined based upon the most current net asset values and activities through year end. When not readily available, alternative investments are valued based on a good faith determination by the General Partner.

Capital Assets – The building and most other capital assets are owned by PSRS and are stated at cost less depreciation accumulated since acquisition. The stated value does not purport to represent replacement or realized value. Costs of major additions and improvements are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is calculated using the straight-line method, with estimated lives ranging from three to 40 years in the following major classes: computers and software, three years; vehicles, five years; equipment, five years; building and land improvements, 15 years; building, 40 years.

PEERS owns office equipment purchased before 1997 and follows the same guidelines for depreciation. As of June 30, 2009 this equipment was fully depreciated. PEERS reimburses PSRS for the use of capital assets used by the two Systems on a proportional basis. The amount of this reimbursement was $619,614 in 2009 and $326,778 in 2008.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at June 30, 2009. Actual results could differ from those estimates.

Total Columns – The financial statements include total column information for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with both Systems' financial statements for the year ended June 30, 2008, from which the information was derived.

Reclassification – Certain reclassifications have been made to the 2008 totals to conform with the classifications for 2009.

NOTES TO THE FINANCIAL STATEMENTS

Note 3 – Designations of Net Assets Held in Trust for Pension Benefits

The Systems designate the net assets held in trust for pension benefits for the following specific purposes:

PSRS

	2009	2008
Designated for Members' Contributions (Member Reserves) – Accumulation of active and terminated member contributions plus interest.	$ 6,299,067,123	$ 6,174,728,056
Designated for the Payment of Benefits to Present Retirees – Transfers from Member Reserves at retirement and an actuarially determined transfer from Operating Reserves to fund the System's obligation for benefit payments and cost-of-living adjustments to current retirees and beneficiary recipients.	19,744,324,094	18,547,599,919
Designated for Additional Deposit Annuities – Accumulation of the additional deposits over and above the contributions required by law. Defined contribution annuity payments are made to current retirees from this reserve.	804,757	952,184
Designated for Operating Expenses/Benefits to Future Retirees (Operating Reserves/Deficit) – Accumulation of employer contributions and investment income used to fund future benefit payments, interest on member accounts and administration and maintenance expenses of the System.	(4,455,018,571)	2,711,758,463
Net Assets Held In Trust For Pension Benefits	$ 21,589,177,403	$ 27,435,038,622

PEERS

	2009	2008
Designated for Members' Contributions (Member Reserves) – Accumulation of active and terminated member contributions plus interest.	$ 693,962,321	$ 650,970,360
Designated for the Payment of Benefits to Present Retirees – Transfers from Member Reserves at retirement and an actuarially determined transfer from Operating Reserves to fund the System's obligation for benefit payments and cost-of-living adjustments to current retirees and beneficiary recipients.	1,305,024,978	1,215,035,632
Designated for Operating Expenses/Benefits to Future Retirees (Operating Reserves) – Accumulation of employer contributions and investment income used to fund future benefit payments, interest on member accounts and administration and maintenance expenses of the System.	114,686,332	709,656,441
Net Assets Held In Trust For Pension Benefits	$ 2,113,673,631	$ 2,575,662,433

NOTES TO THE FINANCIAL STATEMENTS

Note 4 – Deposits, Investments and Securities Lending Program

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Systems will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Systems would not be able to recover the value of investment or collateral securities that are in the possession of an outside party. To mitigate custodial credit risk, the Systems require that all deposits be 100% collateralized with securities held in the Systems' name and held by a third party agent.

Deposits – Cash balances include short-term securities held by the custodial bank in a pooled short-term investment fund and operating balances held by the depository banks.

At June 30, 2009, the PSRS carrying amount of deposits at the depository bank was $3,465,894 and the bank balance was $4,791,357. Of the bank balance, $4,791,357 was covered by federal depository insurance. In addition the deposits were also collateralized with securities held by a third-party institution in the System's name. An additional $4,484,391 was held in overnight repurchase agreements with a book value of $4,484,391.

At June 30, 2009, the PEERS carrying amount of deposits at the depository bank was ($162,618) and the bank balance was $0. Since the bank balance was $0, no amount was required to be collateralized. To maximize investment income, the float caused by outstanding checks was invested in overnight repurchase agreements, thus causing the negative book balance. The overnight repurchase agreement balance at June 30, 2009 was $1,436,734 with a book value of $1,436,734.

The following Agency securities were pledged as collateral for overnight repurchase agreements as of June 30, 2009:

PSRS

Agency	Maturity Date	Market Value
GLPC	07/25/18	$ 1,782,328
GLPC	10/25/18	1,679,890
GLPC	10/25/23	1,022,173
Total		$ 4,484,391

PEERS

Agency	Maturity Date	Market Value
FHLB	06/17/13	$ 1,132,770
FNMA	03/05/14	375,800
Total		$ 1,508,570

The following Agency securities were pledged as collateral for overnight deposits as of June 30, 2009:

PSRS

Agency	Maturity Date	Market Value
GLPC	10/25/23	$ 634,510
GLPC	12/25/19	2,157,341
GLPC	07/25/20	2,211,176
GLPC	04/25/20	1,659,923
GLPC	11/25/33	3,046,423
GLPC	06/25/21	2,004,237
GLPC	05/25/21	2,516,266
FFCB	12/15/11	2,448,946
Total		$ 16,678,822

PEERS

Agency	Maturity Date	Market Value
Not applicable		

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

NOTES TO THE FINANCIAL STATEMENTS

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Systems' investment in a single issue. To mitigate this risk, the Systems' investment policy prohibits investing more than 5% of the total investment portfolio into any single financial institution or issuer, excluding U.S. securities. At June 30, 2009, the Systems did not have more than 5% of total investments in a single issue except for U.S. securities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Systems do not have a single investment policy that restricts duration as a means of managing its exposure to fair value losses arising from increased interest rates; however, each manager must follow guidelines established relative to the duration of its benchmark. The portfolios are continually monitored to ensure compliance with these guidelines. The following table includes collateral pledged for deposits and repurchase agreements but does not include security lending collateral held in a pooled investment fund. The maturities of all debt securities are presented below:

PSRS

Security Type	Market Value at June 30, 2009	<1 Year to Maturity	1 to 5 Years to Maturity	6 to 10 Years to Maturity	over 10 Years to Maturity
U.S. treasuries	$ 4,231,791,201	$ 396,751,032	$ 2,079,236,991	$ 1,429,615,768	$ 326,187,410
Government guaranteed mortgages	16,566,662	15,158,386	-	-	1,408,276
Agencies	429,762,747	(28,280,843)	86,147,259	6,269,894	365,626,437
Collateralized mortgage obligations	276,541,135	-	3,085,382	19,650,106	253,805,647
Asset backed securities	29,064,442	-	1,830,675	1,509,000	25,724,767
Corporate bonds	1,377,936,481	(495,089,750)	1,138,698,200	712,181,839	22,146,192
Sovereign	12,206,624	-	-	12,206,624	-
Municipals	53,155,356	-	43,715,484	1,000,918	8,438,954
Commingled Funds (see note)					
SSGA STIF	551,574,529	551,574,529	-	-	-
PIMCO Emerging Markets	437,462	-	437,462	-	-
PIMCO Emerging Markets Local Currency	10,556,581	10,556,581	-	-	-
Currency	84,866,386	84,866,386	-	-	-
Total	$ 7,074,459,606	$ 535,536,321	$ 3,353,151,453	$ 2,182,434,149	$ 1,003,337,683
Percentage of total fixed income	100%	8%	47%	31%	14%

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

NOTES TO THE FINANCIAL STATEMENTS

PEERS

Security Type	Market Value at June 30, 2009	<1 Year to Maturity	1 to 5 Years to Maturity	6 to 10 Years to Maturity	over 10 Years to Maturity
U.S. treasuries	$ 403,632,201	$ 35,949,770	$ 200,046,128	$ 137,617,309	$ 30,018,994
Government guaranteed mortgages	4,006,995	3,944,050	-	-	62,945
Agencies	69,142,162	(2,624,726)	12,623,077	-	59,143,811
Collateralized mortgage obligations	24,053,609	-	-	1,855,483	22,198,126
Asset backed securities	4,992,201	-	1,589,204	1,006,462	2,396,535
Corporate bonds	150,265,339	(43,046,294)	120,279,338	69,202,438	3,829,857
Sovereign	7,357,629	-	5,593,516	1,015,958	748,155
Municipals	5,347,381	-	3,410,758	478,432	1,458,191
Commingled Funds (see note)					
SSGA STIF	68,859,695	68,859,695	-	-	-
PIMCO Real Return	55,161	-	-	55,161	-
PIMCO Emerging Markets	53,920	-	53,920	-	-
PIMCO Emerging Markets Local Currency	1,537,284	1,537,284	-	-	-
Currency	8,031,536	8,031,536	-	-	-
Total	$ 747,335,113	$ 72,651,315	$ 343,595,941	$ 211,231,243	$ 119,856,614
Percentage of total fixed income	100%	10%	46%	28%	16%

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

NOTES TO THE FINANCIAL STATEMENTS

Credit risk – is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Systems do not have a single investment policy designating the minimum allowable credit rating; however, each manager must follow guidelines established specifically for its managed portfolio. The portfolios are continually monitored to ensure compliance with these guidelines. The following tables include collateral pledged for deposits and repurchase agreements but do not include security lending collateral held in a pooled investment fund. The Systems' debt investments by credit rating category as of June 30, 2009 are presented in the following tables.

PSRS

Security Type	Market Value at June 30, 2009	%	AAA	AA	A	BBB	BB	B	CCC	C	D	Not Rated
U.S. treasuries	$ 4,231,791,201	60%	$ 4,231,791,201	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Government guaranteed mortgages	16,566,662	0%	16,566,662	-	-	-	-	-	-	-	-	-
Agencies	429,762,747	6%	429,762,747	-	-	-	-	-	-	-	-	-
Collateralized mortgage obligations	276,541,135	4%	247,891,042	5,626,676	208,477	2,315,661	1,115,654	19,116,594	267,031	-	-	-
Asset backed securities	29,064,442	0%	22,009,745	-	5,061,083	847,236	1,130,750	-	-	-	-	15,628
Corporate bonds	1,377,936,481	20%	565,754,307	212,827,740	555,770,143	447,328,155	56,549,337	72,498,378	17,137,020	3,479,440	6,213,067	(559,621,106)
Sovereign	12,206,624	0%	-	-	-	9,543,185	2,663,439	-	-	-	-	-
Municipals	53,155,356	1%	9,039,054	40,154,818	1,641,864	2,319,620	-	-	-	-	-	-
Commingled Funds (see note)												
SSGA STIF	551,574,529	8%	-	-	551,574,529	-	-	-	-	-	-	-
PIMCO Emerging Markets	437,462	0%	-	-	-	437,462	-	-	-	-	-	-
PIMCO Emerging Markets Local Currency	10,556,581	0%	-	10,556,581	-	-	-	-	-	-	-	-
Currency	84,866,386	1%	-	-	-	-	-	-	-	-	-	84,866,386
Total	$ 7,074,459,606	100%	$ 5,522,814,758	$ 269,165,815	$ 1,114,256,096	$ 462,791,319	$ 61,459,180	$ 91,614,972	$ 17,404,051	$ 3,479,440	$ 6,213,067	$ (474,739,092)
Percentage of total fixed income	100%		78%	4%	16%	7%	1%	1%	0%	0%	0%	-7%

PEERS

Security Type	Market Value at June 30, 2009	%	AAA	AA	A	BBB	BB	B	CCC	C	D	Not Rated
U.S. treasuries	$ 403,632,201	54%	$ 403,632,201	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Government guaranteed mortgages	4,006,995	1%	4,006,995	-	-	-	-	-	-	-	-	-
Agencies	69,142,162	9%	69,142,162	-	-	-	-	-	-	-	-	-
Collateralized mortgage obligations	24,053,609	3%	21,099,472	452,979	15,098	801,006	699,315	974,614	11,125	-	-	-
Asset backed securities	4,992,201	1%	4,083,176	-	808,858	5,938	94,229	-	-	-	-	-
Corporate bonds	150,265,339	20%	62,660,310	21,190,206	58,378,377	45,401,917	4,117,909	5,599,994	1,081,127	461,942	418,981	(49,045,424)
Sovereign	7,357,629	1%	167,798	5,900,124	-	825,042	464,665	-	-	-	-	-
Municipals	5,347,381	1%	4,271,033	584,220	334,990	157,138	-	-	-	-	-	-
Commingled Funds (see note)												
SSGA STIF	68,859,695	9%	-	-	68,859,695	-	-	-	-	-	-	-
PIMCO Real Return	55,161	0%	55,161	-	-	-	-	-	-	-	-	-
PIMCO Emerging Markets	53,920	0%	-	-	-	53,920	-	-	-	-	-	-
PIMCO Emerging Markets Local Currency	1,537,284	0%	-	1,537,284	-	-	-	-	-	-	-	-
Currency	8,031,536	1%	-	-	-	-	-	-	-	-	-	8,031,536
Total	$ 747,335,113	100%	$ 569,118,308	$ 29,664,813	$ 128,397,018	$ 47,244,961	$ 5,376,118	$ 6,574,608	$ 1,092,252	$ 461,942	$ 418,981	$ (41,013,888)
Percentage of total fixed income	100%		76%	4%	17%	6%	1%	1%	0%	0%	0%	-5%

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

NOTES TO THE FINANCIAL STATEMENTS

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

PSRS

Currency	Debt	Equity	Currency/ Short Term	Total
Australian Dollar	$ (85,782)	$ 98,646,414	$ 1,511,347	$ 100,071,979
Brazilian Real	152,474	34,360,348	218,395	34,731,217
Canadian Dollar	-	115,512,041	1,766,678	117,278,719
Colombian Peso	2,250,339	-	-	2,250,339
Czech Koruna	-	14,758,494	584,281	15,342,775
Danish Krone	-	20,896,081	149,488	21,045,569
Egyptian Pound	-	2,453,026	233	2,453,259
Euro Currency	15,801,484	890,792,028	10,779,540	917,373,052
Hong Kong Dollar	-	156,179,966	1,161,896	157,341,862
Hungarian Forint	-	5,467,496	41	5,467,537
Indian Rupee	-	29,102,049	200,336	29,302,385
Indonesian Rupiah	-	6,106,486	147,570	6,254,056
Israeli Shekel	-	4,454,176	83,208	4,537,384
Japanese Yen	-	479,931,947	4,052,628	483,984,575
Malaysian Ringgit	-	2,420,900	9,017	2,429,917
Mexican Peso	141,889	14,753,204	62,801	14,957,894
New Bulgaria Lev	-	1,660,493	476,602	2,137,095
New Romanian Leu	-	-	42,849	42,849
New Taiwan Dollar	-	37,843,430	3,553,397	41,396,827
New Zealand Dollar	-	2,990,259	61,805	3,052,064
Norwegian Krone	-	13,211,849	505,563	13,717,412
Pakistan Rupee	-	1,874,051	38,826	1,912,877
Philippine Peso	-	182,144	3,397	185,541
Polish Zloty	-	1,012,069	6,748	1,018,817
Pound Sterling	3,323,701	516,531,558	3,934,445	523,789,704
Singapore Dollar	-	29,470,928	377,629	29,848,557
South African Rand	-	48,914,716	185,060	49,099,776
South Korean Won	-	60,757,279	84,136	60,841,415
Swedish Krona	558,123	72,375,794	189,856	73,123,773
Swiss Franc	734,449	224,227,890	169,150	225,131,489
Thailand Baht	-	13,710,567	7,136	13,717,703
Turkish Lira	-	25,572,746	187,408	25,760,154
Ukraine Hryvnia	-	1,058,485	-	1,058,485
	$ 22,876,677	$ 2,927,228,914	$ 30,551,466	$ 2,980,657,057

NOTES TO THE FINANCIAL STATEMENTS

PEERS

Currency	Debt	Equity	Currency/ Short Term	Total
Australian Dollar	$ (2,234)	$ 9,716,076	$ 157,788	$ 9,871,630
Brazilian Real	22,206	3,395,738	10,035	3,427,979
Canadian Dollar	306,608	12,365,307	75,395	12,747,310
Colombian Peso	190,915	-	-	190,915
Czech Koruna	-	1,458,213	56,774	1,514,987
Danish Krone	-	2,054,775	24,516	2,079,291
Egyptian Pound	-	255,174	34	255,208
Euro Currency	882,337	86,964,752	727,524	88,574,613
Hong Kong Dollar	-	14,788,691	111,592	14,900,283
Hungarian Forint	-	509,961	31	509,992
Indian Rupee	-	2,764,472	18,198	2,782,670
Indonesian Rupiah	-	555,037	13,344	568,381
Israeli Shekel	-	517,999	7,614	525,613
Japanese Yen	-	47,227,418	310,654	47,538,072
Malaysian Ringgit	-	220,213	225	220,438
Mexican Peso	13,519	1,419,611	8,132	1,441,262
New Bulgaria Lev	-	138,080	46,055	184,135
New Romanian Leu	-	-	4,007	4,007
New Russian Ruble	-	-	(288)	(288)
New Taiwan Dollar	-	3,605,723	334,532	3,940,255
New Zealand Dollar	-	241,083	6,735	247,818
Norwegian Krone	-	1,298,637	36,159	1,334,796
Pakistan Rupee	-	203,229	4,852	208,081
Philippine Peso	-	42,301	297	42,598
Polish Zloty	-	90,332	684	91,016
Pound Sterling	491,122	51,503,662	341,317	52,336,101
Singapore Dollar	-	2,893,139	45,831	2,938,970
South African Rand	-	4,570,298	13,097	4,583,395
South Korean Won	-	5,855,488	7,688	5,863,176
Swedish Krona	-	6,711,248	21,379	6,732,627
Swiss Franc	-	21,922,893	40,910	21,963,803
Thailand Baht	-	1,322,624	3,057	1,325,681
Turkish Lira	-	2,426,390	9,772	2,436,162
Ukraine Hryvnia	-	96,844	-	96,844
	$ 1,904,473	$ 287,135,408	$ 2,437,940	$ 291,477,821

NOTES TO THE FINANCIAL STATEMENTS

Derivatives – Derivatives are generally defined as investment instruments whose cash flows or fair values are derived from the value of some other asset or index. The Systems are parties to derivatives which have off-balance sheet risk. These derivative instruments are used in the normal course of business to generate earnings and reduce exposure to fluctuations in market conditions. The Systems are exposed to various types of credit, market, and legal risk related to these investments. Investment staff monitors these types of investments with extreme care and is not aware of any undue risks at this time. Derivatives are reported at fair value on the Statements of Plan Net Assets.

International security managers are authorized to engage in forward contracts to exchange different currencies at a specified date and rate. These forward contracts involve elements of custodial and market risk in excess of the amount recognized in the Statements of Plan Net Assets. The forward exchange contracts activity (purchases and sales) during fiscal years 2009 and 2008 are shown below.

2009	Purchase Value	Fair Value
PSRS	$ 1,312,821,081	$ 1,307,531,459
PEERS	121,844,186	121,494,640

2008	Purchase Value	Fair Value
PSRS	$ 2,052,600,128	$ 2,055,076,797
PEERS	194,358,473	194,586,925

The "Net Appreciation Depreciation in Fair Value of Investments" found on the Statements of Changes in Plan Net Assets includes for PSRS a net loss on forward contracts and currency disposal of $38,713,498 during 2008-2009 and a net gain of $16,989,753 during 2007-2008. PEERS had a net loss of $3,931,144 during 2008-2009 and a net loss of $278,095 during 2007-2008.

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

Certain managers are authorized to enter into contractual commitments involving other financial instruments with off-balance-sheet risk. During the year, the Systems held futures, options, forwards and swaps. These derivatives are used to minimize the expenses and volatility of the portfolio and to gain exposure to certain assets without having to actually own the asset.

The following derivatives were held by the Systems at June 30, 2009:

Type	PSRS Notional Value	PEERS Notional Value
Equity futures	$ 50,313,778	$ 7,278,025
Treasury futures	17,784,500	3,218,313
Currency futures	105,034,408	22,169,570
Commodity futures	11,499,760	1,298,360
Cash futures	16,336,772	2,642,341
Total	$ 200,969,218	$ 36,606,609

PSRS

Type	PSRS Notional Value	PSRS Exposure
Interest rate swaps	$ 142,012,492	$ (1,738,523)
Credit default swaps	309,950,696	(19,673,674)
Total return swaps	586,107,241	(205,328)
Total	$ 1,038,070,429	$ (21,617,525)

PEERS

Type	PEERS Notional Value	PEERS Exposure
Interest rate swaps	$ 21,681,160	$ 70,741
Credit default swaps	30,326,584	(1,901,549)
Total return swaps	52,134,766	(21,442)
Total	$ 104,142,510	$ (1,852,250)

Type	Number of Contracts	PSRS Notional Value	Number of Contracts	PEERS Notional Value
Fixed income purchased call options	178,900,000	$ 178,900,000	17,600,000	$ 17,600,000
Fixed income written put options	40,600,000	40,600,000	3,800,000	3,800,000
Fixed income written call options	3,000,000	3,000,000	-	-
Equity futures written call options	845,641	845,641	78,935	78,935
Currency futures written put options	8	20,000	13	32,500
Treasury futures written call options	2	2,000	-	-
Treasury futures written put options	2	2,000	-	-

NOTES TO THE FINANCIAL STATEMENTS

The derivative financial instruments discussed involve, to varying degrees, elements of market risk to the extent of future market movements in excess of the amounts recognized in the Statements of Plan Net Assets. Market risk arises from the potential unfavorable change in the value of the underlying instruments. The contract or notional amounts of these instruments reflect the extent of the Systems' involvement in each class of financial instrument; however, these amounts do not represent the exposure to market loss.

Security Lending Activity – Under the "prudent person" authority of the governing statutes and in accordance with the policies set by the Board of Trustees, the Systems lend securities to broker-dealers and banks pursuant to a form of loan agreement. The Systems' custodial bank is authorized to act as the Systems' agent to lend available securities to approved broker-dealers and banks subject to the receipt of acceptable collateral.

During the fiscal year, the Systems' custodial bank lent, on behalf of the Systems, securities and received cash or other collateral including securities issued or guaranteed by the U.S. government, sovereign debt, irrevocable letters of credit, convertible debt and assets permissible under Rule 15c3-3 under the Securities Exchange Act of 1934. The Systems and their agent did not have the ability to pledge or sell noncash collateral absent borrower default. Borrowers were required to deliver collateral for each loan equal to: (1) in the case of loaned securities denominated in U.S. dollars or whose primary trading market was located in the United States, or sovereign debt issued by foreign governments, 102% of the fair value of the loaned securities and (2) in the case of loaned securities not denominated in U.S. dollars or whose primary trading market was not located in the United States, 105% of the fair value of the loaned securities.

Pursuant to the lending agreement, the custodial bank has an obligation to provide a form of indemnification to the Systems in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year.

The Systems did not impose any restrictions during the fiscal year on the amount of the loans that the custodial bank made on their behalf.

The fair value of securities on loan as of June 30, 2009 totaled $1,366,378,379 for PSRS and $142,920,329 for PEERS. On June 30, 2009 the Systems had no credit risk exposure to borrowers as the cash and securities collateral amounts received exceeded amounts on loan.

The Systems and borrowers each maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested together with the cash collateral of other qualified tax-exempt plan lenders in a collective investment pool. The weighted average duration of such investment pool as of June 30, 2009 was 42.64 days and an average final maturity of 317.62 days. Because the loans were terminable at will, their duration did not match the duration of the investments made with cash collateral.

The collective investment pool in which the cash collateral received from security lending loans is invested has the following characteristics. The fair value of the investments held by the pooled fund is based upon valuations provided by a recognized pricing service. Because the pooled fund does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, the fund's investments are valued at fair market value for reporting purposes. The pooled fund is not registered with the Securities and Exchange Commission. As of June 30, 2009 the cost basis of PSRS' investment in the fund totaled $1,294,503,245 and PEERS' investment in the fund totaled $135,034,000. As of June 30, 2009 the cost basis of the collateral exceeded market value for PSRS by $62,616,657 and PEERS by $6,531,755 and is reported as net deprecation in fair value of security lending collateral pool on the Statements of Changes in Plan Net Assets. In addition to the cash collateral received, the fair value of securities held as collateral at June 30, 2009 totaled $123,499,842 for PSRS and $13,150,662 for PEERS.

The custodial bank and, consequently, the investment vehicles it sponsors (including the pooled fund) are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Systems' position in the pooled fund is equal to the value of the fund shares. The Systems had no involuntary participation in an external investment pool through this fund and no income from one fund was assigned to another fund by the custodial bank during either fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

The Systems invest in shares of commingled equity index funds managed by State Street Global Advisors (SSGA). Several of these funds participate in securities lending programs managed by SSGA. The Systems receive a proportionate share of the securities lending income/(loss) generated from these activities. As of June 30, 2009 the cost basis of securities lending collateral for the commingled funds exceeded the market value for PSRS by $20,666,483 and PEERS by $1,558,669 and is reported as net deprecation in fair value of security lending collateral pool on the Statements of Changes in Plan Net Assets. With respect to the SSGA lending funds, investors are limited to monthly redemption requests of 2 to 4% of the System's holdings in the funds.

Note 5 – Additional Deposits Program

Section 169.035, RSMo provides for an additional deposits program for PSRS members. Members may make payments above the required defined benefit contribution amount to the retirement system in order to provide a monthly annuity at retirement based on the total of the deposits and interest.

This annuity is in addition to the defined benefit allowance provided by the System. Contributions to the program are tax-sheltered. As of September 1, 1996 new deposits to the program were limited to members currently with deposits in the program. No additional deposits were made during 2008-2009. The only member with deposits and interest left in the program retired effective July 1, 2007 and is receiving monthly annuity payments.

The deposits to the program are included in the investment program of the PSRS defined benefit plan. The additional deposits program's basis of accounting and the asset valuation are identical to the defined benefit plan.

Note 6 – Schedule of Funded Status and Funding Progress

The funded status of the Systems as of June 30, 2009, the most recent actuarial valuation date, is as follows:

(Dollar amount in thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c)]
PSRS	6/30/2009	$ 28,826,075	$ 36,060,121	$ 7,234,046	79.9%	$ 4,439,381	162.9%
PEERS	6/30/2009	$ 2,792,182	$ 3,458,044	$ 665,862	80.7%	$ 1,417,485	47.0%

The schedule of funding progress, presented as required supplementary information (RSI) following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the AAL for benefits.

NOTES TO THE FINANCIAL STATEMENTS

Additional information as of the latest valuations follows:

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2009
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent, Open
Remaining amortization period	
PSRS	30 years (1)
PEERS	30 years (2)
Asset valuation method	5-year smoothed market Marked to market June 30, 2003
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	
PSRS	5.0 - 10.25%
PEERS	5.0 - 10.0%
*Includes inflation at	3.25%
Cost-of-living adjustments	3.25%

1) 30-year amortization assumes an ARC rate of 30.11% for fiscal year 2011. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Contribution rates will be established by actuarial valuation.

2) 30-year amortization assumes an ARC rate of 13.26% for fiscal year 2011. The annual statutory increase in the total contribution rate may not exceed .5% of pay. Contribution rates will be established by actuarial valuation.

Note 7 – Retirement Plans

Section 401 (a) Defined Benefit Plan

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

PSRS members were required to contribute 13.0% of their annual covered salary during 2008-2009 and 12.5% during 2007-2008. PSRS, as the employer, was required to match that amount. The contribution rate is set each year by the Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. Employer contributions to PSRS totaled $33,289 for the 2008-2009 fiscal year and $30,510 for the 2007-2008 fiscal year. The amounts for these years are equal to the required contributions.

PEERS members were required to contribute 6.25% of their annual covered salary during 2008-2009 and 6.0% during 2007-2008. PSRS, as the employer, was required to match that amount. The contribution rate is set each year by the Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions in Section 169.620 RSMo. Employer contributions to PEERS totaled $435,590 for the 2008-2009 fiscal year and $379,796 for the 2007-2008 fiscal year. The amounts for these years are equal to the required contributions.

Section 457 Deferred Compensation Plan

A voluntary Section 457 deferred compensation plan is administered to provide additional retirement benefits for employees. The plan provides for employer-matching contributions up to a set maximum. The total contributions are subject to the limitations established in IRC Section 457. The Board of Trustees has authority to establish the employer contribution levels. For most employees, the System will match $50 plus 0.52% of salary per month. For certain employees, the System will make employer-paid contributions of $15,500 per year plus $5,000 in catch up contributions, if eligible. This is governed by individual employment contracts as approved by the Board of Trustees.

All employees immediately vest in the employer-matching and employer-paid contributions. Employer-matching contributions totaled $85,479 for the 2008-2009 fiscal year and $79,665 for the 2007-2008 fiscal year. Employer-paid contributions totaled $56,500 for fiscal years 2008-2009 and 2007-2008. Employee contributions totaled $226,688 for the 2008-2009 fiscal year and $189,381 for the 2007-2008 fiscal year.

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

NOTES TO THE FINANCIAL STATEMENTS

Note 8 – Other Post-Employment Benefit Plans

Post-Employment Staff Retiree Healthcare Plan

Plan Description and Funding Policy – The Public School Retirement System of Missouri Staff Retiree Healthcare Program (SRHP) is a single-employer defined benefit other post-employment benefit (OPEB) plan administered by PSRS. SRHP provides a healthcare premium implicit rate subsidy to eligible staff retirees and their dependents provided they pay 100% of the blended healthcare premium. The blended healthcare premium is based on all active and retired employees. Retiree healthcare benefits are funded on a pay as you go basis, with premiums determined annually. The PSRS Board of Trustees determines the funding of benefits and any benefit amendments. There is no continuing obligation to provide benefits beyond each calendar year. SRHP does not issue a stand alone public financial report.

Annual OPEB Cost and Net OPEB Obligation – PSRS' annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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

Annual required contribution	$ 205,500
Interest on net OPEB obligation	8,210
Amortization of net OPEB obligation	(5,700)
Annual OPEB cost	208,010
Contributions made	28,300
Increase in net OPEB obligation	179,710
Net OPEB obligation - beginning of year	183,290
Net OPEB obligation - end of year	$ 363,000

PSRS' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 and the preceding year are as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC) 1	% of AOC Contributed	Net OPEB Obligation
6/30/2008	$ 218,075	16.0%	$ 183,290
6/30/2009	$ 208,010	13.6%	$ 363,000

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Payroll [(b-a)/c]
6/30/2009	$ -	$ 1,988,800	$ 1,988,800	0.0%	$ 6,894,700	28.8%

In the June 30, 2009 actuarial valuation, the following assumptions and method were used:

Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	No Assets (pay-as-you-go)
Amortization Method	Level Percent Open
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Investment Rate of Return	4.5 % per year
Wage Inflation	5.0 % per year
Healthcare Trend	9.5% in fiscal year 2009, decreasing by one-half percentage point per year to an ultimate of 4.5% in fiscal year 2019 and after

NOTES TO THE FINANCIAL STATEMENTS

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

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

Post-Employment Health Plan

PSRS maintains a Post-Employment Health Plan ("PEHP") for employees. Upon termination, an employee will receive payment at the rate of one day of pay for each tow days of accrued sick leave up to 100 days of accrued sick leave (50 days paid). Any days above 100 will be forfeited. All payments under the PEHP in excess of $1,000 will be transferred into a PEHP account which can be used to pay medical premiums for the employee or dependent at any time in the future. If an employee is retiring, the payments can be transferred back to PSRS on a monthly basis to cover the cost of medical insurance for the retiree. The amount paid into the PEHP was $33,169 for three employees (three retirees) during 2009 and $27,230 for four employees (three retirees and one termination) during 2008. The cost was charged 60% to PSRS and 40% to PEERS.

Note 9 – Risk Management

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

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

Note 10 – Commitments and Contingencies

PSRS was committed to the future purchase of investments at a cost of $2,319,163,274 on June 30, 2009 and PEERS had investment commitments of $233,272,052 on June 30, 2009.

PSRS had total capital commitments to real estate, private equity and other alternative investments of $5.4 billion as of June 30, 2009. Of these amounts $2.5 billion remained unfunded as of June 30, 2009. PEERS had total capital commitments to real estate, private equity and other alternative investments of $457.6 million as of June 30, 2009. Of these amounts $204.2 million remained unfunded as of June 30, 2009. The unfunded commitments are not recorded in the Statements of Plan Net Assets.

Certain legal proceedings are pending with PSRS and PEERS arising from normal activities. Although unable to predict the outcome of these matters, the Systems believe the final outcome of these actions will not have a material adverse effect on the Systems' financial statements.

Note 11 – Subsequent Events

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

SCHEDULES OF FUNDING PROGRESS

Required Supplementary Information

PSRS

(Dollar amount in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
6/30/2004	$ 21,501,572	$ 26,225,259 [1]	$ 4,723,687	82.0%	$ 3,408,230	138.6%
6/30/2005	23,049,441	27,881,513 [1]	4,832,072	82.7	3,540,649	136.5
6/30/2006	24,801,644	30,037,130 [1]	5,235,486	82.6	3,775,752	138.7
6/30/2007	27,049,004	32,396,723 [2]	5,347,719	83.5	3,980,698	134.3
6/30/2008	28,751,241	34,490,452 [1]	5,739,211	83.4	4,209,417	136.3
6/30/2009	28,826,075	36,060,121 [1]	7,234,046	79.9	4,439,381	162.9

[1] There were no legislative changes in fiscal years 2004, 2005, 2006, 2008 or 2009.

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

PEERS

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
6/30/2004	$ 1,837,308	$ 2,221,210 [1]	$ 383,902	82.7%	$ 984,866	39.0%
6/30/2005	2,011,566	2,414,494 [1]	402,928	83.3	1,055,204	38.2
6/30/2006	2,218,638	2,756,833 [1]	538,195	80.5	1,190,994	45.2
6/30/2007	2,481,562	2,982,813 [2]	501,251	83.2	1,275,199	39.3
6/30/2008	2,703,762	3,278,602 [1]	574,840	82.5	1,377,506	41.7
6/30/2009	2,792,182	3,458,044 [1]	665,862	80.7	1,417,485	47.0

[1] There were no legislative changes in fiscal years 2004, 2005, 2006, 2008 or 2009.

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

SCHEDULES OF EMPLOYER CONTRIBUTIONS

Required Supplementary Information

PSRS

Year Ended June 30	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed
2004	$ 475,400,520	$ 359,762,556	75.7%
2005	593,328,374	389,415,997	65.6
2006	608,134,319	429,578,911	70.6
2007	644,969,214	472,216,630	73.2
2008	656,347,298	521,241,501	79.4
2009	669,643,988	563,454,487	84.1

PEERS

Year Ended June 30	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed
2004	$ 62,315,910	$ 49,976,898	80.2%
2005	73,948,917	53,109,687	71.8
2006	79,707,834	61,745,505	77.5
2007	89,945,503	69,235,160	77.0
2008	90,727,016	77,988,839	86.0
2009	96,775,289	85,915,562	88.8

NOTES TO THE SCHEDULES OF TREND INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2009
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent, Open
Remaining amortization period	
PSRS	30 years (1)
PEERS	30 years (2)
Asset valuation method	5-year smoothed market Marked to market June 30, 2003
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	
PSRS	5.0 - 10.25%
PEERS	5.0 - 10.0%
*Includes inflation at	3.25%
Cost-of-living adjustments	3.25%

1) 30-year amortization assumes an ARC rate of 30.11% for fiscal year 2011. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Contribution rates will be established by actuarial valuation.

2) 30-year amortization assumes an ARC rate of 13.26% for fiscal year 2011. The annual statutory increase in the total contribution rate may not exceed .5% of Contribution rates will be established by actuarial valuation.

STAFF RETIREE HEALTH PLAN - DEFINED BENEFIT OPEB PLAN

Required Supplementary Information

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Payroll [(b-a)/c]
6/30/2008[1]	$ -	$ 2,746,128	$ 2,746,128	0.0%	$ 5,832,445	47.1%
6/30/2009	$ -	$ 1,988,800	$ 1,988,800	0.0%	$ 6,894,700	28.8%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

SCHEDULE OF PERCENTAGE OF OPEB COST CONTRIBUTED

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

NOTES TO THE SCHEDULES OF TREND INFORMATION

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	No Assets (pay-as-you-go)
Amortization Method	Level Percent Open
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Investment Rate of Return	4.5 % per year
Wage Inflation	5.0 % per year
Healthcare Trend	9.5% in fiscal year 2009, decreasing by one-half percentage point per year to an ultimate of 4.5% in fiscal year 2019 and after

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

SCHEDULE OF ADMINISTRATIVE EXPENSES

For the year ended June 30, 2009

	PSRS	PEERS	Combined Totals
Personnel services	$ 4,599,420	$ 3,064,980	$ 7,664,400
Professional services			
Actuarial services	296,220	111,088	407,308
Financial audit services	30,840	20,560	51,400
Technology consulting	339,521	226,348	565,869
Insurance consulting	3,600	2,400	6,000
Legislative consulting	29,250	19,500	48,750
Other consultants	77,150	51,433	128,583
Legal services	813,038	61,158	874,196
Total professional services	1,589,619	492,487	2,082,106
Communications			
Information and publicity	606,696	447,817	1,054,513
Postage	66,745	44,497	111,242
Staff field	29,283	18,534	47,817
Telephone	45,364	30,242	75,606
Total communications	748,088	541,090	1,289,178
Miscellaneous			
Building and utilities	123,132	82,088	205,220
Insurance	77,049	51,366	128,415
Office	466,926	311,316	778,242
Staff development	180,769	166,631	347,400
Miscellaneous	189,396	101,627	291,023
Total miscellaneous	1,037,272	713,028	1,750,300
Charge for use of capital assets	-	619,614	619,614
Depreciation expense	2,147,565	-	2,147,565
Total administrative expenses	$ 10,121,964	$ 5,431,199	$ 15,553,163

SCHEDULE OF INVESTMENT EXPENSES

For the year ended June 30, 2009

	PSRS	PEERS	Combined Totals
Investment management expenses			
U.S. equity	$ 14,676,861	$ 1,340,686	$ 16,017,547
Global equity	13,447,244	1,291,731	14,738,975
Public debt	4,423,205	387,905	4,811,110
Real estate	717,767	72,041	789,808
Private equity	10,211,467	768,605	10,980,072
Total investment management expenses	43,476,544	3,860,968	47,337,512
Investment consultant fees	2,943,443	264,248	3,207,691
Custodial bank fees	1,186,156	103,144	1,289,300
Investment staff expenses	1,004,824	675,250	1,680,074
Commission recapture income	(430,807)	(35,301)	(466,108)
Total investment expenses	$ 48,180,160	$ 4,868,309	$ 53,048,469
Security lending expenses			
Agent fees	$ 8,377,168	$ 848,024	$ 9,225,192
Broker rebates	50,206,215	5,531,350	55,737,565
Total security lending expenses	$ 58,583,383	$ 6,379,374	$ 64,962,757

SCHEDULE OF PROFESSIONAL/CONSULTANT FEES

For the year ended June 30, 2009

	PSRS	PEERS	Combined Totals
Legal expenses	$ 813,038	$ 61,158	$ 874,196
Technology consulting	339,521	226,348	565,869
Actuarial services	296,220	111,088	407,308
Other consulting	77,150	51,433	128,583
Financial audit services	30,840	20,560	51,400
Legislative consulting	29,250	19,500	48,750
Insurance consulting	3,600	2,400	6,000
Total fees	$ 1,589,619	$ 492,487	$ 2,082,106