

INVESTMENT SECTION

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LETTER FROM RUSSELL INVESTMENT GROUP

Russell Investment Group

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December 1, 2009

To the Members of the Systems:


Fiscal year 2009 was marked by continued volatility in all financial markets due to the lingering recession. Despite the U. S. government's takeover of Fannie Mae and Freddie Mac and bailout of AIG, investor fears led to a massive sell-off of stocks and overwhelming demand for the safety of U. S. Treasuries. Illiquidity in the fixed income markets, subsequent cessation of borrowing and lending activity, and the globalization of the recession led to steep declines across most major markets worldwide. The calendar year 2008 ended with further declines in housing, retail sales and manufacturing, plummeting corporate earnings and an automobile industry in imminent danger of collapse. Declines in market volatility, improvements in the credit markets, and a rebound in world equity markets that began in the final weeks of March continued through the end of the fiscal year and were signs of encouragement looking forward to fiscal year 2010.

The Total Fund return for the fiscal year ended June 30, 2009 was -19.3% for PSRS and -18.9% for PEERS, behind the policy benchmark return of -18.0%. The fiscal year returns for the U.S. equity and global equity composites were negative at -26.3% and -33.6% (-33.3% for PEERS), respectively. Public debt was the sole asset class that delivered positive performance for the year with returns of 6.6% for PSRS and 6.4% for PEERS.

Last year's strategic decision to sell corporate bonds and purchase Treasury bonds served the plan well as credit spreads widened and investors favored the security of treasury securities. This move was the precursor to the restructuring of the Systems' policy portfolio. Going forward, the policy is broadly segregated into three categories: Safe Assets, Public Risk Assets, and Private Risk Assets. We believe this is an innovative structure that will help the Systems to assess and manage the sources of risk and return in the portfolio going forward.

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



LETTER FROM THE CHIEF INVESTMENT OFFICER



December 16, 2009

To the Members of the Systems:

On behalf of the PSRS and PEERS Board of Trustees and the internal investment staff, I present the following report on the Systems' investments for the fiscal year ended June 30, 2009.

The United States, and indeed the global economy, was in the midst of the longest recession in the post World War II era during the most recent fiscal year as global stock markets collapsed, with no economy emerging unscathed. The U.S. stock market, as measured by the S&P 500 Index, bottomed at a 12-year low on March 9, 2009, making this bear market the third worst in history with a decline of 57% from the market peak in late 2007. Investment losses spanned the globe as the majority of stock markets outside the U.S. performed even worse and credit markets experienced the greatest level of pain since the Great Depression. Diversification provided very little relief in the downturn and even traditionally 'safe' markets experienced losses and illiquidity as demand for risk assets waned. As a direct result of the financial turmoil, fiscal year 2009 resulted in the worst one-year investment return in the history of the Retirement Systems as PSRS and PEERS earned returns of -19.3% and -18.9%, respectively.

The primary purpose of this annual letter is typically 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. Nevertheless, the markets have changed considerably in the last two years, even since the close of the PSRS and PEERS most recent fiscal year. Thus, it is worthwhile to cover the following topics in this letter that focus on both fiscal year 2009 and the first half of fiscal year 2010:

- Key points within this year's Financial Report,
- Primary investment portfolio drivers,
- Understanding performance, and
- Prudent investment management.

Key Points within this year's Financial Report

As you review the financial information in this report, we believe it is important for the members to be aware of the following points:

- The investment portfolio was structured to incur an appropriate level of risk given a number of factors specific to PSRS/PEERS and, as a result, the Systems incurred less risk than a majority of other public pension funds in the nation,
- 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,
- In comparison to other large multi-billion dollar public funds, the PSRS and PEERS investment returns for fiscal year 2009 were right at the median (including the time period subsequent to the market lows in early March when markets experienced a meaningful rebound),
- The PSRS/PEERS investment expenses for fiscal year 2009 were 0.45%, or 45 cents for every \$100 managed, and
- Investment performance throughout this report is calculated using a time-weighted rate of return based on market values.

Primary investment portfolio drivers

Risk management and prudent governance policies are primary drivers of the PSRS/PEERS portfolio – as well as the pursuit of competitive investment returns. The Systems' basic investment objective is to achieve a total return that exceeds the actuarial assumption of 8.0% over long-term investment cycles. The PSRS/PEERS Board of Trustees has historically developed an asset allocation to meet this return requirement with a significant focus on risk (i.e., how the Systems can achieve the expected return with moderate investment and operational risk). This has resulted in an investment portfolio with much less risk than the public fund universe. For the five-year period ended June 30, 2009, 77% of public funds greater than \$1 billion took more risk than PSRS/PEERS when examining historic return volatility.

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www.psrs-peers.org

To further ensure the achievement of our basic investment objective, the Board adopted a new asset allocation at the June 8, 2009 Board meeting. The new asset allocation did not dramatically alter the investments of the Systems, but it did change how the assets are structured and how risk is assessed. Specifically, the new asset allocation more directly highlights two primary risks to PSRS/PEERS: (1) *liquidity* and (2) *safety*.

Liquidity is essential within the portfolio to ensure that adequate funds are available to meet the monthly benefit payments promised to our retirees. Liquidity is also important to provide staff the flexibility to take advantage of investment opportunities during periods of market stress. For example, PSRS/PEERS had a high allocation to U.S. Treasuries during the recent bear market. The Systems were able to quickly redeploy this very liquid asset into distressed and higher returning assets near the market bottom.

Safety is emphasized in the portfolio with an eye toward a quote from Elroy Dimson from the London Business School who said, “Risk means more things can happen than will happen.” In other words, a portion of the portfolio is invested in very safe assets that will remain safe even when “more things happen.” Sometimes this also means it is prudent to avoid certain assets or investment types because, while the future actual results are unknowable, the range of possible outcomes is too wide on the downside.

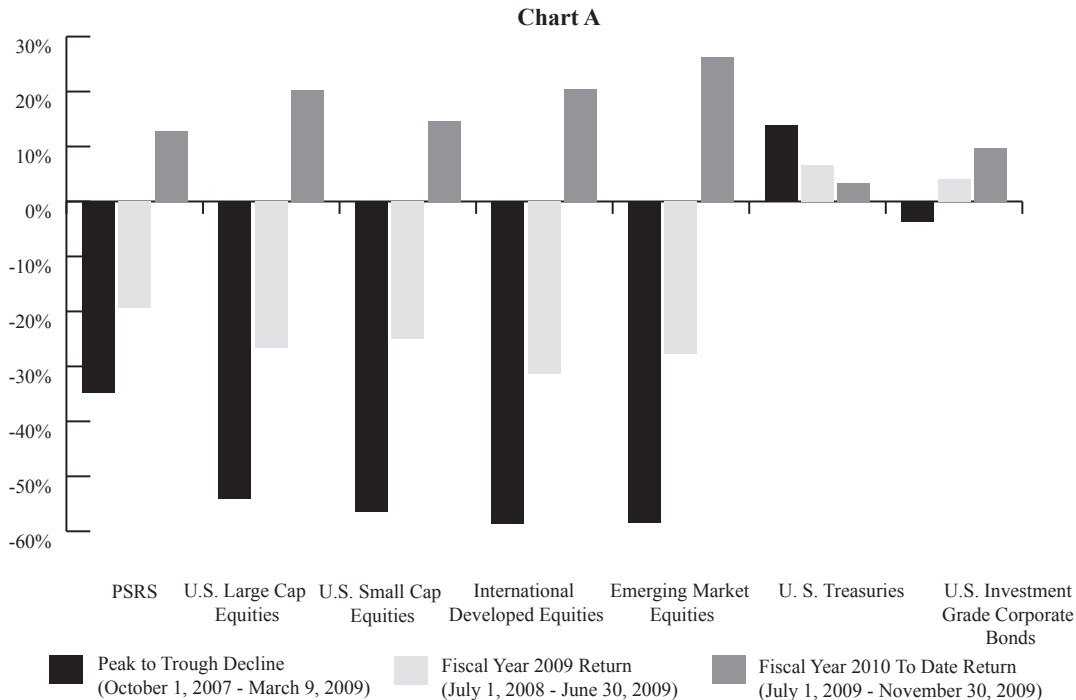
Subsequent to the June 2009 Board meeting, staff implemented changes to the portfolio that will be evident in next year’s financial report. Specifically, the asset allocation has been subdivided into three separate categories: Public Risk Assets (primarily liquid), Safe Assets (totally liquid) and Private Risk Assets (primarily illiquid).

Finally, our goal is to manage an investment program with minimal operational risk. To that end, the PSRS/PEERS Board of Trustees has implemented numerous policies to protect the members’ assets. One such policy was particularly important in fiscal year 2009: *PSRS/PEERS may only invest with traditional asset managers and hedge funds that are SEC-registered investment advisors*. Many institutional investors do not have the same policy and invested in non-registered hedge funds last year, such as Bernie Madoff’s, that lost all or a significant portion of their value. Further to the point of minimizing operational risks, the Systems have a well-developed Investment Policy to ensure that all investment decisions are made in an ethical and open manner, with a high level of transparency and accountability.

Understanding performance

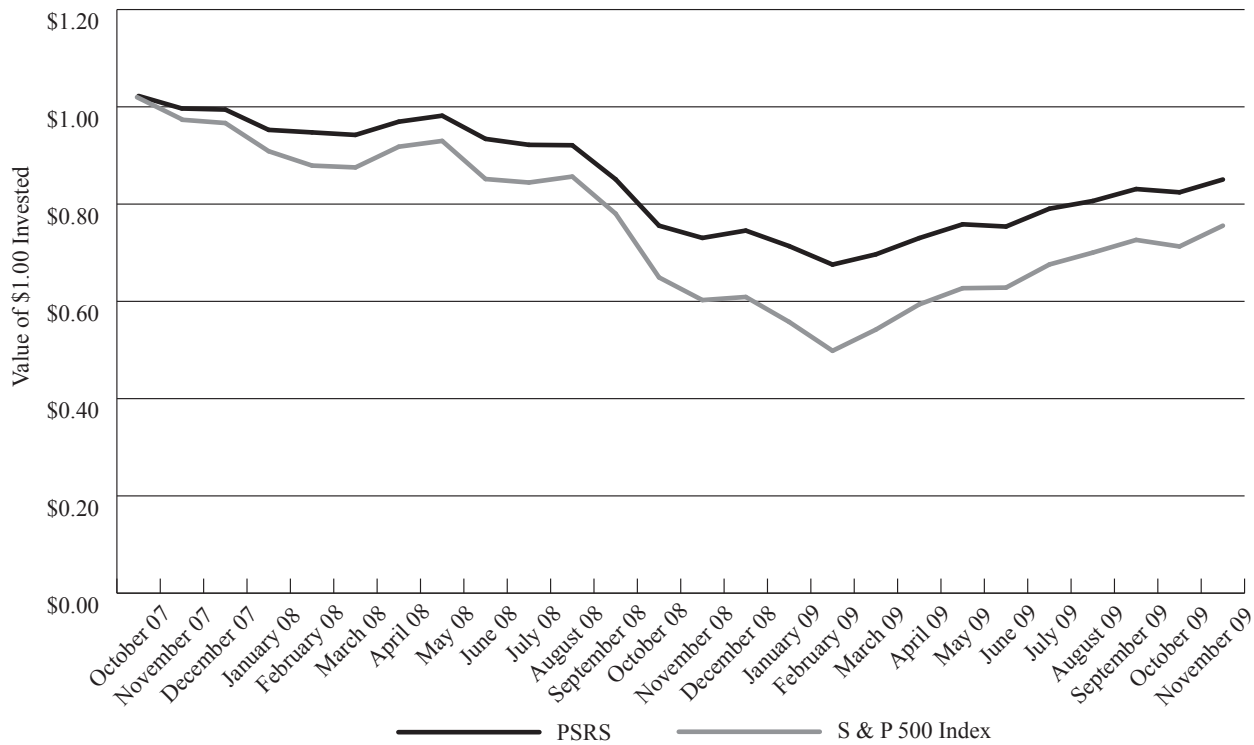
The following chart (Chart A) indicates investment returns for various asset classes for three separate and distinct time periods.

- 1) **Black bars:** The full bear market period from October 2007 through March 9, 2009,
- 2) **Light Grey bars:** The 2009 fiscal year return (July 1, 2008 through June 30, 2009) that is reported in this financial report, and
- 3) **Medium Grey bars:** The 2010 fiscal year return through the time of this report (July 1, 2009 through November 30, 2009).



In past financial publications, we reported that the PSRS/PEERS Board of Trustees has embraced a philosophy to institute a disciplined and diversified investment portfolio. This philosophy has been implemented over the past several years by the internal investment staff as the portfolio has expanded into multiple asset classes outside of stocks and bonds. A diversified investment portfolio reduces the volatility inherent in a concentrated portfolio in both up and down markets and provides more consistent returns. This is illustrated in Chart A. During the extreme bear market of the last several years, the PSRS/PEERS portfolio was only down about two-thirds as much as the overall stock market. However, during the recent strong market in fiscal year 2010, the PSRS/PEERS portfolio was up about two-thirds as much as the overall stock market. This indicates that, by design, PSRS/PEERS will not experience the extreme highs or lows of the stock market. The result is a lower risk and more consistent (and higher) return pattern over the full time period as evidenced by the chart that follows (Chart B).

Chart B



The black bars in Chart A indicate that diversification did very little to protect investors during the most recent bear market. In fact, the only major asset class that had positive returns for that time period was U.S. Treasuries. In January 2008, almost 25% of the entire PSRS/PEERS portfolio was transitioned to U.S. Treasury bonds – the safest and most liquid asset in the world today. Thus, despite a time period when almost every investment declined, the allocation to Treasury securities offered some protection to PSRS/PEERS. As such, during the first three quarters of fiscal year 2009 when the markets were most stressed, PSRS/PEERS outperformed over two-thirds of other multi-billion dollar public institutional investors.

The Systems began to purchase riskier assets at fundamentally sound prices as the overall markets declined throughout fiscal year 2009. To accomplish this, the internal staff directed the sale of over \$2 billion in Treasury securities to purchase U.S. investment-grade corporate bonds and other risk-based assets throughout the second half of the fiscal year. Over the long-term, we believe this ability to prudently buy inexpensive assets through various market environments will provide consistent and meaningful investment returns for the Systems. Again, as noted in Chart A, this movement paid dividends immediately in fiscal year 2010 (medium grey bars). Investment grade credit has performed significantly better than U.S. Treasuries for the first five months of the fiscal year. As a result, the disciplined investment process that provided some protection to PSRS/PEERS during the bear market of the previous several years also allowed the Systems to benefit as markets rebounded at the end of fiscal year 2009 and into fiscal year 2010.

Prudent investment management

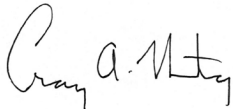
Howard Marks, the Chairman and founder of Oaktree Capital Management, has said that the one key question each investor must answer is “whether he views the future as knowable or unknowable.” As the PSRS/PEERS investment staff studies the economy and the investment environment, we certainly view the future as more “unknowable” than “knowable.” There have been better economic data reported recently which have helped to stabilize the markets in fiscal year 2010. However, the overall U.S. economy remains soft

as sales, employment and credit remain under siege. Specifically, the unemployment rate for November stands at 10% with 7.2 million jobs having been lost since the recession began in December 2007 (the most since the Great Depression). The ailing economy has required the Federal Reserve to maintain short-term interest rates near zero and to continue pumping billions of dollars into the economy. In fact, part of the fuel for the broad-based investment rally since March has been the trillions of dollars in debt-financed stimulus that the world's governments and central banks have been pouring into the economies in their efforts to end the deep recession. As a result, gold prices have maintained elevated levels and the stock market is near its highest level in 13 months.

As an investor who believes the future is more "unknowable," we will continue to focus on the principles that have served PSRS/PEERS well for the last several years: diversification, sufficient liquidity, risk management, transparency and purchasing relatively cheap assets (even risky and sometimes illiquid assets). The Board and staff firmly believe that this approach, regardless of the market environment, will allow the Systems to build an investment portfolio that should achieve at least an 8% rate of return over a long time horizon with acceptable levels of risk.

Our primary goal continues to be providing a safe and secure retirement to our more than 220,000 retirees, active teachers and other school employees. 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.

Respectfully,



Craig A. Husting, CFA
Chief Investment Officer

INVESTMENT HIGHLIGHTS

As of June 30, 2009

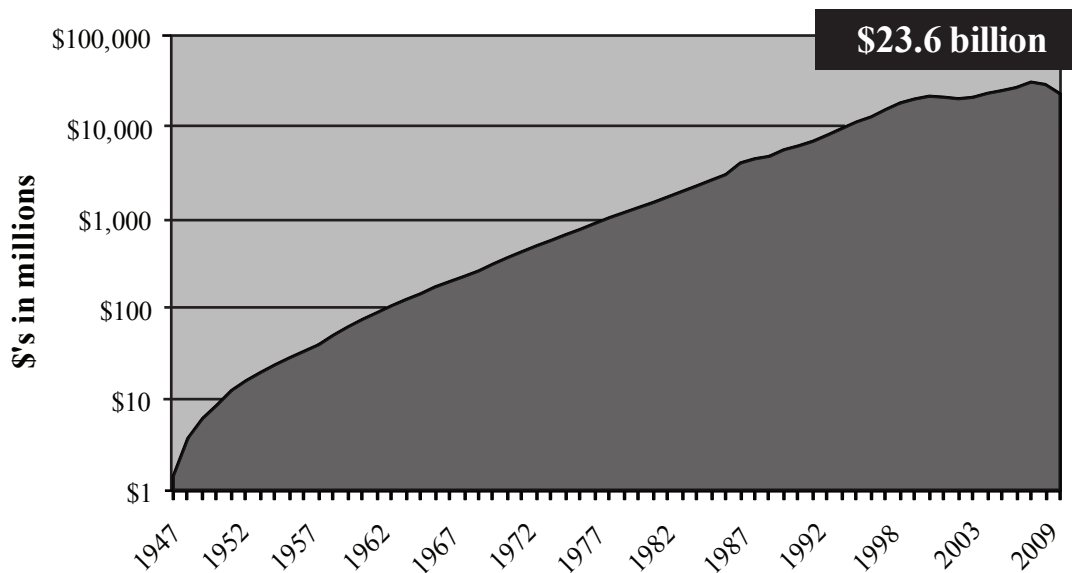
The Board of Trustees of the Public School and Public Education Employee Retirement Systems of Missouri (PSRS/PEERS) is charged with the responsibility for investing the assets of the Systems in a manner consistent with the fiduciary standards set forth in the 'prudent person' rule. To that end, the 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, and
- (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 invested assets decreased to \$23.6 billion as of June 30, 2009 from \$29.8 billion at the beginning of the fiscal year, a change of approximately \$6.2 billion. This decrease resulted from the poor environment in the U.S. and international equity markets primarily due to the credit crisis and lack of liquidity in the markets. These events led to the failure of several global financial institutions during fiscal year 2009. The long-term growth in assets since the inception of PSRS in 1946 and PEERS in 1965 is shown in the graph below.

62 YEARS OF GROWTH



ASSET ALLOCATION

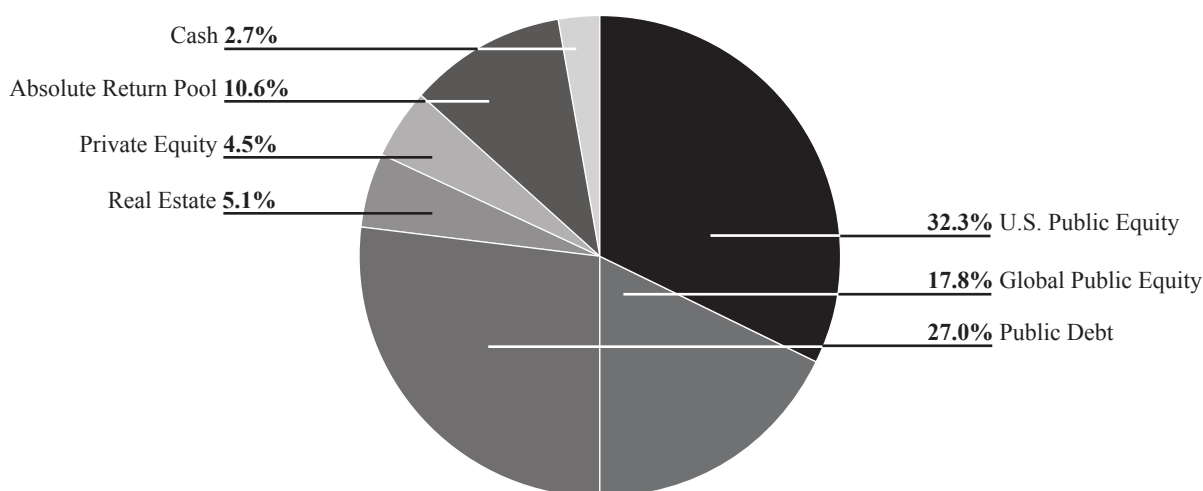
As of June 30, 2009

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. The Implementation Pool which served as a placeholder for interim assets which were utilized to fund the alternative asset classes was eliminated in fiscal year 2009. The Systems' asset allocation is reviewed in conjunction with plan liabilities at least every three years.

ASSET ALLOCATION

June 30, 2009



Asset Type	PSRS Market Value	PEERS Market Value	Combined Funds	% of Total	Long-Term Allocation
U.S. Public Equity	\$ 6,952,231,347	\$ 680,940,153	\$ 7,633,171,500	32.3%	32.0%
Global Public Equity	3,834,410,464	372,592,119	4,207,002,583	17.8%	18.0%
Public Debt	5,803,111,565	565,896,330	6,369,007,895	27.0%	25.0%
Real Estate	1,097,972,083	96,947,292	1,194,919,375	5.1%	7.5%
Private Equity	978,942,769	79,769,258	1,058,712,027	4.5%	10.5%
Absolute Return Pool	2,262,217,385	240,176,515	2,502,393,900	10.6%	7.0%
Cash & Equivalents*	572,923,580	68,273,695	641,197,275	2.7%	0.0%
Total Investments**	\$ 21,501,809,193	\$ 2,104,595,362	\$ 23,606,404,555	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, 2009.

TOTAL FUND REVIEW

Periods Ended June 30, 2009

Total Fund Investment Returns*

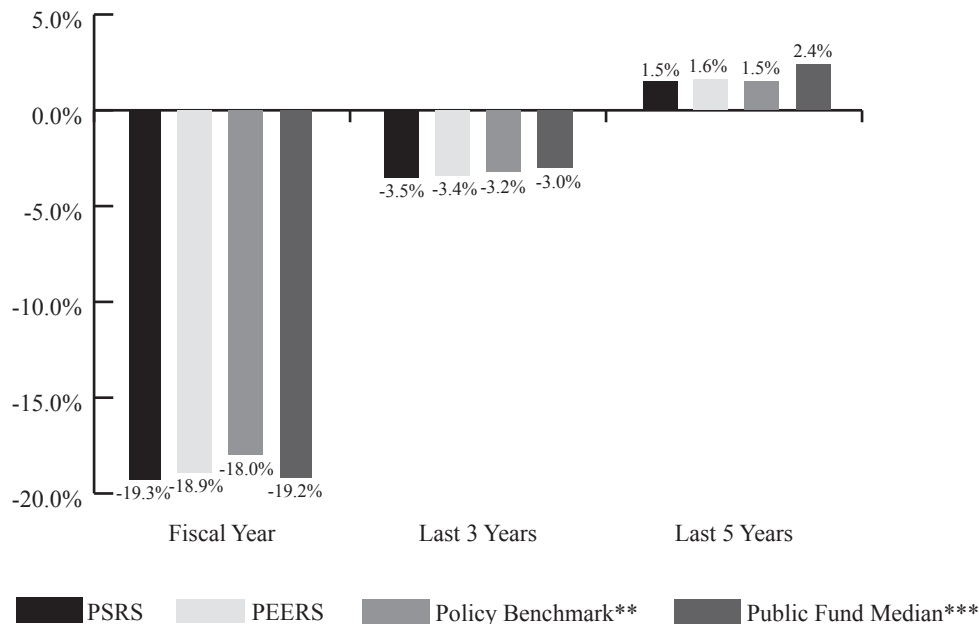
The Board has established a long-term goal to achieve a total investment return of at least 8.0% per year and a real rate of return of at least 4.75% per year. The real rate of return is the rate by which the long-term total return exceeds the inflation rate. The one-, three- and five-year total returns for PSRS and PEERS were below the long-term investment objective of 8.0% due to the negative global equity environment resulting from the ongoing credit crisis and lack of liquidity in the markets. These events led to the failure of several global financial institutions during fiscal year 2009. PSRS' total return for the fiscal year was marginally below the public fund median return, while PEERS' total return was slightly above the public fund

median return. The Systems' total returns for the three- and five-year time periods were below the public fund median returns largely due to asset allocation and risk tolerance differences. PSRS/PEERS underperformed the policy benchmark returns for the one- and three-year time periods. PSRS' performance equaled the policy benchmark for the five-year time period, while PEERS outperformed the benchmark by 10 basis points during the same time period. 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, 2009

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	-19.3%	-3.5%	1.5%
PEERS	-18.9%	-3.4%	1.6%
Policy Benchmark **	-18.0%	-3.2%	1.5%
Public Fund Median ***	-19.2%	-3.0%	2.4%



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

** As of June 30, 2009, the Policy Benchmark was comprised of 43.0% Russell 3000 Index, 20.0% Barclays Capital Treasury Blend, 17.5% MSCI All Country World ex-U.S. Free Index, 6.0% NCREIF Property Index (one-quarter lag), 5.0% Barclays Capital U.S. TIPS 1-10 Year Index, 3.5% MSCI All Country World Free Index, 2.1% Barclays Capital U.S. Aggregate Bond Index, 1.5% FTSE NAREIT Equity Index and 1.4% Merrill Lynch High Yield Master II Index.

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

U.S. PUBLIC EQUITY REVIEW

As of June 30, 2009

Market Value

As of June 30, 2009, the combined PSRS/PEERS U.S. public equity assets had a market value of approximately \$7.9 billion, representing 33.6% 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, 2009 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, 2009 are shown in the table below the characteristics.

Characteristics	June 30, 2009 Combined Systems	June 30, 2009 Russell 3000 Index
Number of securities	1,933	2,986
Dividend yield	2.0%	2.2%
Price-to-earnings ratio	18.8	19.8
Average market capitalization	\$52.7 billion	\$58.7 billion
Price-to-book ratio	3.2	3.0

Top 10 Largest Holdings*

June 30, 2009

	Combined Market Value	% of Total U.S. Public Equity
Apple, Inc.	\$ 86,774,908	1.1%
Exxon Mobil Corp.	84,483,788	1.1%
Google, Inc.	76,056,101	1.0%
Qualcomm, Inc.	70,267,423	0.9%
Gilead Sciences, Inc.	66,777,352	0.9%
Chevron Corp.	58,940,439	0.8%
JP Morgan Chase and Co.	55,069,162	0.7%
AT&T, Inc.	51,242,116	0.7%
Cisco Systems, Inc.	44,571,632	0.6%
Goldman Sachs Group, Inc.	40,245,517	0.5%
TOTAL	\$ 634,428,438	8.3%

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

U.S. PUBLIC EQUITY REVIEW

As of June 30, 2009

U.S. Public Equity Structure

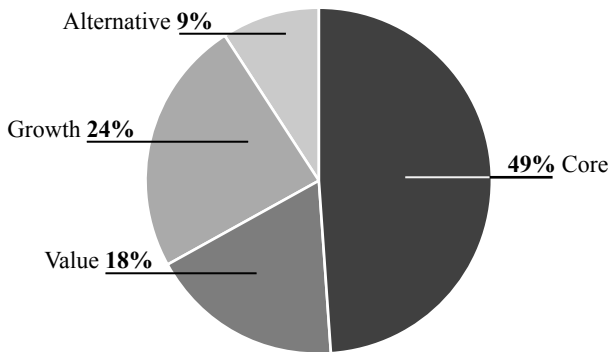
As of June 30, 2009, 37.4% of the PSRS/PEERS U.S. public equity composite was passively managed. The remainder of the portfolio was actively managed and diversified across a broad array of capitalization ranges and investment styles, including the Small Cap Alpha Pool (S-CAP) and the Alpha Overlay composite. Both programs represent multi-manager pools of

assets managed within the overall PSRS/PEERS U.S. public equity structure. The S-CAP Program encompasses all small capitalization assets 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 U.S. public equity portfolio by presenting the current style structure of the portfolio as well as the allocation by composite.

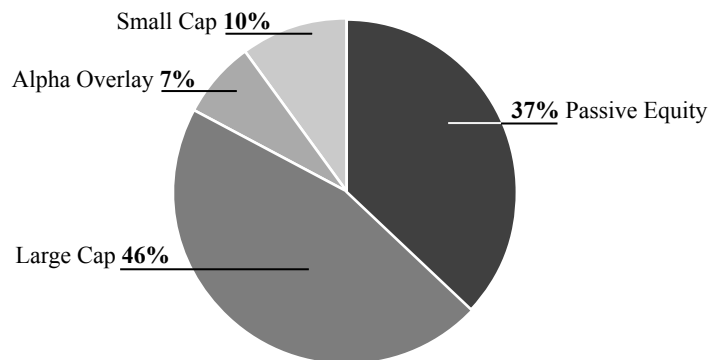
STYLE ALLOCATION

June 30, 2009

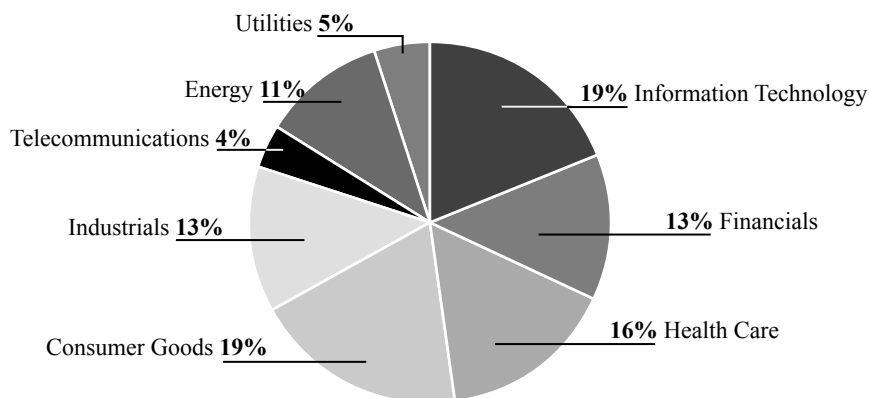


COMPOSITE ALLOCATION

June 30, 2009



The following pie chart shows the allocation to market sectors within the U.S. public equity portion of the PSRS/PEERS portfolio as of June 30, 2009.



U.S. PUBLIC EQUITY REVIEW

As of June 30, 2009

U.S. Public Equity Investment Advisors

The following firms were under contract with PSRS/PEERS as of June 30, 2009 for management of U.S. public equity securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2009	% of Total Market Value
AllianceBernstein Institutional Management	Active Large Cap Growth	\$ 435,632,130	1.8%
Analytic Investors	Structured Large Cap 120/20 Core	119,018,218	0.5%
Analytic Investors	Structured Large Cap Value	231,041,923	1.0%
Analytic Investors	U.S. Low Volatility Equity	162,984,355	0.7%
AQR Capital Management	Large Cap 140/40 Core	121,589,807	0.5%
Aronson + Johnson + Ortiz	Active Large Cap 130/30 Value	168,951,886	0.7%
Aronson + Johnson + Ortiz	Active Large Cap Value	415,070,829	1.8%
Delaware Investments	Active Large Cap Growth	341,735,008	1.4%
Martingale Asset Management	Active Large Cap 130/30 Growth	308,625,410	1.3%
Renaissance Institutional Management	U.S. Long/Short	179,628,937	0.7%
SSgA - Russell 1000 Index Fund	Passive Russell 1000 Index	822,627,980	3.5%
SSgA - S&P 500 Index Fund	Passive S&P 500 Index	2,148,943,020	9.1%
Westwood Management	Active Large Cap Value	487,811,295	2.1%
Westwood Management	Master Limited Partnerships	165,378,924	0.7%
Zevenbergen Capital	Active All Cap Growth	471,672,812	2.0%
Alpha Overlay: Algert Coldiron Investors	Multi-Strategy Market Neutral	61,566,234	0.3%
Alpha Overlay: Analytic Investors	Japan Market Neutral	56,499,445	0.2%
Alpha Overlay: AQR Capital Management	Multi-Strategy	32,739,250	0.1%
Alpha Overlay: Bridgewater Associates	Multi-Strategy	82,083,980	0.3%
Alpha Overlay: Davidson Kempner	Multi-Strategy	64,145,162	0.3%
Alpha Overlay: NISA Investment Advisors	Beta Overlay	91,952,780	0.4%
Alpha Overlay: UBS O'Connor	Global Market Neutral	112,740,167	0.5%
Alpha Overlay: Zevenbergen Capital	Active All Cap Growth	69,397,851	0.3%
Alpha Overlay Subtotal		571,124,869	2.4%
S-CAP: AQR Capital Management	Active Small Cap Core	97,544,582	0.4%
S-CAP: Chartwell Investment Partners	Active Small Cap Growth	70,899,471	0.3%
S-CAP: Chartwell Investment Partners	Active Small Cap Value	94,010,695	0.4%
S-CAP: Next Century Growth Investors	Active Small Cap Growth	119,040,577	0.5%
S-CAP: Next Century Growth Investors	Active Micro Cap Growth	6,934,552	0.0%
S-CAP: Nicholas - Applegate	Active Micro Cap Growth	70,396,789	0.3%
S-CAP: NISA Investment Advisors	Russell 2000 Overlay	153,689,394	0.7%
S-CAP: Thomson, Horstmann & Bryant	Active Small Cap Core	177,592,805	0.8%
Small Cap Alpha Pool (S-CAP) Subtotal		790,108,865	3.4%
NISA Investment Advisors	S&P 500 options	(1,046,353)	0.0%
U.S. Public Equity Transition Assets	Core	6,052	0.0%
Total		\$ 7,940,905,967	33.6%

* Includes manager cash.

U.S. PUBLIC EQUITY REVIEW

Periods ended June 30, 2009

U.S. Public Equity Investment Returns

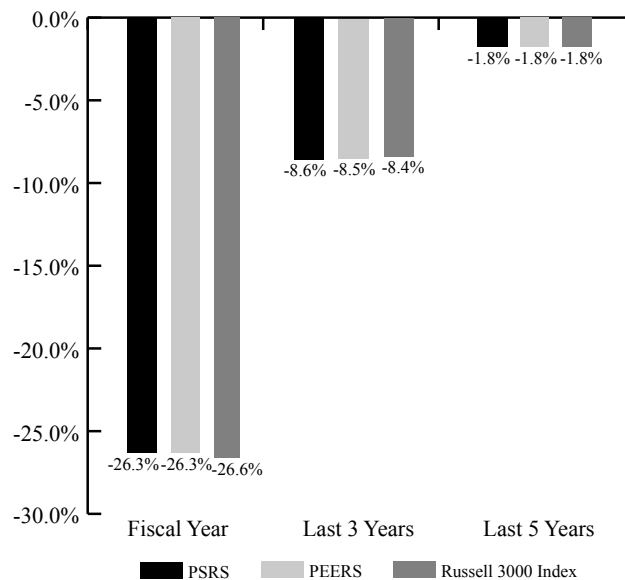
The U.S. equity market experienced negative returns during fiscal year 2009 due to the ongoing global credit crisis. The market downturn continued throughout the fiscal year until finding a bottom in March 2009 and then recovering a portion of its losses by the fiscal year-end. Portfolios concentrated in small capitalization stocks marginally outperformed portfolios holding larger capitalization stocks in fiscal year 2009 with growth-style large-cap portfolios outperforming value-oriented large-cap funds, although all returns were significantly negative.

The total returns on the PSRS and PEERS U.S. public equity portfolios was -26.3% compared to the benchmark return of -26.6% for the fiscal year ended June 30, 2009. As shown in the table and graph below, the PSRS and PEERS annualized U.S. equity composite returns outperformed the benchmark performance by 30 basis points. For the three-year time period, PSRS underperformed the benchmark by 20 basis points and PEERS underperformed the benchmark by 10 basis points. The Systems' U.S. public equity composite performance equaled benchmark performance for the five-year time period.

U.S. PUBLIC EQUITY INVESTMENT RETURNS

June 30, 2009

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	-26.3%	-8.6%	-1.8%
PEERS	-26.3%	-8.5%	-1.8%
Russell 3000 Index	-26.6%	-8.4%	-1.8%



GLOBAL PUBLIC EQUITY REVIEW

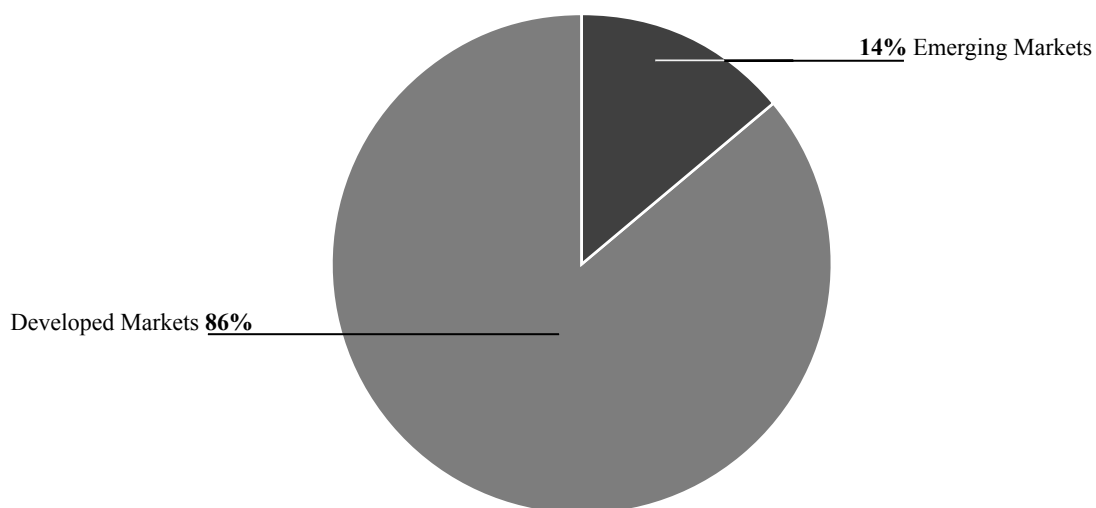
As of June 30, 2009

Market Value

As of June 30, 2009, the combined PSRS/PEERS global equity assets had a market value of approximately \$4.3 billion, representing 18.3% 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. In addition, the top ten global stock holdings as of June 30, 2009, are shown in the table below the pie chart.



Top 10 Largest Holdings* June 30, 2009	Combined Market Value	% of Total Global Public Equity
Nestle SA	\$ 54,421,512	1.3%
GlaxoSmithKline	41,675,019	1.0%
Roche Holdings AG	40,498,361	1.0%
Sanofi Aventis	37,447,532	0.9%
Vodafone Group	37,382,646	0.9%
Novartis AG	34,099,364	0.8%
Telefonica SA	32,921,125	0.8%
BP Plc	31,441,682	0.7%
Total SA	30,646,593	0.7%
E.ON AG	29,183,999	0.7%
TOTAL	\$ 369,717,833	8.8%

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

GLOBAL PUBLIC EQUITY REVIEW

As of June 30, 2009

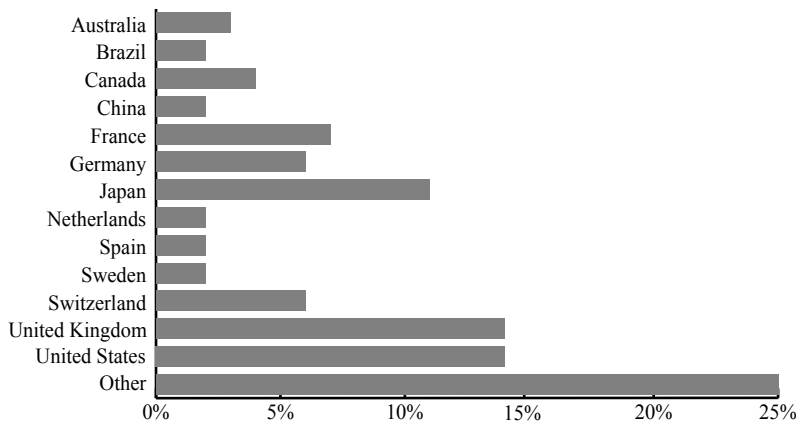
Global Public Equity Structure

As of June 30, 2009, the PSRS/PEERS global equity portfolios were 9.0% passively managed. The remaining 91.0% 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.

COUNTRY ALLOCATION

June 30, 2009



Global Public Equity Investment Advisors

The following firms were under contract with PSRS/PEERS as of June 30, 2009 for management of global equity securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2009	% of Total Market Value
AllianceBernstein Institutional Management	Active International Value	\$ 318,757,050	1.4%
AllianceBernstein Institutional Management	Active Global	280,326,282	1.2%
Analytic Investors	Active Global	212,420,809	0.9%
AQR Capital Management	Active International Core	433,578,280	1.8%
Arrowstreet Capital	Active Global	456,470,390	1.9%
Artio Global Investors	Active International Core	453,892,156	1.9%
Esemplia Emerging Markets	Active Emerging Markets	267,599,803	1.1%
INVESCO Global Asset Management	Active International Value	374,856,808	1.6%
McKinley Capital Management	Active International Growth	388,697,027	1.7%
MFS Investment Management	Active International Core	425,733,179	1.8%
SSgA - MSCI ACWI ex-U.S. Index	Passive International Core	387,145,178	1.7%
T. Rowe Price Associates	Active International Growth	310,133,414	1.3%
Global Equity Transition Assets	Core	1,035,632	0.0%
Total		\$ 4,310,646,008	18.3%

* Includes manager cash.

GLOBAL PUBLIC EQUITY REVIEW

Periods Ended June 30, 2009

Global Public Equity Investment Returns

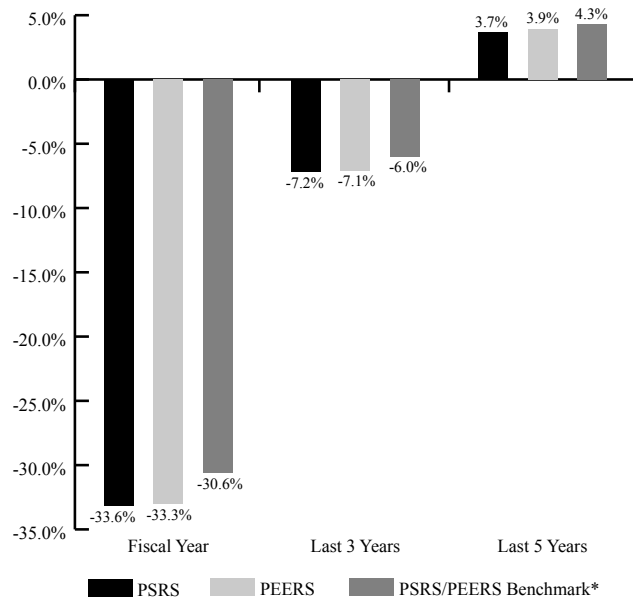
The global equity market experienced negative returns during fiscal year 2009, due to the ongoing global credit crisis with global equities suffering losses even greater than those of the U.S. equity markets. The total returns for the PSRS and PEERS global equity portfolios were -33.6% and -33.3%, respectively, compared to the benchmark return of -30.6% for the fiscal year ended June 30, 2009. Three- and five-year global equity composite returns underperformed the benchmark as noted below.

Emerging markets experienced losses marginally less than the developed non-U.S. equity markets but both were significantly negative.

GLOBAL PUBLIC EQUITY INVESTMENT RETURNS

June 30, 2009

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	-33.6%	-7.2%	3.7%
PEERS	-33.3%	-7.1%	3.9%
PSRS/PEERS Benchmark*	-30.6%	-6.0%	4.3%



* The PSRS/PEERS global equity benchmark was comprised of 74.0% MSCI All Country World ex-U.S. Free Index and 26.0% MSCI All Country World Free Index as of June 30, 2009.

PUBLIC DEBT REVIEW

As of June 30, 2009

Market Value

As of June 30, 2009, the combined PSRS/PEERS public debt assets had a market value of approximately \$6.5 billion, representing 27.4% of total assets.

Fixed Income Statistics

The following table displays the statistical characteristics of the PSRS/PEERS bond portfolio as of June 30, 2009 with comparisons shown to the Barclays Capital Intermediate U.S. Treasury Index*. Additionally, the top 10 public debt holdings as of June 30, 2009 are shown in the table below the characteristics.

Characteristics	June 30, 2009 Combined Systems	June 30, 2009 Barclays Capital Intermediate U.S. Treasury Index
Number of Securities	142	118
Average Coupon	3.7%	3.3%
Yield to Maturity	2.3%	2.1%
Average Maturity (Years)	5.4	4.3
Duration (Years)	4.2	3.9

Top 10 Largest Holdings** June 30, 2009

	Combined Market Value	% of Total Public Debt
United States Treasury Note, 4.875%, 8/15/16	\$ 485,128,328	7.6%
United States Treasury Note, 1.75%, 11/15/11	275,848,729	4.3%
United States Treasury Note, 2.75%, 10/31/13	200,782,825	3.2%
United States Treasury Note, 4.875%, 6/30/12	190,279,268	3.0%
United States Treasury Note, 2.0%, 1/15/14	168,252,635	2.6%
United States Treasury Note, 8.75%, 5/15/17	165,708,563	2.6%
United States Treasury Note, 5.125%, 6/30/11	157,223,013	2.5%
United States Treasury Note, 3.125%, 8/31/13	148,571,508	2.3%
United States Treasury Note, 0.875%, 4/15/10	130,764,044	2.1%
United States Treasury Note, 1.125%, 1/15/12	129,271,851	2.0%
Total	\$ 2,051,830,764	32.2%

* The PSRS/PEERS Public Debt Benchmark consisted of 72.0% Barclays Capital Intermediate U.S. Treasury Index, 20.0% Barclays Capital U.S. TIPS 1-10 Year Index and 8.0% Barclays Capital Long U.S. Treasury Index as of June 30, 2009.

** Includes only actively managed separate accounts.

A complete list of portfolio holdings is available upon request.

PUBLIC DEBT REVIEW

As of June 30, 2009

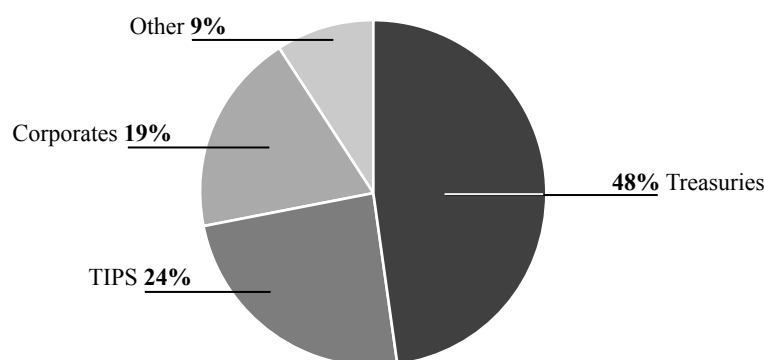
Public Debt Structure

As of June 30, 2009, 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 and 2009, the PSRS/PEERS Board of Trustees approved a restructuring of the public debt portfolio at their December 2007 meeting. This resulted in 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 included an

80% allocation to U.S. Treasuries and a 20% allocation to U.S. TIPS. This action provided significant downside protection as the credit crisis intensified throughout fiscal year 2008 and into fiscal year 2009. PSRS/PEERS began rebalancing into investment grade corporate bonds during fiscal year 2009 as significant opportunities arose. The pie chart below depicts the public debt composite by showing the sector and composite allocations for the PSRS/PEERS public debt portfolio as of June 30, 2009.

SECTOR AND COMPOSITE ALLOCATION

June 30, 2009



Public Debt Investment Advisor

The following firm was under contract with PSRS/PEERS as of June 30, 2009 for management of public debt securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2009	% of Total Market Value
NISA Investment Advisors	U.S. Treasuries	\$ 3,717,521,091	15.7%
NISA Investment Advisors	U.S. TIPS	1,548,665,081	6.6%
NISA Investment Advisors	Corporate Credit	1,210,223,718	5.1%
Total		\$ 6,476,409,890	27.4%

* Includes manager cash.

PUBLIC DEBT REVIEW

Periods Ended June 30, 2009

Public Debt Investment Returns

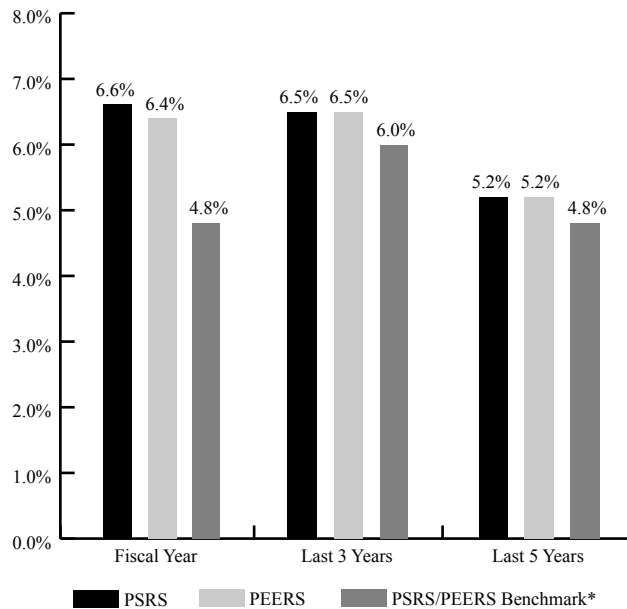
The total annualized returns on the PSRS and PEERS public debt portfolios for the fiscal year were 6.6% and 6.4%, respectively. PSRS and PEERS outperformed the Systems' Public Debt benchmark by 180 basis points and 160 basis points, respectively. The annualized total return on the PSRS

and PEERS public debt portfolios for the three-year time period exceeded the performance of the Systems' Public Debt Benchmark by 50 basis points, while the annualized total return for the five-year time period exceeded the benchmark by 40 basis points.

PUBLIC DEBT INVESTMENT RETURNS

June 30, 2009

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	6.6%	6.5%	5.2%
PEERS	6.4%	6.5%	5.2%
PSRS/PEERS Benchmark*	4.8%	6.0%	4.8%



* The PSRS/PEERS Public Debt Benchmark consisted of 72.0% Barclays Capital Intermediate U.S. Treasury Index, 20.0% Barclays Capital U.S. TIPS 1-10 Year Index and 8.0% Barclays Capital Long U.S. Treasury Index as of June 30, 2009.

REAL ESTATE REVIEW

As of June 30, 2009

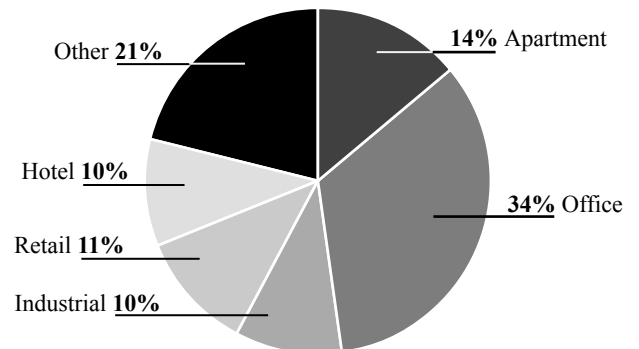
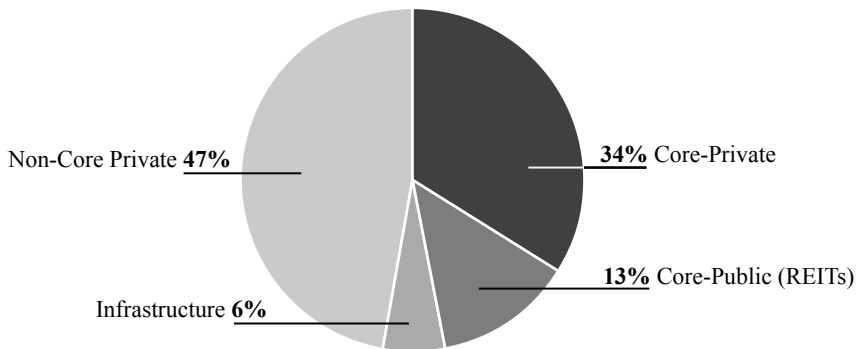
Market Value

As of June 30, 2009, the combined PSRS/PEERS real estate assets committed* for investment were \$2.4 billion. The market value of funds that had been drawn down and actually invested as of June 30, 2009 was approximately \$1.2 billion, representing 5.1% of total assets. PSRS/PEERS real estate investment commitments* that have not yet been funded were approximately \$688 million as of June 30, 2009.

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 55% target allocation to non-core real estate and a 45% allocation to core private real estate. This sub allocation was approved by the PSRS/PEERS Board of Trustees in June 2009. The previous allocation included a 20% allocation to core public real estate (REITs) which was eliminated after the close of the fiscal year. The non-core allocation includes high return and enhanced property types, as well as infrastructure investments. 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.

REAL ESTATE REVIEW

As of June 30, 2009

Real Estate Investment Advisors

The following investment advisors and limited partnerships provided investment management for the Systems' real estate assets as of June 30, 2009.

Investment Advisor	Investment Style	Combined Market Value* As of June 30, 2009	% of Total Market Value
Alinda Infrastructure Fund I	Infrastructure	\$ 37,339,770	0.2%
AMB Alliance III	Non-Core - Private	41,911,816	0.2%
AMB Japan Fund I	Non-Core - Private	29,668,456	0.1%
AEW Core Property Fund	Core - Private	42,687,535	0.2%
Blackstone R.E. Partners V	Non-Core - Private	18,280,158	0.1%
Blackstone R.E. Partners VI	Non-Core - Private	15,049,429	0.1%
Capmark Structured R.E. Partners	Non-Core - Private	5,724,072	0.0%
Carlyle Europe Real Estate Partners III	Non-Core - Private	14,146,322	0.1%
Carlyle Realty V	Non-Core - Private	49,670,653	0.2%
CBRE Fund IV	Non-Core - Private	16,771,129	0.1%
CBRE Partners US Value 5	Non-Core - Private	3,285,352	0.0%
CB Richard Ellis Investors	Core- Public (Global REITs)	39,003,330	0.2%
CIM Fund III	Non-Core - Private	462,439	0.0%
CIM Urban REIT	Non-Core - Private	23,395,114	0.1%
Colony Investors VIII	Non-Core - Private	14,182,600	0.1%
CPI Capital Partners Europe	Non-Core - Private	15,222,521	0.1%
Dune Real Estate Fund I	Non-Core - Private	10,821,413	0.0%
Forum Asian Realty Income II	Non-Core - Private	18,530,529	0.1%
Guggenheim Structured R.E. III	Non-Core - Private	34,249,151	0.1%
Heitman Value Partners	Non-Core - Private	14,560,143	0.1%
Heitman Value Partners II	Non-Core - Private	12,656,646	0.0%
JPMorgan Strategic Property Fund	Core - Private	127,877,346	0.5%
LaSalle Asia Opportunity Fund II	Non-Core - Private	12,708,596	0.0%
LaSalle Asia Opportunity Fund III	Non-Core - Private	2,183,918	0.0%
LaSalle Income & Growth IV	Non-Core - Private	17,378,295	0.1%
LaSalle Income & Growth V	Non-Core - Private	16,850,254	0.1%
LaSalle Japan Logistics Fund II	Non-Core - Private	112,316	0.0%
Lone Star V	Non-Core - Private	17,034,629	0.1%
Lone Star VI	Non-Core - Private	48,181,901	0.2%
Lone Star Real Estate Fund	Non-Core - Private	9,867,996	0.0%
Macquarie Infrastructure Partners	Infrastructure	35,702,293	0.2%
MSREF V International	Non-Core - Private	10,138,132	0.0%
Morgan Stanley Prime Property Fund	Core - Private	103,079,841	0.4%
Noble Hospitality Fund	Non-Core - Private	547,402	0.0%
Principal Enhanced Property Fund	Core - Private	29,511,795	0.1%
Prudential PRISA Fund	Core - Private	102,010,119	0.4%
Prudential PRISA II Fund	Non-Core - Private	38,678,874	0.2%
RREEF America REIT III	Non-Core - Private	19,306,911	0.1%
Starwood Hospitality Fund	Non-Core - Private	24,522,037	0.1%
Urdang Securities Management	Core - Public (U.S. REITs)	113,436,550	0.5%
Westbrook R.E. Fund VII	Non-Core - Private	10,395,343	0.0%
Total		\$ 1,197,143,126	5.1%

* Includes manager cash and reflects valuations reported by the Systems' real estate investment advisors. Market values reflect the most current net asset values. In instances where the most current net asset values were not as of June 30, 2009, the net asset values utilized were cash flow adjusted through June 30, 2009.

REAL ESTATE REVIEW

Periods Ended June 30, 2009

Real Estate Investment Returns

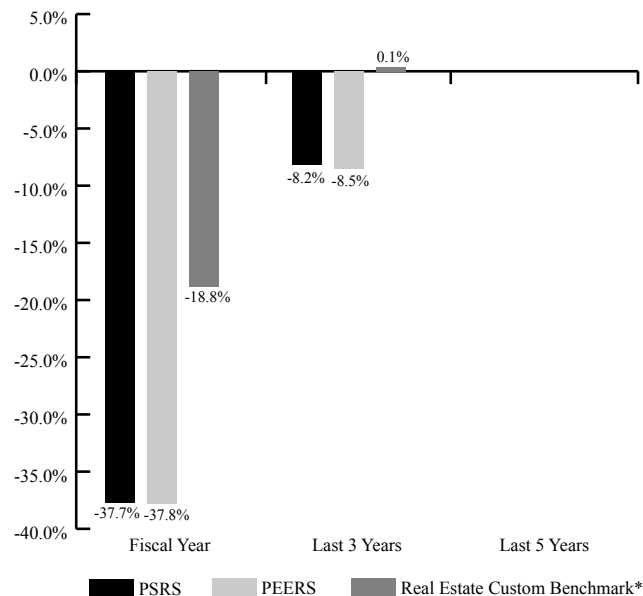
Fiscal year 2009 represented the fourth year that PSRS and PEERS had meaningful assets invested in the real estate asset class. The real estate market weakened in the latter part of fiscal year 2008 and significantly deteriorated during fiscal year 2009. Private real estate investments were negatively impacted by write-downs in commercial real estate properties. The write-downs were directly related to unprecedented lending conditions and the deterioration of investor confidence and real estate fundamentals. 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 43.3% for the fiscal year while private real estate lost 14.7% (returns are reported on a one-quarter lag). The total returns for the PSRS and PEERS real estate portfolios were -37.7% and -37.8%, respectively, compared to the Systems' benchmark return of -18.8% for the fiscal year ended June 30, 2009. The Systems' returns were much lower than the benchmark in fiscal year 2009 primarily because the managers were aggressive in writing down the valuation of assets. Additionally, PSRS and PEERS recognized most of the losses in the current fiscal year as compared to the benchmark which indicates returns with a quarter lag. Three-year real estate composite returns also underperformed the benchmark.

REAL ESTATE INVESTMENT RETURNS

June 30, 2009

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	-37.7%	-8.2%	N/A
PEERS	-37.8%	-8.5%	N/A
Real Estate Custom Benchmark*	-18.8%	0.1%	N/A



* The Custom Benchmark utilized by the Retirement Systems consists of 80.0% NCREIF Property Index (one-quarter lag) and 20.0% FTSE NAREIT Equity Index as of June 30, 2009. Due to the elimination of core public real estate (REITs), going forward the benchmark will be 100% NCREIF Property Index (one-quarter lag).

PRIVATE EQUITY REVIEW

As of June 30, 2009

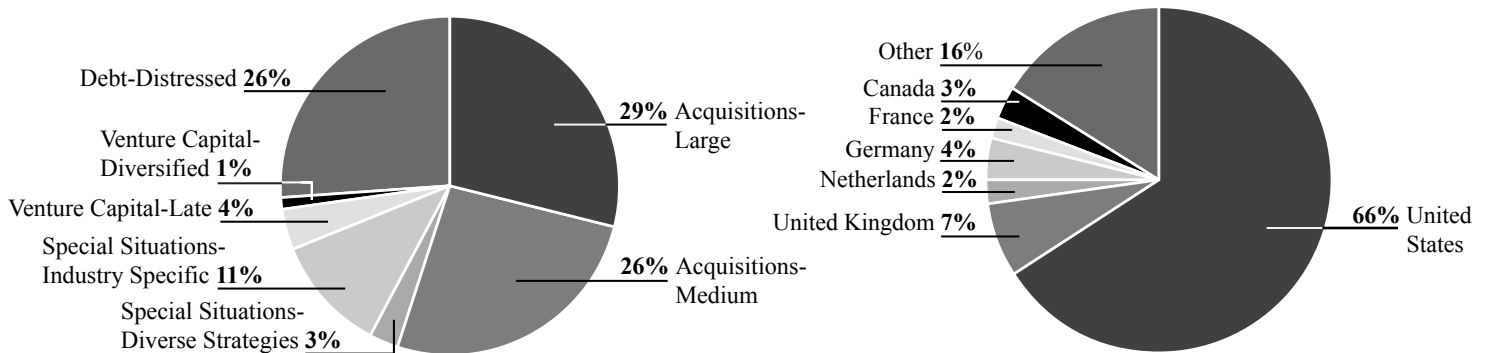
Market Value

As of June 30, 2009, the combined PSRS/PEERS private equity assets committed* for investment were \$3.0 billion. The market value of funds that have been drawn down and actually invested as of June 30, 2009 was approximately \$1.1 billion, representing 4.5% of total assets. PSRS/PEERS private equity investment commitments* that have not yet been funded were approximately \$1.7 billion as of June 30, 2009.

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. In October 2008, the PSRS/PEERS Board of Trustees approved an increase to 10.5% for the target allocation to the private equity asset class. The long-term and illiquid nature of the private equity asset class dictates that capital must be invested at a measured pace. Pathway Capital Management has been retained by the Systems to provide private equity investment management services through two structures; a discretionary fund-of-funds relationship and an advisory relationship. Additionally, the Systems have invested in three private equity secondary funds.

The pie charts below show the diversification (utilizing the market value of the assets that have been invested) of the Systems' private equity holdings as of June 30, 2009 from both strategy and country perspectives.



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

PRIVATE EQUITY REVIEW

As of June 30, 2009

Private Equity Investment Advisors

The following investment advisors and limited partnerships provided investment management for the Systems' private equity assets as of June 30, 2009.

Investment Advisor	Investment Style	Combined	% of Total
		Market Value* As of June 30, 2009	Market Value
Blackstone Capital Partners V	Acquisition - Large	\$ 10,683,119	0.1%
Carlyle Europe Partners III	Acquisition - Medium	6,892,167	0.0%
Carlyle Partners IV	Acquisition - Large	19,947,760	0.1%
Carlyle Partners V	Acquisition - Large	9,201,792	0.0%
Centerbridge Capital Partners	Acquisition & Debt	14,143,647	0.1%
CVC European Equity Partners IV	Acquisition - Large	18,667,039	0.1%
CVC European Equity Partners V	Acquisition - Large	2,539,825	0.0%
CVC European Equity Tandem Fund	Acquisition - Large	5,455,613	0.0%
Exponent Partners II	Acquisition - Medium	4,855,227	0.0%
First Reserve Fund XI	Acquisition - Energy	23,998,000	0.1%
First Reserve Fund XII	Acquisition - Energy	6,387,000	0.0%
Genstar Capital Partners V	Acquisition - Medium	3,552,470	0.0%
GTCR Fund IX	Acquisition - Medium	7,968,088	0.0%
Hellman & Friedman Capital Partners VI	Acquisition - Large	19,326,863	0.1%
Kelso Investment Associates VIII	Acquisition - Medium	2,195,136	0.0%
KKR 2006 Fund	Acquisition - Large	20,919,777	0.1%
KRG Fund IV	Acquisition - Medium	2,315,670	0.0%
Lexington Capital Partners VI-B	Secondary Fund	80,413,229	0.3%
Madison Dearborn VI	Acquisition - Large	2,998,668	0.0%
Montagu III	Acquisition - Medium	13,813,794	0.1%
Nordic VII	Acquisition - Medium	4,322,755	0.0%
New Enterprise Associates XIII	Venture Capital	799,553	0.0%
OCM Principal Opportunities Fund IV	Debt - Distressed	31,972,593	0.1%
OCM Opportunities Fund VII	Debt - Distressed	24,019,430	0.1%
OCM Opportunities Fund VIIb	Debt - Distressed	8,504,443	0.0%
Odyssey Investment Partners IV	Acquisition - Medium	(164,326)	0.0%
Onex Partners II	Acquisition - Medium	18,541,009	0.1%
Onex Partners III	Acquisition - Medium	1,070,032	0.0%
Pantheon Global Secondary Fund III	Secondary Fund	86,513,261	0.4%
Pathway Capital Management	Fund-of-Funds (A)	279,225,898	1.2%
Pathway Capital Management	Fund-of-Funds (B)	92,962,129	0.4%
Pathway Capital Management	Fund-of-Funds (C)	62,913,214	0.3%
Paul Capital Partners IX	Secondary Fund	31,020,271	0.1%
Permira IV	Acquisition - Large	6,157,750	0.0%
Providence Equity Partners VI	Acquisition - Media	13,509,610	0.1%
Quantum Energy Partners V	Acquisition - Energy	1,010,718	0.0%
The Resolute Fund II	Acquisition - Medium	6,161,841	0.0%
Silver Lake Partners III	Acquisition - Technology	4,217,075	0.0%
TCV VI	Venture Capital	12,930,933	0.1%
TCV VII	Venture Capital	2,114,829	0.0%
Thoma Cressey Fund VIII	Acquisition - Medium	19,018,565	0.1%
TPG Partners V	Acquisition - Large	10,068,297	0.1%
TPG Partners VI	Acquisition - Large	446,813	0.0%
Wayzata Opportunities Fund	Debt - Distressed	17,061,674	0.1%
Wayzata Opportunities Fund II	Debt - Distressed	34,503,771	0.1%
Wind Point Partners VI	Acquisition - Medium	10,891,517	0.1%
Wind Point Partners VII	Acquisition - Medium	2,643,488	0.0%
Total		\$ 1,058,712,027	4.5%

* Market values as reported by the Systems' private equity investment advisors. Market values reflect the most current net asset values. In instances where the most current net asset values were not as of June 30, 2009, the net asset values utilized were cash flow adjusted through June 30, 2009.

PRIVATE EQUITY REVIEW

Periods Ended June 30, 2009

Private Equity Investment Returns

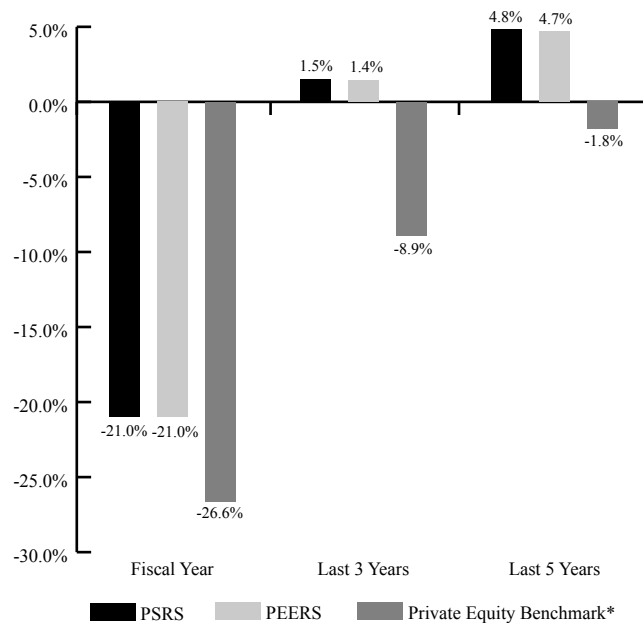
Fiscal year 2009 represented the fifth year that PSRS and PEERS had meaningful assets invested in the private equity asset class. Private equity funds experienced one of the slowest investment periods in history during fiscal year 2009. The pace of investment was directly related to the difficult financing environment and the need for funds to conserve liquidity. The end of fiscal year 2009, and subsequent to year-end, has shown an increase in investment opportunities and activities.

The table and chart below show the Systems' private equity performance relative to its private equity benchmark*. For the fiscal year ended June 30, 2009, the PSRS and PEERS private equity composites each outperformed the benchmark by 560 basis points. PSRS' and PEERS' private equity composites, for the three-year period, exceeded the benchmark return by 1,040 and 1,030 basis points, respectively. For the five-year period, the composites also significantly exceeded the benchmark.

PRIVATE EQUITY INVESTMENT RETURNS

June 30, 2009

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	-21.0%	1.5%	4.8%
PEERS	-21.0%	1.4%	4.7%
Private Equity Benchmark*	-26.6%	-8.9%	-1.8%



* As of June 30, 2009, the benchmark utilized by the Retirement Systems for the private equity composite was the Russell 3000 Index.

ABSOLUTE RETURN POOL REVIEW

As of June 30, 2009

Market Value

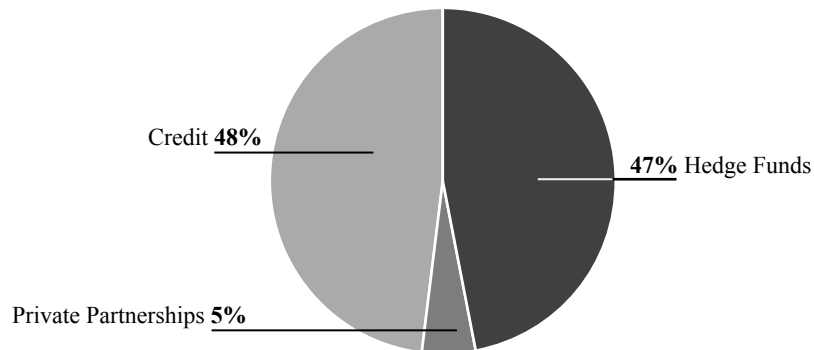
As of June 30, 2009, the combined PSRS/PEERS absolute return assets had a market value of approximately \$2.6 billion, representing 11.0% of total assets. The absolute return composite includes investments in private funds which PSRS/PEERS has made investment commitments to but have not yet fully funded. As of June 30, 2009, PSRS/PEERS absolute return investment commitments* that have not yet been funded were approximately \$294 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 the long-term 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.

The pie chart below shows the current allocation to absolute return sub-asset strategies.



* 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.

ABSOLUTE RETURN POOL REVIEW

As of June 30, 2009

Absolute Return Pool Investment Advisors

The following investment advisors and limited partnerships provided investment management for the Systems' absolute return assets as of June 30, 2009.

Investment Advisor	Investment Style	Combined Market Value* As of June 30, 2009	% of Total Market Value
AQR Absolute Return Fund	Multi-Strategy - Relative Value	\$ 32,739,250	0.1%
AQR Diversified Beta Fund	Diversified Beta Fund	67,579,820	0.3%
Avenue Capital Group Fund V	Debt - Distressed	60,580,484	0.3%
BlackRock Financial Management	Active Mortgages	438,890,536	1.9%
Bridgewater All Weather	Multi-Strategy	89,806,554	0.4%
Bridgewater Pure Alpha II	Multi-Strategy	79,906,183	0.3%
Bridgewater Inflation Pool	Multi-Strategy	(9,763)	0.0%
Brookside Capital	Multi-Strategy	95,403,840	0.4%
Caltius IV	Debt - Mezzanine	975,735	0.0%
Centerbridge Special Credit Partners	Debt - Distressed	4,000,000	0.0%
Davidson Kempner	Multi-Strategy - Event Driven	44,272,657	0.2%
Encap Fund VII	Acquisition - Energy	8,058,278	0.0%
GoldenTree Asset Management	Relative Value - Credit	56,920,242	0.2%
Highbridge Asia	Multi-Strategy	56,602,325	0.2%
Indigo Capital V	Debt - Mezzanine	11,182,394	0.1%
Maverick Capital	U.S. Long/Short	93,578,796	0.4%
Oaktree Bank Loans	Senior Bank Loans	180,791,342	0.8%
Och-Ziff Domestic Partners	Multi-Strategy	78,149,275	0.3%
Och-Ziff European Domestic Partners	Multi-Strategy	23,692,945	0.1%
Pathway Capital Management	Private Fund-of-Funds	64,084,529	0.3%
Paulson and Company	Multi-Strategy - Event Driven	60,000,000	0.3%
Pacific Investment Management Co.	Core Plus	398,942,432	1.7%
Pacific Investment Management Co.	LIBOR Plus	365,363,529	1.5%
Renaissance	U.S. Long/short	59,876,312	0.3%
Stark Investments	Multi-Strategy - Relative Value	78,966,470	0.3%
UBS O'Connor	Multi-Strategy - Relative Value	36,791,772	0.2%
York Capital	Multi-Strategy - Event Driven	100,739,720	0.4%
Total		\$ 2,587,885,657	11.0%

* Includes manager cash and reflects valuations reported by the Systems' absolute return investment advisors. Market values reflect the most current net asset values. In instances where the most current net asset values were not as of June 30, 2009, the net asset values utilized were cash flow adjusted through June 30, 2009.

ABSOLUTE RETURN POOL REVIEW

Periods Ended June 30, 2009

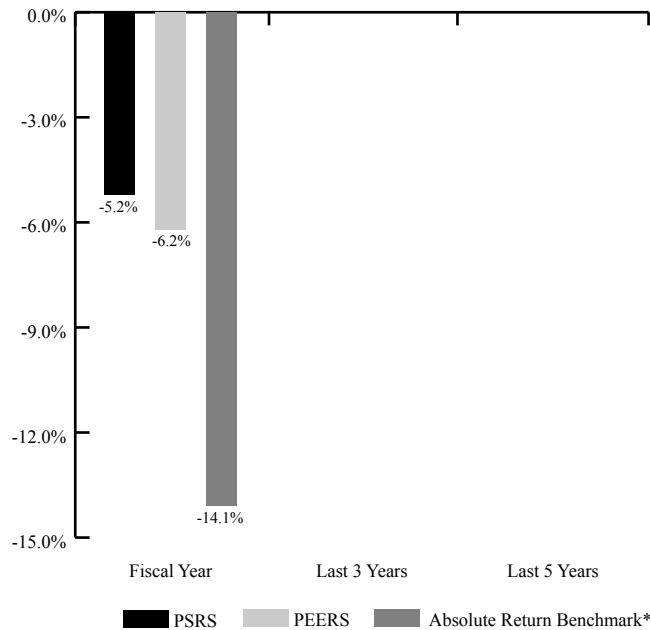
Absolute Return Pool Investment Returns

The total annualized returns on the PSRS and PEERS absolute return pool portfolios for the fiscal year were -5.2% and -6.2%, respectively. PSRS' and PEERS' performance was significantly above the Systems' absolute return benchmark.

ABSOLUTE RETURN INVESTMENT RETURNS

June 30, 2009

	Fiscal Year	Last 3 Years	Last 5 Years
PSRS	-5.2%	N/A	N/A
PEERS	-6.2%	N/A	N/A
Absolute Return Benchmark*	-14.1%	N/A	N/A



* As of June 30, 2009, the policy benchmark utilized by the Retirement Systems for the absolute return composite was comprised of 50.0% MSCI All Country World Free Index, 30.0% Barclays Capital U.S. Aggregate Bond Index and 20.0% Merrill Lynch High Yield Master II Index.

U.S. PUBLIC EQUITY BROKER COMMISSIONS REPORT

For the Fiscal Year Ended June 30, 2009

PSRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost Per Share
INSTINET, LLC	39,801,082	\$ 866,821,505	\$ 446,206	\$ 0.01
INVESTMENT TECHNOLOGY GROUP, INC.	30,214,429	744,304,840	366,671	0.01
LIQUIDNET, INC.	19,571,953	375,389,432	355,676	0.02
GOLDMAN SACHS + CO	49,679,057	868,170,728	332,129	0.01
MORGAN STANLEY CO INCORPORATED	40,578,792	881,807,787	296,947	0.01
CREDIT SUISSE SECURITIES (USA), LLC	14,098,318	425,775,666	272,699	0.02
MERRILL LYNCH, PIERCE, FENNER + SMITH, INC.	17,930,040	480,631,022	227,651	0.01
BROADCORT CAPITAL	5,735,564	129,761,164	210,887	0.04
CITIGROUP GLOBAL MARKETS, INC.	9,760,385	286,843,927	195,645	0.02
DEUTSCHE BANK SECURITIES, INC.	13,470,538	417,047,211	193,437	0.01
BNY BROKERAGE, INC.	5,392,033	70,705,678	190,376	0.04
JP MORGAN SECURITIES, INC.	6,387,892	196,585,510	176,029	0.03
STATE STREET GLOBAL MARKETS, LLC	3,286,140	55,957,401	139,585	0.04
PIPER JAFFRAY	3,782,698	95,679,694	126,884	0.03
Other (<\$120,000)	150,231,574	2,763,837,594	2,580,685	0.02
Total	409,920,495	\$ 8,659,319,159	\$ 6,111,507	\$ 0.01

PEERS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost Per Share
INSTINET, LLC	3,432,218	\$ 75,703,228	\$ 38,498	\$ 0.01
INVESTMENT TECHNOLOGY GROUP, INC.	2,919,518	73,381,088	33,858	0.01
BROADCORT CAPITAL	868,969	20,070,143	31,477	0.04
LIQUIDNET, INC.	1,690,438	32,462,535	30,051	0.02
GOLDMAN SACHS + CO	4,092,305	76,752,717	29,306	0.01
MORGAN STANLEY CO INCORPORATED	3,406,590	76,124,905	26,487	0.01
CREDIT SUISSE SECURITIES (USA), LLC	1,278,876	39,953,475	25,479	0.02
BNY BROKERAGE, INC.	558,380	7,165,206	20,287	0.04
MERRILL LYNCH, PIERCE, FENNER + SMITH, INC.	1,573,183	43,965,699	20,043	0.01
DEUTSCHE BANK SECURITIES, INC.	1,256,892	35,843,843	17,680	0.01
CITIGROUP GLOBAL MARKETS, INC.	813,088	24,503,377	17,556	0.02
JP MORGAN SECURITIES, INC.	613,710	18,922,232	17,073	0.03
STATE STREET BROKERAGE SERVICES	327,765	5,897,562	13,382	0.04
BARCLAYS CAPITAL LE	6,714,333	31,805,926	10,848	0.00
Other (<\$10,000)	9,013,270	210,054,260	241,797	0.03
Total	38,559,535	\$ 772,606,196	\$ 573,822	\$ 0.01

GLOBAL PUBLIC EQUITY BROKER COMMISSIONS REPORT

For the Fiscal Year Ended June 30, 2009

PSRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost (basis points)
CREDIT SUISSE FIRST BOSTON	136,820,857	\$ 1,052,361,809	\$ 722,268	6.9
GOLDMAN SACHS + CO	1,943,902,777	905,358,140	539,936	6.0
MERRILL LYNCH INTERNATIONAL	283,846,158	585,736,378	526,888	9.0
MORGAN STANLEY CO, INCORPORATED	87,920,201	779,628,862	486,869	6.2
DEUTSCHE BANK SECURITIES, INC.	163,025,713	607,762,061	445,613	7.3
JP MORGAN SECURITIES, INC.	63,484,203	440,416,433	430,826	9.8
CITIGROUP GLOBAL MARKETS, INC.	77,351,544	476,527,393	389,056	8.2
UBS SECURITIES, LLC	51,537,437	424,508,299	367,617	8.7
PERSHING SECURITIES LIMITED	11,462,468	204,471,239	290,700	14.2
INSTINET, LLC	48,357,800	621,235,299	259,481	4.2
SOCIETE GENERALE SECURITIES	17,074,484	211,680,600	120,208	5.7
MACQUARIE SECURITIES LIMITED	39,453,756	59,517,820	112,822	19.0
CREDIT AGRICOLE INDOSUEZ	7,184,042	72,526,298	97,760	13.5
HSBC BANK PLC	8,508,577	43,062,465	70,986	16.5
Other (<\$70,000)	212,737,899	1,734,480,949	1,439,219	8.3
Total	3,152,667,916	\$ 8,219,274,045	\$ 6,300,249	7.7

PEERS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost (basis points)
CREDIT SUISSE FIRST BOSTON	12,972,706	\$ 101,672,517	\$ 70,063	6.9
GOLDMAN SACHS + CO	262,541,703	83,751,442	49,953	6.0
MERRILL LYNCH INTERNATIONAL	34,733,884	57,700,348	49,492	8.6
MORGAN STANLEY CO, INCORPORATED	8,959,116	76,131,503	46,410	6.1
DEUTSCHE BANK SECURITIES, INC.	15,612,540	60,197,438	42,694	7.1
JP MORGAN SECURITIES, INC.	5,287,074	41,229,594	40,132	9.7
CITIGROUP GLOBAL MARKETS, INC.	6,999,914	44,128,937	37,970	8.6
UBS SECURITIES, LLC	4,990,213	40,682,466	35,469	8.7
PERSHING SECURITIES LIMITED	1,137,201	18,791,857	26,458	14.1
INSTINET, LLC	4,032,732	56,327,203	23,546	4.2
SOCIETE GENERALE SECURITIES	1,560,946	19,518,466	10,993	5.6
MACQUARIE SECURITIES LIMITED	3,348,997	5,072,663	9,873	19.5
CREDIT AGRICOLE INDOSUEZ	752,647	7,077,164	9,796	13.8
HSBC BANK PLC	689,910	3,880,271	8,274	21.3
Other (<\$8,000)	20,161,956	165,697,986	136,585	8.2
Total	383,781,539	\$ 781,859,855	\$ 597,708	7.6

INVESTMENT SUMMARY

As of June 30, 2009

Total Market Value	PSRS/PEERS	Percent of Total Market Value		
	Combined Funds - FY 2009	FY 2009	FY 2008	FY 2007
U.S. Public Equity	\$ 7,633,171,500	32.3%	34.2%	36.9%
Global Public Equity	4,207,002,583	17.8	19.5	21.6
Public Debt	6,369,007,895	27.0	20.9	23.7
Real Estate	1,194,919,375	5.1	5.2	3.9
Private Equity	1,058,712,027	4.5	3.5	1.4
Absolute Return Pool	2,502,393,900	10.6	3.0	0.5
Implementation Pool	-	-	11.8	9.4
Cash and Equivalents	641,197,275	2.7	1.9	2.6
Total	\$ 23,606,404,555	100.0%	100.0%	100.0%

Reconciliation with financial statements

<i>Total from above</i>	\$ 23,606,404,555
<i>Accrued payable for investments purchased</i>	2,552,435,326
<i>Accrued income payable</i>	417,389
<i>Accrued receivable for investments sold</i>	(2,481,686,021)
<i>Accrued income receivable</i>	(231,444,816)
<i>Securities lending receivable</i>	2,076,161
<i>Short-term investments designated for benefits</i>	(28,970,347)
Statement of Plan Net Assets	\$ 23,419,232,247

INVESTMENT EXPENSES

For the Year Ended June 30, 2009

Investment Managers	PSRS	PEERS	Total
Investment Management Fees			
BlackRock Financial Management - Mortgages	\$ 709,789	\$ 83,969	\$ 793,758
NISA Investment Advisors - Core	966,000	84,000	1,050,000
NISA Investment Advisors - Corporate	1,155,708	100,495	1,256,203
NISA Investment Advisors - TIPS	966,000	84,000	1,050,000
Oaktree Bank Loans	391,247	34,010	425,257
Pacific Investment Management Co - Core and Libor Plus	234,461	1,431	235,892
Public Debt Fees	4,423,205	387,905	4,811,110
Alliance Capital Management	1,078,572	113,247	1,191,819
Analytic Investors, LLC - Core	73,778	4,935	78,713
Analytic Investors, LLC - Value	484,979	40,653	525,632
Analytic Investors, LLC - US Low Vol	207,248	18,197	225,445
Analytic Investors, LLC - Global Low Vol	495,378	43,755	539,133
AQR Capital Management - 140/40	400,298	34,008	434,306
Aronson & Johnson & Ortiz	873,782	87,145	960,927
Aronson & Johnson & Ortiz - 130/30	403,810	40,343	444,153
Arrowstreet Capital 130/30	363,355	32,699	396,054
Delaware Investment Advisors	1,198,602	108,061	1,306,663
Martingale Asset Management	1,414,422	123,086	1,537,508
NISA S&P 500 Call Options	45,241	3,933	49,174
State Street Global Advisors - EAFE Lite	8,314	723	9,037
State Street Global Advisors - Russell 1000 Index Fund	161,435	16,843	178,278
State Street Global Advisors - S&P 500 Index Fund	226,029	22,179	248,208
UBS Global Asset Management	415,403	42,761	458,164
Westwood Management	1,071,118	90,667	1,161,785
Westwood Management - Master Limited Partnerships	259,819	21,589	281,408
Zevenbergen Capital	798,366	71,404	869,770
U.S. Public Equity Fees	9,979,949	916,228	10,896,177
Alliance Bernstein Institutional Mgmt. - Global	1,344,111	124,353	1,468,464
Alliance Bernstein Institutional Mgmt. - Value	816,546	79,291	895,837
AQR Capital Management	1,410,380	152,980	1,563,360
Arrowstreet Capital	1,296,375	116,941	1,413,316
Artio Investment Management	1,677,411	157,092	1,834,503
Esemplia	1,488,921	135,129	1,624,050
INVESCO Global Asset Management	1,104,435	125,174	1,229,609
McKinley Capital Management	1,609,736	145,707	1,755,443
MFS Institutional Advisors	1,505,762	148,312	1,654,074
State Street Global Advisors - ACWI EX. US GIMI PROV	233,500	20,329	253,829
T. Rowe Price International, Inc.	960,067	86,423	1,046,490
Global Public Equity Fees	13,447,244	1,291,731	14,738,975

(continued on page 84)

INVESTMENT EXPENSES

For the Year Ended June 30, 2009

Investment Managers <i>(continued from page 83)</i>	PSRS	PEERS	Total
AQR Capital Management	460,459	36,258	496,717
Chartwell Investment Partners - Growth	694,421	58,219	752,640
Chartwell Investment Partners - Value	384,109	32,851	416,960
Next Century Growth Investors Micro Cap	41,787	3,628	45,415
Next Century Growth Investors - Small Cap	928,234	82,293	1,010,527
Nicholas-Applegate Capital Management	505,741	44,629	550,370
Systematic Financial Management	169,253	13,186	182,439
Thomson, Horstmann & Bryant	651,370	78,737	730,107
S - Cap Fees	3,835,374	349,801	4,185,175
Alpha Overlay Fees	861,538	74,657	936,195
Real Estate Fees	717,767	72,041	789,808
Private Equity Fees	10,211,467	768,605	10,980,072
Commission Recapture Income	(430,807)	(35,301)	(466,108)
Investment Management Expense	43,045,737	3,825,667	46,871,404
Custodial Services			
State Street Bank & Trust Co.	1,186,156	103,144	1,289,300
Investment Consultants			
Albourne America, LLC	368,000	32,000	400,000
Frank Russell Co.	333,713	29,019	362,732
Pathway Consulting	1,383,375	104,125	1,487,500
Pathway Absolute Return Consulting	455,700	34,300	490,000
Russell/Mellon Analytical Services	49,988	34,137	84,125
Townsend	352,667	30,667	383,334
Investment Consultant Fees	2,943,443	264,248	3,207,691
Staff Investment Expenses	1,004,824	675,250	1,680,074
Total Investment Expenses	\$ 48,180,160	\$ 4,868,309	\$ 53,048,469

Note: An additional \$17.4 million in private equity fees, \$7.3 million in real estate fees, \$13.5 million in alpha overlay fees and \$14.6 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.