What makes a PSRS teacher special? It is no coincidence that PSRS members throughout the years have embodied the very qualities we at PSRS/PEERS value in ours retirement systems: strength, stability and security.

PSRS members are exceptional individuals who dedicate their careers to inspiring young minds, encouraging curiosity and teaching the value of learning. Day in and day out, with the help of the talented staff at their schools, they provide a stable, inviting and secure environment for our children to learn, grow and become strong, dedicated adults and productive members of society.

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

WILLIAMS KEEPERS LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2005 West Broadway, Ste. 100, Columbia, MO 65203
OFFICE (573) 442-6171 FAX (573) 777-7800

3220 West Edgewood, Ste. E, Jefferson City, MO 65109
OFFICE (573) 635-6196 FAX (573) 644-7240

www.williamskeepers.com

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

We have audited the accompanying financial statements of the Public School and Public Education Employee Retirement Systems of Missouri (the Systems), which comprise the statements of plan net position as of June 30, 2013, the related statements of changes in plan net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public School and Public Education Employee Retirement Systems of Missouri as of June 30, 2013, and the respective changes in financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Other Matters

Prior Year Information

The prior year combined total information has been derived from the Systems' 2012 financial statements and, in our report dated October 24, 2012, we expressed unqualified opinions on the respective financial statements of the Systems' net position.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedules of funding progress and employer contributions on pages 15-18 and 40-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Public School and Public Education Employee Retirement Systems of Missouri's basic financial statements. The introductory, investment, actuarial and statistical sections and the additional information presented on pages 43 and 44 are presented for purposes of additional analysis, and are not a required part of the financial statements.

The additional information presented on pages 43 and 44 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the additional information presented on pages 43 and 44 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Williams Keepers LLC

October 25, 2013

American Institute of Certified Public Accountants
Missouri Society of Certified Public Accountants
PKF North American Network

Superior service. Creative solutions. Exceptional clients.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the financial position of the Public School Retirement System of Missouri (PSRS) and the Public Education Employee Retirement System of Missouri (PEERS), collectively referred to as the Systems, provides an overview of the Systems' financial activities for the fiscal year ended June 30, 2013. 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 net position of the combined Systems increased by $2.9 billion. The net position of PSRS increased by $2.6 billion, while the net position of PEERS increased by $352.0 million.
- The Systems' strong investment program, coupled with strong overall returns in the global stock market, resulted in the achievement of a 12.6% return for PSRS and a 12.3% return for PEERS. The returns are well above the 8% investment return goal set for the System. The Systems' market value of invested assets increased through investment earnings by over $3 billion from the previous year.
- As of June 30, 2013, the funded ratios were 80.1% for PSRS and 81.6% for PEERS. As of June 30, 2012, the funded ratios were 81.5% for PSRS and 82.5% for PEERS. To arrive at the actuarial value of assets as of June 30, 2013 and 2012, the Systems used an asset smoothing method by which investment returns above or below 8% are recognized over a five-year period.
- 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. The Systems continue their dedication to providing a stable and secure retirement to their members.
- Total revenues for fiscal year 2013 were comprised of contribution revenue of $1.5 billion and investment gains of $3.7 billion, compared to contribution revenue of $1.48 billion and investment gains of $489.6 million for fiscal year 2012.
- Expenses increased 5.4% over the prior year from $2.2 billion to $2.3 billion. Retirement benefits and member refunds increased by $118.4 million from the prior year, while administrative expenses increased by $0.2 million during the same time period.

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

The Statements of Plan Net Position (page 20) present information on the assets and liabilities of the Systems, with the difference between the two reported as net position. The net position of the Systems reflects the resources available to pay benefits to members when due. Over time, increases and decreases in net position measure whether the Systems' financial position is improving or deteriorating.

The Statements of Changes in Plan Net Position (page 21) present information detailing the changes in net position that occurred during the current fiscal year. All changes in net position are reported on an accrual basis. This means that the revenue or expense is recognized as soon as the underlying event giving rise to the change occurs, regardless of when the actual cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. For example, contributions due from an employer, even though not yet paid by year end, will be reflected as revenue. Earned vacation accruals will be reflected as an expense, even though they have not been paid to employees.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 22 through 40. The report also contains required supplementary information in addition to the basic financial statements themselves.

The Schedules of Funding Progress (page 40) include historical trend information about the actuarially funded status of each System from a long-term, ongoing perspective and the progress made in accumulating assets to pay benefits when due.

The Schedules of Employer Contributions (page 41) present historical trend information about the annual required contributions of employers and the actual contributions made by employers.

The Schedule of Funding Progress (page 42) 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 42) 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 Other Post Employment Benefit (OPEB) Cost Contributed (page 42) 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 Schedules of Administrative Expenses (page 43) present the overall cost of administering the Systems. The Schedules of Professional Services (page 44) further detail this category of administrative expense.

The Schedules of Investment Expenses (page 44) show the costs associated with investing the assets of the Systems. These expenses are shown as a reduction of revenue on the Statements of Changes in Plan Net Position.

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

PSRS is a mandatory cost-sharing multiple employer retirement system for full-time certificated employees and certain part-time employees of participating employers. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal year 2013. The employer was required to contribute an equal amount. Most PSRS members do not contribute to Social Security, except for employees hired after 1986 who contribute to Medicare only.

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

	2013	2012	Change
Cash & investments	$ 33,880,619	$ 31,015,849	$ 2,864,770
Receivables	1,254,326	1,862,705	(608,379)
Other	21,413	17,517	3,896
Total assets	35,156,358	32,896,071	2,260,287
Total liabilities	4,780,941	5,079,298	(298,357)
Plan net position	$ 30,375,417	$ 27,816,773	$ 2,558,644

Assets

Total assets of PSRS as of June 30, 2013 were $35.2 billion and were mostly comprised of cash, investments, investment sales receivables and contributions due from employers. Total assets increased by $2.3 billion or 6.9% from the prior year due to investment earnings during the year.

Liabilities

Total liabilities as of June 30, 2013, were $4.8 billion and were mostly comprised of payables from the purchase of investments and obligations under security lending arrangements. Total liabilities decreased by $298.4 million from the prior year. This was due to a decrease in investment purchase liabilities as well as obligations under security lending arrangements.

Net Position

PSRS assets exceeded liabilities at June 30, 2013, by $30.4 billion. This was an increase of $2.6 billion from 2012 net position. This increase was a result of investment earnings that totaled $3.4 billion for the year offset by benefit payments and other expenses which exceeded contribution revenue by $819.9 million. This trend is a natural progression in a mature defined benefit plan.

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

	2013	2012	Change
Additions			
Member contributions	$ 665,926	$ 658,936	$ 6,990
Employer contributions	634,040	620,214	13,826
Investment income	3,378,531	449,822	2,928,709
Other	20	8	12
Total additions	4,678,517	1,728,980	2,949,537
Deductions			
Monthly benefits	2,055,764	1,950,231	105,533
Refunds of contributions	55,394	54,456	938
Administrative expenses	8,712	7,701	1,011
Other	3	-	3
Total deductions	2,119,873	2,012,388	107,485
Change in plan net position	$2,558,644	$(283,408)	$2,842,052

Revenues – Additions to Plan Net Position

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through investment earnings. Total contribution revenue for the year increased by $20.8 million to $1.3 billion. This was a 1.6% increase over the prior year. Retirement contributions were calculated at 14.5% of retirement salary for each member during fiscal year 2013. The employer matched this amount. Contribution rates were unchanged from the prior year. In addition to contributions on salary, members may also pay contributions to reinstate previously refunded service or to purchase various types of elective service. Such contributions for the year decreased by $4.7 million. This decrease combined with an increased salary base resulted in the overall contributions increase of 1.6%.

The net investment gain was $3.4 billion as compared to a net investment gain of $449.8 million in 2012. 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 Position

The primary expenses of PSRS include the payment of pension benefits to members and beneficiaries, refunds of contributions to former members, and the cost of administering the System. Total expenses for fiscal year 2013 were $2.1 billion, an increase of 5.3% over fiscal year 2012.

Benefit expenses increased by $105.5 million. This was a result of the addition of 2,710 new service and disability retirees. There were no changes to the benefit formula during 2013. Refunds of contributions increased by $0.9 million to $55.4 million.

Administrative expenses increased by $1.0 million to $8.7 million. This was a 13.1% increase, which is attributable to increased depreciation and legal fee expenses. The cost of these items was charged 62% to PSRS and 38% to PEERS, unless the expense was determined to be of direct benefit to only one System. In such an instance, the allocation of expense was 100% to the benefited System. As always, we will continue to look for ways to streamline costs when prudent.

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

PEERS is a mandatory cost-sharing multiple employer retirement system for non-certificated employees and certain part-time certificated employees of participating employers. PEERS members were required to contribute 6.86% of their annual covered salary during 2013. The employer was required to contribute an equal amount. PEERS members also contribute to Social Security.

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

	2013	2012	Change
Cash & investments	$ 3,706,208	$ 3,317,935	$ 388,273
Receivables	113,222	184,894	(71,672)
Total assets	3,819,430	3,502,829	316,601
Total liabilities	502,917	538,272	(35,355)
Plan net position	$ 3,316,513	$ 2,964,557	$ 351,956

Assets

Total assets of PEERS as of June 30, 2013 were $3.8 billion and were mostly comprised of cash, investments, investment sales receivables and contributions due from employers. Total assets increased by $316.6 million or 9.0% from the prior year due to investment gains.

Liabilities

Total liabilities as of June 30, 2013 were $0.5 billion and were mostly comprised of payables from the purchase of investments and obligations under security lending arrangements. Total liabilities decreased by $35.4 million. This was due to a decrease in investment purchase liabilities and obligations under security lending arrangements.

Net Position

PEERS assets exceeded liabilities at the close of fiscal year 2013 by $3.3 billion. This was up from 2012 net position of $3.0 billion by $352.0 million. This increase was a result of investment earnings that totaled $353.7 million for the year offset by benefit payments and other expenses which exceeded contribution revenue by $1.8 million. This trend is a natural progression in a mature defined benefit plan.

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

	2013	2012	Change
Additions			
Member contributions	$ 103,271	$ 101,931	$ 1,340
Employer contributions	97,058	95,094	1,964
Investment income	353,729	39,774	313,955
Total additions	554,058	236,799	317,259
Deductions			
Monthly benefits	178,663	166,945	11,718
Refunds of contributions	18,636	18,470	166
Administrative expenses	4,801	5,591	(790)
Other	2	-	2
Total deductions	202,102	191,006	11,096
Change in plan net position	$ 351,956	$ 45,793	$ 306,163

Revenues – Additions to Plan Net Position

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through investment earnings. Total contribution revenue for the year increased by $3.3 million to $200.3 million. Retirement contributions were calculated at 6.86% of retirement salary for each member during fiscal year 2013. The employer matched this amount. Contribution rates were unchanged from the prior year. Overall contribution revenue increased by 1.7%. In addition to contributions on salary, members may also pay contributions to reinstate previously refunded service or to purchase various types of elective service. Such contributions for the year decreased by $0.6 million. The increase in total contributions is attributable to a higher salary base.

The net investment gain was $353.7 million as compared to a net investment gain of $39.8 million in 2012. 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 Position

The primary expenses of PEERS include the payment of pension benefits to members and beneficiaries, refunds of contributions to former members, and the cost of administering the System. Total expenses for fiscal year 2013 were $202.1 million, an increase of 5.8% over fiscal year 2012.

Benefit expenses increased by $11.7 million. This was a result of the addition of 1,724 new service and disability retirees. There were no changes to the benefit formula during 2013. Refunds of contributions increased by $0.2 million to $18.6 million.

Administrative expenses decreased to $4.8 million. This was a 14.1% decrease. This decrease is attributable to a reduction in depreciation allocated from PSRS. Administrative costs were charged 62% to PSRS and 38% to PEERS, unless the expense was determined to be of direct benefit to only one System. In such an instance, the allocation of expense was 100% to the benefited System. As always, we will continue to look for ways to streamline costs when prudent.

Summary

The total returns for PSRS of 12.6% and PEERS of 12.3% exceed both the long-term investment goal (actuarially assumed return) of earning 8.0% and the total plan policy benchmark return of 11.2%. Due to the long-term nature of defined benefit pension plans, it is important to look at the financial performance of the Systems over a period of years and not just at this single point in time. Over long periods of time, the Systems continue to produce investment returns that meet or exceed the System objectives. The annualized investment returns for the Systems over the last 30 years is 9.3%.

The recommended fiscal year 2015 contribution rates for both PSRS and PEERS are unchanged from fiscal years 2014 and 2013. The recommended fiscal year 2015 contribution rate for PSRS remains 29.0%. The recommended fiscal year 2015 contribution rate for PEERS remains 13.72%. The fiscal year 2015 contribution rates for both PSRS and PEERS represent a continued stabilization of the rates. These contribution rate levels adhere to the PSRS/PEERS' Funding Stabilization Policy.

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

Requests for Information

This financial report is designed to provide the Board of Trustees, our members, and other users of our financial report with a general overview of the Systems' finances and to demonstrate the Systems' accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS), P.O. Box 268, Jefferson City, MO 65102, or (573) 634-5290.

This Page Intentionally Left Blank.

Public School Retirement System of Missouri and Public Education Employee Retirement System of Missouri
Statements of Plan Net Position

as of June 30, 2013
with comparative totals for June 30, 2012

			Combined Totals	
	PSRS	PEERS	June 30, 2013	June 30, 2012
ASSETS				
Cash	$ 169,902,337	$ 28,166,834	$ 198,069,171	$ 104,034,923
Receivables				
Contributions	178,731,736	18,634,321	197,366,057	179,399,068
Accrued interest and dividends	61,298,852	6,935,393	68,234,245	136,068,087
Investment sales	1,014,191,683	87,558,789	1,101,750,472	1,731,634,205
Due from PSRS	-	44,887	44,887	348,642
Other	103,789	48,516	152,305	148,537
Total receivables	1,254,326,060	113,221,906	1,367,547,966	2,047,598,539
Investments, at fair value				
U.S. Treasuries and TIPS	3,935,369,118	475,487,895	4,410,857,013	4,650,814,837
U.S. public equities	12,214,140,705	1,309,932,685	13,524,073,390	11,567,926,039
Global public equities	5,019,173,070	586,447,060	5,605,620,130	4,718,242,974
Short term investments	423,563,153	72,622,595	496,185,748	484,428,236
Public debt	2,507,832,495	260,846,433	2,768,678,928	2,838,509,767
Private equity	2,152,507,128	182,032,741	2,334,539,869	2,104,681,164
Private credit	359,475,497	29,417,435	388,892,932	424,897,967
Private real estate	2,324,219,246	250,191,479	2,574,410,725	2,261,110,814
Hedged assets	4,340,446,232	462,085,204	4,802,531,436	4,606,574,803
Total investments	33,276,726,644	3,629,063,527	36,905,790,171	33,657,186,601
Invested securities lending collateral	433,989,546	48,977,204	482,966,750	572,562,122
Prepaid expenses	144,842	-	144,842	125,353
Capital assets, net of accumulated depreciation	21,267,894	-	21,267,894	17,391,271
Total assets	35,156,357,323	3,819,429,471	38,975,786,794	36,398,898,809
LIABILITIES				
Accounts payable	15,752,513	1,748,139	17,500,652	15,466,431
Interest payable	49,867	5,525	55,392	326,963
Securities lending collateral	433,979,782	48,976,102	482,955,884	599,083,785
Investment purchases	4,329,286,136	451,099,920	4,780,386,056	4,999,882,083
Due to PEERS	44,887	-	44,887	348,642
Net other post employment benefit obligation	728,613	470,687	1,199,300	949,200
Compensated absences	1,098,732	616,302	1,715,034	1,512,107
Total liabilities	4,780,940,530	502,916,675	5,283,857,205	5,617,569,211
NET POSITION - RESTRICTED FOR PENSION BENEFITS	$ 30,375,416,793	$ 3,316,512,796	$ 33,691,929,589	$ 30,781,329,598

Note: See accompanying Notes to the Financial Statements.

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

for the year ended June 30, 2013
with comparative totals for the year ended June 30, 2012

	PSRS	PEERS	Combined Totals Year Ended June 30, 2013	Combined Totals Year Ended June 30, 2012
ADDITIONS				
Contributions				
Employer	$ 634,040,335	$ 97,059,313	$ 731,099,648	$ 715,309,016
Member	665,925,539	103,270,505	769,196,044	760,866,455
Total contributions	1,299,965,874	200,329,818	1,500,295,692	1,476,175,471
Investment income				
From investing activities:				
Net appreciation in fair value of investments	3,369,272,378	357,614,096	3,726,886,474	350,632,346
Interest from investments	168,047,246	19,052,626	187,099,872	207,988,709
Interest from bank deposits	47,988	1,242	49,230	40,677
Dividends	155,854,945	16,140,276	171,995,221	176,058,840
Total investment income	3,693,222,557	392,808,240	4,086,030,797	734,720,572
Less investment expenses	336,128,965	41,019,143	377,148,108	255,957,916
Net income from investing activities	3,357,093,592	351,789,097	3,708,882,689	478,762,656
From security lending activities:				
Security lending gross income	2,607,098	262,674	2,869,772	2,820,033
Net appreciation in fair value of security lending collateral	14,044,758	1,202,970	15,247,728	2,520,626
Less security lending activity expenses:				
Agent fees	1,383,602	141,857	1,525,459	1,513,030
Broker rebates paid (received)	(6,169,218)	(616,159)	(6,785,377)	(7,005,019)
Total security lending expenses	(4,785,616)	(474,302)	(5,259,918)	(5,491,989)
Net income from security lending activities	21,437,472	1,939,946	23,377,418	10,832,648
Total net investment income	3,378,531,064	353,729,043	3,732,260,107	489,595,304
Other income				
Miscellaneous income	20,305	-	20,305	7,711
Total other income	20,305	-	20,305	7,711
Total additions	4,678,517,243	554,058,861	5,232,576,104	1,965,778,486
DEDUCTIONS				
Monthly benefits	2,055,763,858	178,663,339	2,234,427,197	2,117,176,610
Refunds of contributions	55,394,344	18,636,409	74,030,753	72,925,581
Administrative expenses	8,712,314	4,801,080	13,513,394	13,291,496
Other expenses	2,495	2,274	4,769	315
Total deductions	2,119,873,011	202,103,102	2,321,976,113	2,203,394,002
Net increase (decrease)	2,558,644,232	351,955,759	2,910,599,991	(237,615,516)
NET POSITION - RESTRICTED FOR PENSION BENEFITS				
Beginning of year	27,816,772,561	2,964,557,037	30,781,329,598	31,018,945,114
End of year	$ 30,375,416,793	$ 3,316,512,796	$ 33,691,929,589	$ 30,781,329,598

Note: See accompanying Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013 (with comparative information for June 30, 2012)

Note 1 – Plan Descriptions

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

The funds of the two Systems are managed simultaneously, 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 of Missouri (PSRS)

PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. The System also includes certificated employees of PSRS, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the state of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Section 169.070 (9) RSMo, known as the "2/3's statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members' benefits are further calculated at two-thirds the normal benefit amount.

PSRS was established as an independent trust fund by an Act of the Missouri General Assembly effective August 1, 1945. Statutes governing the System are found in Sections 169.010-169.141 and Sections 169.560-169.595 RSMo. It is a defined benefit plan providing service retirement, death and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced retirement benefits are available with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount. Annual cost-of-living adjustments (COLAs) are provided for eligible service and disability retirees and for surviving beneficiaries receiving payments under optional benefit plans, up to a lifetime maximum of 80% of the original benefit amount.

Contributions – PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2013 and 2012. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS/PEERS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of salary. Administrative costs are financed through investment earnings. Contributions for employees of the state of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

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

		2013		2012
Retirees and beneficiaries receiving benefits		52,306		50,344
Inactive members entitled to, but not yet receiving benefits		7,203		6,891
Active members: Vested	59,556		58,943	
Non-vested	18,520		18,586	
Total active members		78,076		77,529
Other inactive members		4,446		4,632
Total		142,031		139,396

Employers – PSRS had 537 contributing employers during fiscal years 2013 and 538 during fiscal year 2012.

The Public Education Employee Retirement System of Missouri (PEERS)

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

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

PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-Out" are entitled to an additional temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members 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 Single Life benefit amount. Annual cost-of-living adjustments (COLAs) up to a lifetime maximum of 80% of the original benefit amount are provided for eligible service and disability retirees and for surviving beneficiaries receiving payments under optional benefit plans.

Contributions – PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2013 and 2012. Employers were required to match the contributions made by their employees. The contribution rate is set each year by the PSRS/PEERS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions in Section 169.620 RSMo. The annual statutory increase in the total contribution rate may not exceed .5% of salary. Administrative costs proportional to its membership size are reimbursed by PEERS to the Public School Retirement System of Missouri (PSRS) and are financed through investment earnings.

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

		2013		2012
Retirees and beneficiaries receiving benefits		23,674		22,562
Inactive members entitled to, but not yet receiving benefits		5,140		4,940
Active members: Vested	29,796		29,199	
Non-Vested	18,913		19,406	
Total active members		48,709		48,605
Other inactive members		9,299		9,612
Total		86,822		85,719

Employers – PEERS had 533 contributing employers during fiscal year 2013 and 534 during fiscal year 2012.

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 employers, pending investment trades and interest and dividends payable to the Systems as of the end of each fiscal year.

Method Used to Value Investments – Investments are reported at fair value on a trade date basis. Securities traded on national and international exchanges are valued at the last reported sales price at current exchange rates. Fixed income securities not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. The value of 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 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.

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

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at June 30, 2013. 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, 2012, from which the information was derived.

Note 3 – Designations of Net Position - Restricted for Pension Benefits

The Systems designate the net position - restricted for pension benefits for the following specific purposes:

Public School Retirement System of Missouri

	2013	2012
Designated for Members' Contributions (Member Reserves) – *Accumulation of active and terminated member contributions plus interest.*	$ 6,857,442,716	$ 6,687,357,639
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.*	22,328,328,303	21,190,467,861
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.*	466,586	564,439
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.*	1,189,179,188	(61,617,378)
Net Position – Restricted For Pension Benefits	$ 30,375,416,793	$ 27,816,772,561

Public Education Employee Retirement System of Missouri

	2013	2012
Designated for Members' Contributions (Member Reserves) – *Accumulation of active and terminated member contributions plus interest.*	$ 863,276,741	$ 822,485,225
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.*	1,653,613,287	1,541,541,277
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.*	799,622,768	600,530,535
Net Position – Restricted For Pension Benefits	$ 3,316,512,796	$ 2,964,557,037

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, 2013, the PSRS carrying amount of deposits at the depository bank was $10,018,000 and the bank balance was $11,367,701. Of the bank balance, $250,000 was covered by federal depository insurance. In addition, the deposits were collateralized with U.S. agency securities held by a third-party institution in the System's name, totaling $11,869,361. An additional $7,561,089 was held in overnight repurchase agreements with a book value of $7,561,089. The overnight repurchase agreements were collateralized with U.S. agency securities held by a third-party institution in the System's name totaling $7,561,089.

At June 30, 2013, the PEERS carrying amount of deposits at the depository bank was ($413,660) 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, 2013 was $1,576,095 with a book value of $1,576,095. The overnight repurchase agreements were collateralized with U.S. agency securities held by a third-party institution in the System's name totaling $1,655,591.

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Systems' investment in a single issue. To mitigate this risk, the Systems' investment policy prohibits investing more than 5% of the total investment portfolio into any single financial institution or issuer, excluding U.S. government securities. At June 30, 2013, the Systems did not have more than 5% of total investments in a single issue except for U.S. government securities.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Systems 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 tables include collateral pledged for deposits and repurchase agreements and securities lending collateral. The maturities of all debt securities are presented on the following page.

Public School Retirement System of Missouri

Security Type	Fair Value at June 30, 2013	< 1 year to maturity	1 to 5 years to maturity	6 to 10 years to maturity	over 10 years to maturity
U.S. treasuries	$6,472,396,138	$ 2,698,632,446	$ 1,969,970,578	$1,158,475,231	$ 645,317,883
Government guaranteed mortgages	9,750,065	-	663,431	4,846,171	4,240,463
Agencies	175,270,278	-	13,068,212	20,569,827	141,632,239
Collateralized mortgage obligations	23,505,332	-	-	-	23,505,332
Commercial mortgage backed securities	28,747,873	-	-	5,480,515	23,267,358
Asset backed securities	10,823,855	-	-	2,323,764	8,500,091
Corporate bonds	1,350,216,769	34,798,883	413,994,397	823,811,897	77,611,592
Sovereign	45,993,727	17,615,986	5,989,943	16,112,582	6,275,216
Repurchase agreements	63,294,221	63,294,221	-	-	-
Commercial paper	66,718,789	66,718,789	-	-	-
Certificate of deposit	72,783,692	72,783,692	-	-	-
Time deposits	67,394,321	67,394,321	-	-	-
Derivatives	4,456,448	(2,300,071)	(1,931,099)	3,754,046	4,933,572
Municipals	38,750,994	-	1,198,782	379,059	37,173,153
Commingled Funds (see note)					
JPM STIF	467,364,667	467,364,667	-	-	-
BlackRock TempFund	16,174,637	16,174,637	-	-	-
Fidelity Select	16,174,637	16,174,637	-	-	-
Barclays Capital	104,000	104,000	-	-	-
PIMCO Developing Markets	225,085,193	225,085,193	-	-	-
PIMCO Short Term Floating NAV II	170,606,567	170,606,567	-	-	-
Currency	14,255,885	14,255,885	-	-	-
Total	$9,339,868,088	$ 3,928,703,853	$ 2,402,954,244	$2,035,753,092	$ 972,456,899
Percentage of Total Fixed Income	**100%**	**42%**	**26%**	**22%**	**10%**

Public Education Employee Retirement System of Missouri

Security Type	Fair Value at June 30, 2013	< 1 year to maturity	1 to 5 years to maturity	6 to 10 years to maturity	over 10 years to maturity
U.S. treasuries	$ 773,409,536	$ 332,363,392	$ 223,812,879	$ 135,767,658	$ 81,465,607
Agencies	19,220,594	-	3,237,416	2,090,418	13,892,760
Collateralized mortgage obligations	4,565,287	-	-	-	4,565,287
Commercial mortgage backed securities	1,094,370	-	-	-	1,094,370
Asset backed securities	1,618,634	-	559,065	390,600	668,969
Corporate bonds	145,351,481	4,165,151	45,031,123	88,049,292	8,105,915
Sovereign	4,489,873	1,603,207	719,353	1,041,599	1,125,714
Repurchase agreements	7,142,969	7,142,969	-	-	-
Commercial paper	7,529,443	7,529,443	-	-	-
Certificate of deposit	8,213,888	8,213,888	-	-	-
Time deposits	7,605,679	7,605,679	-	-	-
Derivatives	499,814	(150,468)	(260,275)	442,006	468,551
Municipals	5,844,932	-	61,251	301,212	5,482,469
Commingled Funds (see note)					
JPM STIF	64,928,895	64,928,895	-	-	-
BlackRock TempFund	1,825,363	1,825,363	-	-	-
Fidelity Select	1,825,363	1,825,363	-	-	-
Barclays Capital	82,000	82,000	-	-	-
PIMCO International Sector Fund	122,396	-	-	122,396	-
PIMCO Developing Markets	25,009,467	25,009,467	-	-	-
Currency	1,189,767	1,189,767	-	-	-
Total	$1,081,569,751	$ 463,334,116	$ 273,160,812	$ 228,205,181	$ 116,869,642
Percentage of Total Fixed Income	**100%**	**43%**	**25%**	**21%**	**11%**

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Systems do not have a single investment policy designating the minimum allowable credit rating; however, each manager must follow guidelines established specifically for its managed portfolio. The portfolios are continually monitored to ensure compliance with these guidelines. The following tables include collateral pledged for deposits and repurchase agreements and securities lending collateral. The Systems' debt investments by credit rating category as of June 30, 2013 are presented in the following tables.

Public School Retirement System of Missouri

Security Type	Fair Value at June 30, 2013	%	AAA	AA	A	BBB	BB	B	CCC	Not Rated
U.S. treasuries	$6,472,396,138	70%	$6,421,874,745	$ -	$50,521,393	$ -	$ -	$ -	$ -	$ -
Government guaranteed mortgages	9,750,065	0%	-	9,750,065	-	-	-	-	-	-
Agencies	175,270,278	2%	-	175,270,278	-	-	-	-	-	-
Collateralized mortgage obligations	23,505,332	0%	1,437,570	1,091,211	7,151,575	700,287	-	3,407,119	9,461,917	255,653
Commercial mortgage-backed securities	28,747,873	0%	10,879,575	13,601,708	3,475,349	791,241	-	-	-	-
Asset backed securities	10,823,855	0%	3,071,198	165,827	580,388	5,439,570	-	448,035	1,118,837	-
Corporate bonds	1,350,216,769	15%	13,164,004	69,269,268	445,517,829	443,389,834	149,033,462	202,798,653	5,112,525	21,931,194
Sovereign	45,993,727	0%	6,131,831	20,979,076	5,886,087	11,091,733	445,000	1,460,000	-	-
Repurchase agreements	63,294,221	1%	63,294,221	-	-	-	-	-	-	-
Commercial paper	66,718,789	1%	66,718,789	-	-	-	-	-	-	-
Certificates of deposit	72,783,692	1%	72,783,692	-	-	-	-	-	-	-
Time deposits	67,394,321	1%	67,394,321	-	-	-	-	-	-	-
Derivatives	4,456,448	0%	-	-	-	-	-	-	-	4,456,448
Municipals	38,750,994	0%	2,685,195	13,219,914	19,858,969	212,964	119,803	2,654,149	-	-
Commingled Funds (see note)										
JPM STIF	467,364,667	5%	467,364,667	-	-	-	-	-	-	-
BlackRock TempFund	16,174,637	0%	16,174,637	-	-	-	-	-	-	-
Fidelity Select	16,174,637	0%	16,174,637	-	-	-	-	-	-	-
Barclays Capital	104,000	0%	-	-	104,000	-	-	-	-	-
PIMCO Developing Markets	225,085,193	2%	-	-	225,085,193	-	-	-	-	-
PIMCO Short Term Floating NAV II	170,606,567	2%	-	170,606,567	-	-	-	-	-	-
Currency	14,255,885	0%	-	-	-	-	-	-	-	14,255,885
Total	$ 9,339,868,088	100%	$7,229,149,082	$473,953,914	$758,180,783	$461,625,629	$149,598,265	$210,767,956	$15,693,279	$40,899,180
Percentage of Total Fixed Income	**100%**		**77%**	**5%**	**8%**	**5%**	**2%**	**2%**	**0%**	**1%**

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

Public Education Employee Retirement System of Missouri

Security Type	Fair Value at June 30, 2013	%	AAA	AA	A	BBB	BB	B	CCC	Not Rated
U.S. treasuries	$773,409,536	72%	$773,409,536	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Agencies	19,220,594	2%	-	19,220,594	-	-	-	-	-	-
Collateralized mortgage obligations	4,565,287	0%	505,170	19,282	2,063,575	200,693	118,992	379,249	1,272,765	5,561
Commercial mortgage-backed securities	1,094,370	0%	756,132	-	338,238	-	-	-	-	-
Asset backed securities	1,618,634	0%	75,413	842,139	492,542	204,481	-	-	4,059	-
Corporate bonds	145,351,481	13%	1,766,532	7,745,245	48,840,419	47,858,295	16,606,386	20,686,317	832,075	1,016,212
Sovereign	4,489,873	0%	452,272	2,263,414	405,148	396,312	767,102	205,625	-	-
Repurchase agreements	7,142,969	1%	7,142,969	-	-	-	-	-	-	-
Commercial paper	7,529,443	1%	7,529,443	-	-	-	-	-	-	-
Certificates of deposit	8,213,888	1%	8,213,888	-	-	-	-	-	-	-
Time deposits	7,605,679	1%	7,605,679	-	-	-	-	-	-	-
Derivatives	499,814	0%	-	-	-	-	-	-	-	499,814
Municipals	5,844,932	1%	467,047	3,831,555	1,228,004	-	-	318,326	-	-
Commingled Funds (see note)										
JPM STIF	64,928,895	6%	64,928,895	-	-	-	-	-	-	-
BlackRock TempFund	1,825,363	0%	1,825,363	-	-	-	-	-	-	-
Fidelity Select	1,825,363	0%	1,825,363	-	-	-	-	-	-	-
Barclays Capital	82,000	0%	-	-	82,000	-	-	-	-	-
PIMCO International Sector Fund	122,396	0%	122,396	-	-	-	-	-	-	-
PIMCO Developing Markets	25,009,467	2%	-	-	25,009,467	-	-	-	-	-
Currency	1,189,767	0%	-	-	-	-	-	-	-	1,189,767
Total	$1,081,569,751	100%	$ 876,626,098	$ 33,922,229	$78,459,393	$48,659,781	$17,492,480	$21,589,517	$2,108,899	$ 2,711,354
Percentage of Total Fixed Income	**100%**		**81%**	**3%**	**7%**	**5%**	**2%**	**2%**	**0%**	**0%**

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

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Systems do not have a single investment policy designating the allowable exposure to foreign currency. However, each manager must follow guidelines established specifically for its managed portfolio. The portfolios are continually monitored to ensure compliance with these guidelines. The Systems' exposure to foreign currency risk as of June 30, 2013 is presented on the following tables.

Public School Retirement System of Missouri

Currency	Debt	Equity	Currency/Short Term	Total
Australian Dollar	$ 4,380,494	$ 103,650,044	$ 1,244,253	$ 109,274,791
Brazilian Real	(1,483,958)	34,973,031	919,496	34,408,569
British Pound Sterling	30,236,827	330,320,029	9,603,492	370,160,348
Canadian Dollar	5,921,965	138,010,403	599,643	144,532,011
Chilean Peso	-	6,453,143	122,788	6,575,931
Colombian Peso	-	149,772	1,130	150,902
Czech Koruna	-	3,881,190	(5,121)	3,876,069
Danish Krone	-	15,745,077	213,288	15,958,365
Egyptian Pound	-	396,830	20,360	417,190
Euro Currency	84,251,662	672,812,990	5,984,409	763,049,061
Hong Kong Dollar	-	117,273,843	431,976	117,705,819
Hungarian Forint	-	978,595	2,833	981,428
Indian Rupee	-	29,285,556	340,157	29,625,713
Indonesian Rupiah	1,313,164	9,674,284	1,596,578	12,584,026
Israeli Shekel	-	1,213,080	38,754	1,251,834
Japanese Yen	(26)	373,926,993	1,662,391	375,589,358
Malaysian Ringgit	-	23,476,347	351,026	23,827,373
Mexican Peso	4,246,692	17,589,956	254,332	22,090,980
Moroccan Dirham	-	428,237	22,802	451,039
New Taiwan Dollar	-	39,347,738	142,207	39,489,945
New Turkish Lira	-	13,805,125	237,310	14,042,435
New Zealand Dollar	-	8,056,109	(324)	8,055,785
Norwegian Krone	-	9,385,660	(423,896)	8,961,764
Pakistan Rupee	-	-	47,757	47,757
Peruvian Nuevo Sol	-	-	654	654
Philippine Peso	-	4,774,401	28,616	4,803,017
Polish Zloty	-	5,553,473	(139,468)	5,414,005
Russian Ruble	-	-	178,233	178,233
Singapore Dollar	-	26,616,347	231,402	26,847,749
South African Rand	346,375	37,141,304	615,946	38,103,625
South Korean Won	-	74,565,405	422,382	74,987,787
Swedish Krona	-	22,363,978	485,822	22,849,800
Swiss Franc	3,390,298	116,145,340	(187)	119,535,451
Thailand Baht	-	17,083,048	120,182	17,203,230
Ukraine Hryvnia	-	7	-	7
Yuan Renminbi	-	239,629	-	239,629
Total	**$ 132,603,493**	**$ 2,255,316,964**	**$ 25,351,223**	**$ 2,413,271,680**

Public Education Employee Retirement System of Missouri

Currency	Debt	Equity	Currency/Short Term	Total
Australian Dollar	$ 370,167	$ 11,650,440	$ 118,862	$ 12,139,469
Brazilian Real	(198,541)	3,245,495	112,972	3,159,926
British Pound Sterling	156,978	35,327,515	605,840	36,090,333
Canadian Dollar	684,726	15,603,538	73,089	16,361,353
Chilean Peso	-	881,554	11,115	892,669
Colombian Peso	-	14,515	110	14,625
Czech Koruna	-	397,670	(1,891)	395,779
Danish Krone	-	1,802,409	22,376	1,824,785
Egyptian Pound	-	50,349	4,602	54,951
Euro Currency	1,920,503	67,817,460	866,533	70,604,496
Hong Kong Dollar	-	12,775,577	95,680	12,871,257
Hungarian Forint	-	153,865	(2,864)	151,001
Indian Rupee	-	3,191,114	38,708	3,229,822
Indonesian Rupiah	161,090	891,570	175,875	1,228,535
Israeli Shekel	-	127,042	5,421	132,463
Japanese Yen	(3)	40,345,413	300,087	40,645,497
Malaysian Ringgit	-	2,605,144	56,535	2,661,679
Mexican Peso	167,056	2,561,249	25,841	2,754,146
Moroccan Dirham	-	51,276	1,466	52,742
New Taiwan Dollar	-	4,109,369	16,602	4,125,971
New Turkish Lira	-	1,615,474	43,875	1,659,349
New Zealand Dollar	-	965,042	(33)	965,009
Norwegian Krone	-	979,870	(45,981)	933,889
Pakistan Rupee	-	-	3,023	3,023
Peruvian Nuevo Sol	-	-	6	6
Philippine Peso	-	471,380	11,346	482,726
Polish Zloty	-	829,124	(11,573)	817,551
Russian Ruble	-	-	19,343	19,343
Singapore Dollar	-	2,998,962	11,238	3,010,200
South African Rand	41,985	4,034,013	250,844	4,326,842
South Korean Won	-	8,104,202	95,306	8,199,508
Swedish Krona	-	2,644,182	48,683	2,692,865
Swiss Franc	-	12,130,319	62,347	12,192,666
Thailand Baht	-	1,814,322	33,524	1,847,846
Ukraine Hryvnia	-	1	9	10
Yuan Renminbi	-	45,671	2	45,673
Total	**$ 3,303,961**	**$ 240,235,126**	**$ 3,048,918**	**$ 246,588,005**

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

The fair value balances and notional amounts of derivative instruments outstanding as of June 30, 2013, classified by type are as follows:

Public School Retirement System of Missouri

	Fair Value at June 30, 2013		
Investment Derivatives	**Classification**	**Amount**	**Notional**
Swaps			
Receive-fixed interest rate swap	Investments, at fair value	$ 8,118,059	$ 446,500,000
Credit default swaps	Investments, at fair value	(688,727)	143,821,748
Total return swaps - equity	Investments, at fair value	(12,348,001)	3,009,249,678
Total swaps		**(4,918,669)**	**3,599,571,426**
Futures			
Equity futures long	Investments, at fair value	-	84,493,284
Equity futures short	Investments, at fair value	-	42,848,445
Treasury futures long	Investments, at fair value	-	3,265,312,500
Currency futures short	Investments, at fair value	-	5,426,545
Currency futures long	Investments, at fair value	-	286,258,983
Commodity futures long	Investments, at fair value	-	12,848,850
Total futures		**-**	**3,697,188,607**
Options			
Equity written put options	Investments, at fair value	(12,556)	8,600
Equity purchased put options	Investments, at fair value	36,792	25,200
Treasury futures written call options	Investments, at fair value	(1,344)	4,300,000
Treasury futures written put options	Investments, at fair value	(120,266)	4,300,000
Fixed income written call options	Investments, at fair value	(20,985)	4,500,000
Fixed income written put options	Investments, at fair value	(5,471)	3,400,000
Swaptions	Investments, at fair value	(1,928,681)	237,800,000
Total options		**(2,052,511)**	**254,333,800**
Foreign currency forwards net receivable/payable	Investment Sales and Purchases	(981,043)	-
Total Investment Derivatives		**$ (7,952,223)**	**$ 7,551,093,833**

Public Education Employee Retirement System of Missouri

Investment Derivatives	Classification	Fair Value at June 30, 2013 Amount	Notional
Swaps			
Receive-fixed interest rate swap	Investments, at fair value	$ 822,706	$ 53,800,000
Credit default swaps	Investments, at fair value	(86,318)	16,222,900
Total return swaps - equity	Investments, at fair value	(2,061,408)	336,603,298
Total swaps		**(1,325,020)**	**406,626,198**
Futures			
Equity futures long	Investments, at fair value	-	9,432,044
Equity futures short	Investments, at fair value	-	4,826,587
Treasury futures long	Investments, at fair value	-	215,156,250
Currency futures short	Investments, at fair value	-	2,281,844
Currency futures long	Investments, at fair value	-	28,365,063
Commodity futures long	Investments, at fair value	-	1,468,440
Total futures		**-**	**261,530,228**
Options			
Equity written put options	Investments, at fair value	(1,314)	900
Equity purchased put options	Investments, at fair value	4,088	2,800
Treasury futures written call options	Investments, at fair value	(188)	600,000
Treasury futures written put options	Investments, at fair value	(2,156)	600,000
Fixed income written call options	Investments, at fair value	(1,156)	300,000
Fixed income written put options	Investments, at fair value	(657)	400,000
Swaptions	Investments, at fair value	(234,320)	30,000,000
Total options		**(235,703)**	**31,903,700**
Foreign currency forwards net receivable/payable	Investment Sales and Purchases	(78,873)	-
Total Investment Derivatives		**$ (1,639,596)**	**$ 700,060,126**

Swaps - The Systems' investment managers have entered into various swaps including interest rate swaps, credit default swaps and equity and total return swaps. Swaps represent an agreement between two parties to exchange sequences of cash flows over a period in the future. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty who, in turn, agrees to make return interest payments that float with some reference rate. A credit default swap is a contract whereby the credit risk associated with an investment is transferred by entering into an agreement with another party, who in exchange for periodic fees, agrees to make payments in the event of a default or other predetermined credit event. A total return swap is a contract in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of the underlying asset. The underlying asset is typically an index, bond, etc. Gains and losses on swaps are determined based on market values and are recorded in net appreciation (depreciation) in fair value of investments on the Systems' Statements of Changes in Plan Net Position. Net losses on swaps of $5.3 million for PSRS and $1.2 million for PEERS were recognized for the fiscal year ended June 30, 2013.

Futures - Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specified price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the Systems' credit risk. The net change in the value of futures contracts is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included in net appreciation (depreciation) in fair value of investments on the Systems' Statements of Changes in Plan Net Position. PSRS and PEERS recognized net losses on futures contracts of $14.1 million and $1.4 million, respectively, during the fiscal year ended June 30, 2013.

Options - Options represent or give buyers the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. The option's price is usually a small percentage of the underlying asset's value. As a writer of financial options, the Systems' investment managers receive a premium at the outset of the agreement and bear the risk of an unfavorable change in the price of the financial instrument underlying the option. As a purchaser of financial options, the Systems' investment managers pay a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Net gains or losses resulting from such obligations are included in net appreciation (depreciation) in fair value of investments on the Systems' Statements of Changes in Plan Net Position. PSRS and PEERS recognized net losses on option contracts of $1.2 million and $114,900, respectively, during the fiscal year ended June 30, 2013.

Currency forwards - Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency rate on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in net appreciation (depreciation) in fair value of investments on the Systems' Statements of Changes in Plan Net Position. PSRS recognized net gains on such contracts of $13.2 million and PEERS recognized net gains of $1.0 million, during the fiscal year ended June 30, 2013.

Derivative Risk - Derivatives that are exchange traded are not subject to credit risk. No derivatives held are subject to custodial credit risk.

At June 30, 2013 the counterparties' credit ratings for currency forwards, options and swaps are subject to credit risk as shown on the chart below.

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

The Systems' derivatives are governed by ISDA Master Agreements between the Systems and the counterparties. These agreements set forth collateral requirements and applicable netting arrangements. Foreign currency risks are reflected on pages 30 and 31.

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.

Derivative Counterparty Credit Ratings

Public School Retirement System of Missouri

Quality Rating	Swaps	Options	Forwards	Total
AA	$ 7,429,332	$ (2,076,747)	$ 102,229	$ 5,454,814
A	(12,348,001)	24,236	(1,083,270)	(13,407,035)
Total subject to credit risk	**$ (4,918,669)**	**$ (2,052,511)**	**$ (981,041)**	**$ (7,952,221)**

Public Education Employee Retirement System of Missouri

Quality Rating	Swaps	Options	Forwards	Total
AA	$ 736,388	$ (238,477)	$ 13,301	$ 511,212
A	(2,061,408)	2,774	(92,174)	(2,150,808)
Total subject to credit risk	**$ (1,325,020)**	**$ (235,703)**	**$ (78,873)**	**$ (1,639,596)**

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 Position. Market risk arises from the potential unfavorable change in the value of the underlying instruments. The contract or notional amounts of these instruments reflect the extent of the Systems' involvement in each class of financial instrument; however, these amounts do not represent the exposure to market loss. Additional derivatives may be held in limited partnerships and commingled funds that are not reflected on the chart on page 34.

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

During the fiscal year, the Systems' custodial bank lent, on behalf of the Systems, securities to participating broker-dealers. The broker-dealers must provide collateral in the form of cash. The Systems did not impose restrictions during the fiscal year on the amount of loans that the custodial bank made on their behalf.

Borrowers were required to deliver collateral for each loan equal to: (1) in the case of loaned securities denominated in U.S. dollars or whose primary trading market was located in the United States, or sovereign debt issued by foreign governments, 102% of the fair value of the loaned securities, and (2) in the case of loaned securities not denominated in U.S. dollars or whose primary trading market was not located in the United States, 105% of the fair value of the loaned securities.

Pursuant to the lending agreement, the custodial bank has an obligation to provide a form of indemnification to the Systems in the event of default by a borrower. There were no violations of the contractual provisions nor were there any borrower or lending agent default losses during the fiscal year.

The market value of securities on loan as of June 30, 2013 was $418,219,380 for PSRS and $47,346,482 for PEERS. On June 30, 2013, the Systems had no credit risk exposure to borrowers as the cash and securities collateral amounts received exceeded amounts on loan. Loans are generally terminable on demand. However, with the prior approval of the Systems, loans may be made on the basis of a specified termination date, with or without providing for the right of the Systems to terminate or substitute equivalent securities. As of June 30, 2013, there were no term loans for either PSRS or PEERS.

PSRS and PEERS maintained investment portfolios that were novated to JPMorgan Chase, NA from the Systems' previous agent lender and custodial bank. These assets were referred to as the Legacy Portfolio. The Legacy Portfolio was fully liquidated during the current year.

New cash collateral is invested in separately managed accounts in accordance with the investment guidelines approved by the Systems. Assets purchased with new cash collateral are referred to as the J.P. Morgan Portfolio. The primary investment objective of the J.P. Morgan Portfolio is the preservation of principal. As of June 30, 2013, the cost basis of the J.P. Morgan Portfolio totaled $433,979,783 for PSRS and $48,976,102 for PEERS. The estimated market value of the J.P. Morgan Portfolio totaled $433,989,546 for PSRS and $48,977,204 for PEERS.

PSRS recognized net appreciation of $14,044,758 and PEERS recognized net appreciation of $1,202,970 for the year ended June 30, 2013 on the invested collateral accounts. Such is reported as net appreciation in fair value of security lending collateral on the Statements of Changes in Plan Net Position.

The weighted average duration of invested collateral as of June 30, 2013 was 29 days and an average final maturity of approximately 31 days for PSRS and PEERS. Because the loans were terminable at will, their duration did not match the duration of the investments made with cash collateral.

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 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 2012-2013.

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, 2013, the most recent actuarial valuation date, is as follows:

(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)
PSRS	6/30/13	$ 29,443,147	$ 36,758,165	$ 7,315,018	80.1%	$ 4,460,872	164.0%
PEERS	6/30/13	$ 3,237,200	$ 3,967,619	$ 730,419	81.6%	$ 1,470,830	49.7%

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the AAL for benefits.

Additional Information as of the Latest Actuarial Valuation is as Follows:

Valuation date	June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	
PSRS (1)	Closed, level percent for 30 years, effective June 30, 2011 Open, level percent for 30 years, prior to June 30, 2011
PEERS (2)	Closed, level percent for 30 years, effective June 30, 2011 Open, level percent for 30 years, prior to June 30, 2011
Asset valuation method	Five-year smoothing of actual returns less expected returns Marked to market June 30, 2003
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	
PSRS	4.0 - 10.0%, effective June 30, 2011 5.0 - 10.25%, prior to June 30, 2011
PEERS	5.0 - 12.0%, effective June 30, 2011 5.0 - 10.0%, prior to June 30, 2011
*Includes inflation at	2.5%, effective June 30, 2011 3.25%, prior to June 30, 2011
Cost-of-living adjustments	2.0%, effective June 30, 2011 3.25%, prior to June 30, 2011

(1) The annual statutory increase in the total contribution rate may not exceed 1% of retirement salary. Contribution rates will be established in accordance with the Board of Trustee's Funding Stabilization policy and the recommendation of the independent actuary. The recommended contribution rate for fiscal year 2015 is 29.0%, which results in an effective amortization period of 29.4 years.

(2) The annual statutory increase in the total contribution rate may not exceed 0.5% of retirement salary. Contribution rates will be established in accordance with the Board of Trustee's Funding Stabilization policy and the recommendation of the independent actuary. The recommended contribution rate for fiscal year 2015 is 13.72%, which results in an effective amortization period of 31.0 years.

Note 7 – Retirement Plans

Section 401(a) Defined Benefit Plan

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

PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2013 and 2012 and 14.0% during fiscal year 2011. PSRS, as the employer, was required to contribute an equal 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 $30,474 for the 2013 fiscal year, $34,722 for the 2012 fiscal year and $31,319 for the 2011 fiscal year. The amounts for these years are equal to the required contributions.

PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2013 and 2012 and 6.63% during fiscal year 2011. PSRS, as the employer, was required to contribute an equal 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 $595,935 for the 2013 fiscal year, $555,144 for the 2012 fiscal year and $519,055 for the 2011 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 $17,000 per year plus $5,500 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 $96,746 for the 2013 fiscal year and $93,829 for the 2012 fiscal year. Employer-paid contributions totaled $56,500 for fiscal year 2013 and $51,500 for fiscal year 2012. Employee contributions totaled $299,784 for the 2013 fiscal year and $235,887 for the 2012 fiscal year.

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

Note 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/PEERS Board of Trustees determines the funding of benefits and any benefit amendments. There is no continuing obligation to provide benefits beyond each calendar year. SRHP does not issue a stand-alone public financial report.

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

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

Annual required contribution	$ 305,300
Interest on net OPEB obligation	31,300
Amortization of net OPEB obligation	(30,800)
Annual OPEB cost	305,800
Contributions made	55,700
Increase in net OPEB obligation	250,100
Net OPEB obligation - beginning of year	949,200
Net OPEB obligation - end of year	$ 1,199,300

PSRS' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC)	% of AOC Contributed	Net OPEB Obligation
6/30/2011	$ 245,400	15.7 %	$ 752,900
6/30/2012	$ 247,200	20.6 %	$ 949,200
6/30/2013	$ 305,800	18.2 %	$ 1,199,300

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)
6/30/2013	$ -	$3,192,700	$ 3,192,700	0.0%	$8,425,400	37.9%

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

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

In the June 30, 2013 actuarial valuation, the following assumptions and methods were used:

Actuarial cost method	Entry Age Normal
Actuarial value of assets	No Assets (pay-as-you-go)
Amortization method	Level Percent Open
Remaining amortization period	30 Years
Actuarial assumptions:	
Investment rate of return	3.3 % per year, 4.5 % per year for fiscal year 2011
Wage inflation	3.5 % per year, 5.0 % per year for fiscal year 2011
Healthcare trend	7.5% in fiscal year 2013, decreasing by one-half percentage point per year to an ultimate of 4.5% in fiscal year 2019 and after

Post-Employment Health Plan

PSRS maintains a Post-Employment Health Plan ("PEHP") for employees. Upon termination, an employee will receive payment at the rate of one day of pay for each two days of accrued sick leave up to 100 days of accrued sick leave (50 days paid). Any days above 100 will be forfeited. All payments under the PEHP in excess of $1,000 will be transferred into a PEHP account which can be used to pay health insurance premiums for the employee or dependent at any time in the future. If an employee is retiring, the payments can be transferred back to PSRS on a monthly basis to cover the cost of health insurance for the retiree. The amount paid into the PEHP was $29,478 for four employees (two retirees and two terminations) during 2013 and $25,653 for three employees (one retiree and two terminations) during 2012. The cost was charged 62% to PSRS and 38% to PEERS.

Note 9 – Risk Management

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

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

Note 10 – Commitments and Contingencies

PSRS was committed to the future purchase of investments at a cost of $4,329,286,136 on June 30, 2013 and PEERS had investment purchase commitments of $451,099,920 on June 30, 2013.

PSRS had total unfunded capital commitments to real estate, private equity and other alternative investments of approximately $1.8 billion as of June 30, 2013. PEERS had total unfunded capital commitments to real estate, private equity and other alternative investments of approximately $191.4 million as of June 30, 2013. The unfunded commitments are not recorded in the Statements of Plan Net Position.

During fiscal year 2010, PSRS entered into a contract with a consultant to provide and implement the software and training of an automated pension administration system at a cost of approximately $16,000,000. As of June 30, 2013, $12,983,287 had been paid pursuant to this contract.

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. The Systems and their previous custodial bank are in dispute regarding the terms of the Trust agreement for the Quality D Short-Term Investment Fund (Quality D Fund). The previous 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 in-kind distribution was utilized to fund a customized collective investment pool to facilitate securities lending activity. The revaluation was based on net asset values as of October 13, 2009. The Systems strongly oppose such action and anticipate recovery of such amounts. The Systems filed a lawsuit in Cole County, Missouri Circuit Court against the custodial bank on September 18, 2009 in an attempt to prevent the custodial bank from taking such action. The Systems are proceeding with litigation to recover any amounts lost as a result of the custodial bank's action. The Systems terminated their custodial relationship with the previous custodian on October 1, 2010.

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

Note 11 – Subsequent Event

The Board of Trustees of PSRS and PEERS approved the commingling of assets for purposes of investment and administration. In order to implement this change, PSRS and PEERS adopted the Missouri Education Pension Trust Agreement. The Missouri Education Pension Trust is managed by the PSRS and PEERS Board of Trustees and investment staff. The Systems will gain efficiency and synergy by the commingling of assets into one entity.

In connection with the commingling of the assets, PSRS and PEERS each transferred all invested assets to the Missouri Education Pension Trust on July 1, 2013. PSRS and PEERS continue to own their respective share of the commingled invested assets.

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

Required Supplementary Information

Schedules of Funding Progress

Public School Retirement System of Missouri

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)– Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/08	$ 28,751,241	$ 34,490,452 [1]	$ 5,739,211	83.4%	$ 4,209,417	136.3%
6/30/09	28,826,075	36,060,121 [1]	7,234,046	79.9%	4,439,381	163.0%
6/30/10	28,931,331	37,233,602 [1]	8,302,271	77.7%	4,493,865	184.7%
6/30/11	29,387,486	34,383,430 [3]	4,995,944	85.5%	4,338,976	115.1%
6/30/12	29,013,002	35,588,030 [1]	6,575,028	81.5%	4,379,060	150.1%
6/30/13	29,443,147	36,758,165 [2]	7,315,018	80.1%	4,460,872	164.0%

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

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

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

Public Education Employee Retirement System of Missouri

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)– Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/08	$ 2,703,762	$ 3,278,602 [1]	$ 574,840	82.5%	$ 1,377,506	41.7%
6/30/09	2,792,182	3,458,044 [1]	665,862	80.7%	1,417,485	47.0%
6/30/10	2,892,411	3,658,713 [1]	766,302	79.1%	1,433,691	53.4%
6/30/11	3,028,757	3,549,348 [3]	520,591	85.3%	1,414,442	36.8%
6/30/12	3,090,880	3,746,347 [1]	655,467	82.5%	1,437,310	45.6%
6/30/13	3,237,200	3,967,619 [2]	730,419	81.6%	1,470,830	49.7%

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

[2] The permanent extension of the 25-and-Out provision is included in the AAL for fiscal year 2013.

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

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

Required Supplementary Information

Schedules of Employer Contributions

Public School Retirement System of Missouri

Year Ended June 30	Employer Contribution	Annual Required Contribution (ARC) per GASB Statement #25	Percentage Contributed	Maximum Contribution per State Statute	Percentage Contributed
2008	$ 521,241,501	$ 656,347,298	79.4%	$ 521,241,501	100.0%
2009	563,454,487	669,643,988	84.1%	563,454,487	100.0%
2010	594,326,122	658,161,150	90.3%	594,326,122	100.0%
2011	594,732,137	684,366,766	86.9%	594,732,137	100.0%
2012	620,214,231	720,303,976	86.1%	620,214,231	100.0%
2013	634,040,335	507,232,268	125.0%	- [1]	-

[1] Contribution rates were unchanged from the prior year, therefore contributions were not limited by state statute in fiscal year 2013.

Public Education Employee Retirement System of Missouri

Year Ended June 30	Employer Contribution	Annual Required Contribution (ARC) per GASB Statement #25	Percentage Contributed	Maximum Contribution per State Statute	Percentage Contributed
2008	$ 77,988,839	$ 90,727,016	86.0%	$ 77,988,839	100.0%
2009	85,915,562	96,775,289	88.8%	85,915,562	100.0%
2010	91,478,725	95,560,084	95.7%	91,478,725	100.0%
2011	90,816,155	90,816,155	100.0%	90,816,155	100.0%
2012	95,094,785	95,094,785	100.0%	95,094,785	100.0%
2013	97,059,313	87,013,816	111.5%	- [1]	-

[1] Contribution rates were unchanged from the prior year, therefore contributions were not limited by state statute in fiscal year 2013.

Notes to the Schedules of Required Supplementary 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 is as follows:

Valuation date	June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	
PSRS (1)	Closed, level percent for 30 years, effective June 30, 2011 Open, level percent for 30 years, prior to June 30, 2011
PEERS (2)	Closed, level percent for 30 years, effective June 30, 2011 Open, level percent for 30 years, prior to June 30, 2011
Asset valuation method	Five-year smoothing of actual returns less expected returns Marked to market June 30, 2003
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	
PSRS	4.0 - 10.0%, effective June 30, 2011 5.0 - 10.25%, prior to June 30, 2011
PEERS	5.0 - 12.0%, effective June 30, 2011 5.0 - 10.0%, prior to June 30, 2011
*Includes inflation at	2.5%, effective June 30, 2011 3.25%, prior to June 30, 2011
Cost-of-living adjustments	2.0%, effective June 30, 2011 3.25%, prior to June 30, 2011

(1) The annual statutory increase in the total contribution rate may not exceed 1% of retirement salary. Contribution rates will be established in accordance with the Board of Trustees' Funding Stabilization policy and the recommendation of the independent actuary. The recommended contribution rate for fiscal year 2015 is 29.0%, which results in an effective amortization period of 29.4 years.

(2) The annual statutory increase in the total contribution rate may not exceed 0.5% of retirement salary. Contribution rates will be established in accordance with the Board of Trustees' Funding Stabilization policy and the recommendation of the independent actuary. The recommended contribution rate for fiscal year 2015 is 13.72%, which results in an effective amortization period of 31.0 years.

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

Required Supplementary Information

Staff Retiree Health Plan – Defined Benefit OPEB Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)– (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/11	$ -	$ 2,463,400	$ 2,463,400	0.0%	$ 7,582,300	32.5%
6/30/12	$ -	$ 2,532,800	$ 2,532,800	0.0%	$ 7,825,200	32.4%
6/30/13	$ -	$ 3,192,700	$ 3,192,700	0.0%	$ 8,425,400	37.9%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution (ARC)	Employer Contributions	Percentage Contributed
6/30/11	$ 237,800	$ 38,600	16.2%
6/30/12	$ 246,800	$ 50,900	20.6%
6/30/13	$ 305,300	$ 55,700	18.2%

Schedule of Percentage of OPEB Cost Contributed

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/11	$ 245,400	15.7%	$ 752,900
6/30/12	$ 247,200	20.6%	$ 949,200
6/30/13	$ 305,800	18.2%	$1,199,300

Notes to the Schedules of Required Supplementary Information

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

Actuarial cost method	Entry Age Normal
Actuarial value of assets	No Assets (pay-as-you-go)
Amortization method	Level Percent Open
Remaining amortization period	30 Years
Actuarial assumptions:	
Investment rate of return	3.3% per year, 4.5% per year for fiscal year 2011
Wage inflation	3.5% per year, 5.0% per year for fiscal year 2011
Healthcare trend	7.5% in fiscal year 2013, decreasing by one-half percentage point per year to an ultimate of 4.5% in fiscal year 2019 and after

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

Schedules of Administrative Expenses

for the year ended June 30, 2013

	PSRS	PEERS	Combined Totals
Personnel services	$ 5,537,891	$ 3,369,815	$ 8,907,706
Professional services			
Actuarial services	257,288	138,749	396,037
Legal services	332,134	23,914	356,048
Technology consulting	124,110	76,068	200,178
Financial audit services	38,832	23,800	62,632
Legislative consulting	27,900	17,100	45,000
Other consultants	13,454	8,246	21,700
Insurance consulting	3,720	2,280	6,000
Total professional services	797,438	290,157	1,087,595
Communications			
Information and publicity	198,643	134,923	333,566
Postage	273,825	188,414	462,239
Member education	25,328	12,667	37,995
Telephone	30,240	18,528	48,768
Total communications	528,036	354,532	882,568
Miscellaneous			
Building and utilities	131,128	80,369	211,497
Insurance	77,964	47,784	125,748
Office	701,515	430,433	1,131,948
Staff development	137,054	86,160	223,214
Miscellaneous	158,617	72,088	230,705
Total miscellaneous	1,206,278	716,834	1,923,112
Depreciation expense	642,671	69,742	712,413
Total administrative expenses	$ 8,712,314	$ 4,801,080	$ 13,513,394

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

Schedules of Investment Expenses

for the year ended June 30, 2013

	PSRS	PEERS	Combined Totals
Investment management expenses			
U.S. Treasuries and TIPS	$ 3,037,082	$ 361,591	$ 3,398,673
U.S. public equities	59,473,891	5,941,492	65,415,383
Global public equitites	16,243,819	1,785,095	18,028,914
Public debt	7,202,427	801,303	8,003,730
Private equity	83,505,561	13,267,302	96,772,863
Private credit	17,555,054	1,498,631	19,053,685
Private real estate	39,440,902	4,184,428	43,625,330
Hedged assets	102,688,586	10,759,920	113,448,506
Total investment management expenses	329,147,322	38,599,762	367,747,084
Investment consultant fees	3,098,458	290,335	3,388,793
Custodial bank fees	417,637	41,305	458,942
Investment staff expenses	3,657,042	2,104,767	5,761,809
Commission recapture income	(191,494)	(17,026)	(208,520)
Total investment expenses	$ 336,128,965	$ 41,019,143	$ 377,148,108
Security lending expenses			
Agent fees	$ 1,383,602	$ 141,857	$ 1,525,459
Broker rebates	(6,169,218)	(616,159)	(6,785,377)
Total security lending expenses (income)	$ (4,785,616)	$ (474,302)	$ (5,259,918)

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

Schedules of Professional Services

for the year ended June 30, 2013

	PSRS	PEERS	Combined Totals
Actuarial services	$ 257,288	$ 138,749	$ 396,037
Legal expenses	332,134	23,914	356,048
Technology consulting	124,110	76,068	200,178
Financial audit services	38,832	23,800	62,632
Legislative consulting	27,900	17,100	45,000
Other consulting	13,454	8,246	21,700
Insurance consulting	3,720	2,280	6,000
Total fees	$ 797,438	$ 290,157	$ 1,087,595