A school is a mini community unto itself, an environment designed to foster learning. It takes a dedicated network of PEERS members to make sure the physical needs of students, and staff, are met. From keeping buildings clean and safe, keeping information and facilities secure, providing technology and administrative direction, or just being there with a good meal, to clean up a scraped knee or share a smile, PEERS members are the glue that holds it all together.

From the minute the door opens in the morning to the last classroom is straightened up for the night, they set good examples as citizens, friends and leaders for our youth every day.

INVESTMENT SECTION

LETTER FROM TOWERS WATSON

TOWERS WATSON

1191 Second Avenue
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towerswatson.com

November 12, 2013

To the Members of the Board,

Fiscal year 2013 was marked by large gains in developed equity markets while emerging markets and fixed income performed poorly. In the U.S., news of continued quantitative easing and accelerating GDP growth caused developed equity markets, both international and in the U.S., to increase dramatically. However, worries of the Federal Reserve's action regarding its quantitative easing program led to increased market volatility and negative returns in fixed income markets. In emerging countries, lower than expected GDP growth in most countries led the market significantly lower during the second half of this fiscal year. What provided aid to the equity markets was a disadvantage to the fixed income world. Fixed income trailed equities as investors experienced a long-awaited rise in interest rates. Longer dated U.S. government bonds returned -8%. Looking forward to the coming year, the focus will be on Fed tapering and the continued delay of a resolution to the U.S. debt limit.

The Total Fund return for the fiscal year ended June 30, 2013 was 12.6% for PSRS and 12.3% for PEERS, outperforming the policy benchmark return of 11.2%. The PSRS fiscal year return for public risk assets was strong at 15.5% and safe assets were down for the year at -1.8%, (15.4% and -1.8% for PEERS). PSRS private risk assets returned 13.1% versus 16.2% for its benchmark (12.8% versus 16.2% for PEERS).

Towers Watson is continuing to work with Missouri PSRS/PEERS in evaluating both the overall investment structure and individual managers in the U.S. and non-U.S. public equity composites. We are assisting in the evaluation of public equity managers that would be attractive additions to the portfolio.

We at Towers Watson have enjoyed our relationship with Missouri PSRS/PEERS and are looking forward to the coming year.

Regards,
Towers Watson Investment Services, Inc.

Michael M. Hall, ASA, CFA
West Division Investment Leader

LETTER FROM THE CHIEF INVESTMENT OFFICER

PSRS/PEERS
PUBLIC SCHOOL & EDUCATION EMPLOYEE
RETIREMENT SYSTEMS OF MISSOURI

November 22, 2013

To the Members of the Systems,

Throughout this year's Financial Report you will see the phrase: "***Retirement security, today, tomorrow, together***." While this statement certainly addresses the PSRS/PEERS' commitment to help members manage their retirement security, it also refers to the investment program at the Systems. Together, the PSRS/PEERS Board of Trustees, investment staff, consultants and investment managers have built an investment program that will provide for member benefits both today and well into the future.

With that in mind, I present the following report on the Systems' investments for the fiscal year ended June 30, 2013 on behalf of the PSRS and PEERS Board of Trustees and the internal investment staff.

The Federal Reserve's commitment to a quantitative easing program, coupled with modest improvement in the growth of the economy, led to healthy returns for global stocks in fiscal year 2013. The strength in the investment markets directly resulted in solid gains for PSRS/PEERS this past year. Specifically, the Systems' assets increased through investment earnings by over $3.6 billion from the previous year as the total fund performance was 12.6% for PSRS and 12.3% for PEERS.

Key Points Within This Year's Financial Report

As you review the financial information in this report, we believe it is important to be aware of the following points for the fiscal year ended June 30, 2013:

- PSRS and PEERS significantly outperformed the assumed investment return of 8.0%.
- The PSRS and PEERS investment returns for fiscal year 2013 exceeded 61% of the peer group as defined by the Wilshire TUCS universe of public pension plans with assets in excess of $1 billion.
- The Systems generated the investment returns while taking less risk than 78% of comparable public funds.
- The PSRS/PEERS internal investment staff and external investment managers added value above the policy benchmark of over $380 million, net of all fees and expenses. The outperformance in 2013 was due to portfolio construction and tactical asset allocation by internal investment staff (overweighting and underweighting asset classes around targets) as well as active management on the part of external managers.
- The PSRS/PEERS investment expenses (including accrued performance based fees and all internal investment staff expenses) for fiscal year 2013 were 1.13%, or $1.13 for every $100 managed. The investment returns reported throughout this publication are mostly net of these fees. The investment return net of all fees and expenses was 12.4% for PSRS and 12.1% for PEERS.
- Investment performance throughout this report is calculated using a time-weighted rate of return based on market values.
- The total assets of both PSRS and PEERS were approximately $33.5 billion on June 30, 2013, making the combined entity larger than all other public retirement plans in the state combined, and the 44th largest defined benefit plan in the United States.

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Toll Free (800) 392-6848 **Email** psrspeers@psrspeers.org **Member Services FAX** (573) 634-7934 **Employer Services FAX** (573) 634-7911

PSRS/PEERS Investment Process

The PSRS/PEERS Board of Trustees has embraced an investment process that focuses on three core functions. The internal investment staff continues to work with the Executive Director and the Board to refine each of those areas:

(1) Governance Model

The Systems have developed a process that provides the long-term framework and flexibility for the internal investment staff to execute investment actions across varying market environments through measurable policies and procedures.

(2) Asset Allocation

The PSRS/PEERS asset allocation is built upon both asset class returns and risks, but also incorporates specific broader objectives. For example, the asset allocation directly takes into account both liquidity and tail risk. The Systems must maintain adequate liquidity to meet all benefit payments and cash needs for an extended period of time regardless of the economic environment. The tail risk concept refers to the risk that very bad market events will occur faster and more often than expected.

(3) Investment Operations

A more flexible governance model and asset allocation process adds a layer of complexity to investment risk management and monitoring. As such, PSRS/PEERS expanded its investment department in the last fiscal year to include an operations team.

The PSRS/PEERS investment process has been established to increase the probability that the Systems can achieve the assumed investment return of 8.0% over long periods of time and to reduce the market and operational risk associated with the safety of the investments.

Fiscal Year 2013 Year in Review

The internal investment staff, under the direction of the PSRS/PEERS Board of Trustees, has implemented a disciplined and diversified investment portfolio over the past several years that includes allocations to multiple asset classes. In each year or market cycle, every specific asset class within the PSRS/PEERS investment portfolio performs a valuable function.

In fiscal year 2013, the combined asset allocation provided the Systems with substantial absolute returns, led by above average returns from global stocks. U.S. stocks returned 21.5% for the fiscal year ended June 30, 2013 (as measured by the Russell 3000 Index), non-U.S. developed stocks moved 18.6% higher (as measured by the MSCI EAFE Index), and emerging market stocks increased 2.9% (as measured by the MSCI Emerging Markets Index). In contrast, U.S. Treasury Bonds and U.S. Treasury Inflation Protection Securities (TIPS) provided lower than expected absolute returns for PSRS/PEERS, declining 1.4% and 3.1% respectively.

The PSRS/PEERS non-traditional asset classes provided strong returns in fiscal year 2013. The Hedged Asset Program represented just over 14% of total fund assets at fiscal year-end and generated an 8.5% return, outperforming the one-year return of the HFRI Fund Weighted Composite Hedge Fund Index at 8.2%. The objective of the Hedged Assets Program is to provide competitive returns, diversification and lower volatility (risk) than the Systems' stock portfolios. Diversification into private equity, private real estate and private credit proved beneficial for the year as the Private Equity Composite returned 14.8%, the Real Estate Composite increased 12.1%, and the Private Credit Composite increased 9.8%. The adoption of non-traditional asset classes were not only additive to the PSRS/PEERS total fund performance in fiscal year 2013, but also proved beneficial over the last five years.

As noted above, significant absolute returns in most of the major asset classes contributed to the 12.6% and 12.3% returns for PSRS and PEERS respectively. Additionally, the investment returns were supported by solid implementation (stock selection) and tactical asset allocation decisions. For example, the PSRS/PEERS U.S. Equity portfolio outperformed its benchmark (Russell 3000 Index) by 1.5% in fiscal year 2013, while the PSRS/PEERS Global Equity portfolio outperformed its benchmark (MSCI ACWI-ex U.S.) by 3.3%.

LETTER FROM THE CHIEF INVESTMENT OFFICER (continued)

From a portfolio construction and tactical standpoint, the internal investment staff maintained a significant underweight to Safe Assets throughout the year (due to historically low interest rates) and a substantial overweight to U.S. stocks and emerging market stocks relative to Europe. The underweight to Safe Assets and the overweight to U.S. stocks for the fiscal year provided meaningful contribution to the overall PSRS/PEERS returns.

Fiscal Year 2014: A Promising Start But An Uncertain Future

As I write the annual letter at the end of November 2013, the investment markets continue to be impacted by volatility and a Federal Reserve quantitative easing program without an exit plan. The Systems have directly benefited from the easy monetary policy in the first five months of fiscal year 2014, as stock prices have reached new all-time highs.

Despite the strong returns for PSRS/PEERS in both fiscal year 2013 and the beginning of fiscal year 2014, there continues to be a great deal of uncertainty regarding the global economy and expected investment returns going forward. The economic recovery in the U.S. continues to limp along, the fiscal problems in the U.S. and much of the world persist, the future of Europe is largely unascertainable, and the fragility of the capital markets remain highly dependent on low interest rates and continued quantitative easing. That is a formidable headwind to earning higher returns. Additionally, we know with some certainty that the expected return for bonds going forward is very low. Short-term Treasury Bills are currently yielding close to zero and a 10-year Treasury bond held to maturity will produce a 2.7% return.

To that end, as stewards of your retirement assets, we will continue to focus on the long-term investment horizon, but also adjust the PSRS/PEERS portfolio as market dynamics change. For example, most asset prices (stocks and bonds) are high, or at least fully valued, from a fundamental standpoint. As such, we have begun to rebalance somewhat out of both stocks and bonds and increase the allocation to cash and private investments in fiscal year 2014. The PSRS/PEERS asset allocation continues to exhibit an overweight to U.S. stocks relative to developed Europe stocks due to an uncertain outlook for Europe and an overweight to emerging market stocks due to higher long-term growth prospects and better fundamental valuations. Finally, in terms of investment implementation, we have increased the Systems' allocation to active management in fiscal year 2014 due to an expectation that we can achieve a greater level of 'alpha' (or excess return above the market) in a less certain market environment.

Under the support and guidance of the Board of Trustees, with the assistance from external service providers and with the work of our internal investment staff, I am confident that ***together***, the investment program at PSRS/PEERS will continue to meet the long-term investment objectives of the Systems within appropriate levels of risk. Specifically, the PSRS/PEERS investment program has been built to provide ***retirement security*** to our almost 230,000 retirees, active teachers and school employees for both ***today and tomorrow***.

Respectfully,

Craig A. Husting

Craig A. Husting, CFA
Chief Investment Officer

INVESTMENT POLICY SUMMARY

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

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

The investment portfolios of PSRS and PEERS represent all contributions to the plans, from members and their employers, as well as all net earnings on these assets. These funds are held in support of both current and future liabilities. In total, approximately 60% of every dollar used to pay retirees is generated from investment earnings.[1]

Investment Objective

Based on the general beliefs about the long-term investment returns available from a well-diversified, prudently invested portfolio, the Board has adopted an objective to achieve a **total nominal investment return of 8.0% with a real rate of return of at least 5.5% per annum over time**.[2]

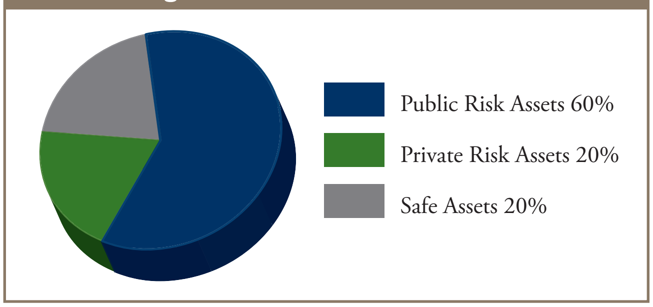
In order to achieve this rate of return, the Systems have developed a portfolio that is prudently invested across a broad array of assets that reflects the long-term nature of the Systems' pension obligations. The principles of diversification, risk control, and competitive rates of return provide the framework for selecting an asset allocation that is expected, over longer periods of time and in the aggregate, to give the Systems the most competitive long-term return within a prudent level of risk.

Understanding Risk

Selection of an appropriate asset allocation is one of the most important decisions made by a retirement plan. Within that asset allocation, it has always been important to not only consider the expected investment return, but also to understand the risks. The importance of risk consideration for institutional investors is critical to long-term success. To that end, the Systems continue to employ an effective and intuitive risk-based approach to setting and reporting the asset allocation decision. The Systems developed a risk-based asset allocation to clearly define the prudent risks taken within its investment portfolios. The Systems consider a variety of risks including, but not limited to, liquidity risk, volatility, tail risk (the possibility that an investment will move much more than expected) and the ability to meet the Systems' assumed rate of return when structuring the portfolio.

This analysis results in an asset allocation to Public Risk Assets, Safe Assets and Private Risk Assets. Within each risk allocation, the Systems' investment portfolio includes strategic, long-term commitments to specific asset programs.

Target Risk-Based Asset Allocation



[1] *Based on a 15-year average for fiscal years 1998-2013*

[2] *The real rate of return is the rate by which the long-term total return exceeds the long-term inflation rate. The Board of Trustees shall employ an actuarial consultant for purposes of determining the inflation rate to be used in calculating the PSRS and PEERS pension obligations. The assumed inflation rate as of June 30, 2013 was 2.5% per annum.*

Roles and Responsibilities

Board of Trustees

It is the responsibility of the Board of Trustees (Board) to establish and maintain policies and objectives for all aspects of the Systems' investment program including the determination of long-term policies for risk tolerance and asset allocation.

In keeping with its obligation to serve as the governing fiduciary, any changes to the investment policy or investment implementation manuals require the Board's approval.

As one of the largest public pension funds in the United States, the Systems' operational requirements are complex. In order to properly administer the Systems and carry out investment strategies, the Board relies heavily on both internal staff and external service providers. Due to the number of parties involved, their roles as fiduciaries are clearly identified to ensure distinct lines of responsibility and proper controls exist, while providing increased operational efficiency and elimination of duplication of effort.

Executive Director

The Executive Director (Director) is appointed by, and serves at the pleasure of the Board. The Director is responsible for planning, organizing and administering all operations of the Systems under the broad policy guidance and direction of the Board. The Director, with the assistance of the investment staff, monitors the performance of the investment portfolio; ensures that funds are invested in accordance with Board policies; and ensures that proper internal controls are developed to safeguard the assets of the Systems. In fulfilling these responsibilities, the Director relies heavily on the Chief Investment Officer and external asset consultants.

Chief Investment Officer

The Chief Investment Officer (CIO) serves at the pleasure of the Director yet has a direct, but limited, link to the Board on investment-related issues. The CIO's sole access to the Board is for submission of investment reports, information or communications required by the investment policy and any other information or opinions specifically requested by the Board with regard to the investment program. The CIO is the individual primarily responsible for providing direction for the investment program. It is the CIO's responsibility to work with the Director, the general consultant, specialty consultants and other external service providers with the assistance of the internal staff in advising the Board on policies related to the investment program. The CIO has responsibilities related to hiring and terminating service providers.

Critical functions of the CIO include recommendations for implementation decisions related to the investment plan and for the strategic allocation of the portfolio within broad ranges approved by the Board.

External Asset Consultants

The Systems employ Towers Watson as a general consultant and Albourne America, LLC (Albourne), Pathway Capital Management (Pathway) and The Townsend Group (Townsend) as specialty consultants. Towers Watson is an independent resource available to collaborate with the Board and staff to manage the investment process. This typically includes regular meetings with the Board to provide an independent perspective on the Systems' goals, structure, performance and external service providers. Additionally, Towers Watson may be involved with the strategic allocation shifts for the portfolio.

The specialty consultants work on specific programs within the overall investment program. Albourne is utilized for the Hedged Assets and Alpha Overlay programs, Pathway is the consultant for the Private Equity and Private Credit programs and Townsend consults on the Real Estate program. During 2013, Albourne was contracted as a Private Credit consultant.

External Investment Managers

The Systems employ external investment managers that include external money managers which may be structured as public or private entities in the form of a partnership, limited liability company, trust, separately managed account, commingled account, or some other form of operational structure in which assets may be held by an external custodian selected and monitored by the external manager.

Managers are given explicit written directions detailing their particular assignments or they follow the investment program outlined in their offering documents or Limited Partnership Agreements, and will construct and manage investment portfolios that are consistent with the investment philosophy and disciplines for which they were hired. Discretion is delegated to the managers to carry out investment actions as directed by the Systems.

Master Custodian

JP Morgan Chase Bank, NA (JP Morgan) serves as the master custodian for the Systems. The master custodian holds all cash and securities for PSRS and PEERS, except in cases where investment in a partnership, commingled account, or unique asset class makes it impossible to do so. The Systems thoroughly evaluate the structure of all investments and their custody arrangements. JP Morgan is responsible for providing the official book of record for performance reporting and accounting, and serves as an additional layer of risk control in safekeeping the Systems' assets.

Asset Allocation

The asset allocation decision is generally regarded as the most important decision in the investment management process since it is crucial to achieving the long-term objectives established by the Board. In that light, it is the Board's responsibility to determine the appropriate policy asset allocation based upon several criteria with input and guidance from internal staff and Towers Watson. These criteria are as follows:

1. The expected rate of return for each asset classification
2. The expected risk of each asset classification (expressed as the standard deviation of the rate of return)
3. The correlation of returns between asset types
4. The investment objectives and risk constraints of the Systems (including but not limited to liquidity needs and the expected time horizon)
5. The funded ratio and cash flow requirements for PSRS and PEERS
6. The impact of the Systems' return volatility on the contribution rate

The long-term policy allocation as of June 30, 2013 is illustrated in the following table. The allocation to each investment program considers both the risk tolerance of the Systems and the long-term return objective.

Asset Allocation		
Investment Type	**Long-Term Target**	**Policy Range**
Public Risk Asset Programs		
U.S. Public Equity	27.00%	16% - 48%
Public Credit	12.00%	0% - 20%
Hedged Assets	6.00%	0% - 25%
Global Public Equity	15.00%	8% - 28%
Total Public Risk Assets	**60.00%**	**35% - 75%**
Safe Assets		
U.S. Treasuries	16.00%	0% - 40%
U.S. TIPS	4.00%	0% - 40%
Total Safe Assets	**20.00%**	**10% - 40%**
Private Risk Asset Programs		
Private Equity	10.50%	4% - 14%
Private Real Estate	7.50%	4% - 10%
Private Credit	2.00%	0% - 7%
Total Private Risk Assets	**20.00%**	**5% - 25%**
Total Fund	**100.0%**	

The Board recognizes the cyclical nature of the investment markets and it has allowed the internal staff to capitalize upon opportunities by changing the allocation of each asset class or sub-asset class within broad strategic bands or policy ranges (as indicated in the table above). The flexibility given to the internal staff in establishing the strategic mix provides opportunities for the Systems to take advantage of changing market conditions. To ensure appropriate controls, the Director, CIO and Towers Watson must unanimously agree upon all material strategic changes prior to implementation.

Performance Objectives and Monitoring Process

Generating a total nominal rate of return net of expenses of at least 8% and a real rate of return net of expenses of at least 5.5% per annum is an important consideration in the asset allocation decision and the primary performance objective for the Systems over long periods of time. The need for a long-term focus is necessary to preclude the temptation to overreact to events in the financial markets that have no relevance to long-term asset/liability management of the Systems. The resulting dilemma is the conflicting need to evaluate investment policy implementation over shorter time periods while maintaining a longer-term focus on meeting the return objectives. In order to determine if the Systems' short-term and long-term objectives are being achieved, the Board evaluates performance relative to policy and strategic benchmarks. The policy benchmarks allow the Systems to be judged by performance relative to a defined set of broad market indices (i.e., the Systems' long-term asset allocation objective). The strategic benchmarks allow the Board to consider the additional value generated from the latitude given to the internal staff to alter the asset class or sub-asset class allocations.

Policy Decisions

The value added through policy decisions is measured by the difference between the policy benchmark return and the actuarial required rate of return objective (defined as Real Return Objective plus Inflation). A policy benchmark return greater than the actuarial required rate of return reflects value added. A policy benchmark return less than the actuarial required rate of return reflects losses or shortfalls in performance in funding the liabilities of the Systems. These policy decisions are measured over long periods of time.

Strategy Decisions

Strategy decisions are asset class or sub-asset class asset allocation choices made by the internal staff to deviate from the policy benchmark weights, with approval from the General Consultant and the Director that the proposed material deviation is in compliance with the Board's investment policy. The value added through these decisions to overweight and/or underweight these sub-asset classes is measured by the difference between the strategic benchmark return and the policy benchmark return. This difference captures the value added by internal staff through sub-asset class strategic decisions relative to the Board's broad policy allocation decisions. A strategic benchmark return greater than the policy benchmark return reflects value added through the allocation decisions. A strategic benchmark return less than the policy benchmark return reflects losses to the fund's performance based upon strategy decisions.

Implementation Decisions

Implementation decisions are manager selection choices made by the internal staff with the approval of a consultant(s) and the Director. The value added through these manager selection decisions is measured by the difference between the actual portfolio return and the strategic benchmark return. An actual portfolio return greater than the strategic benchmark return reflects value added through these manager selection decisions. An actual portfolio return less than the strategic benchmark return reflects losses to the fund's performance based upon implementation decisions.

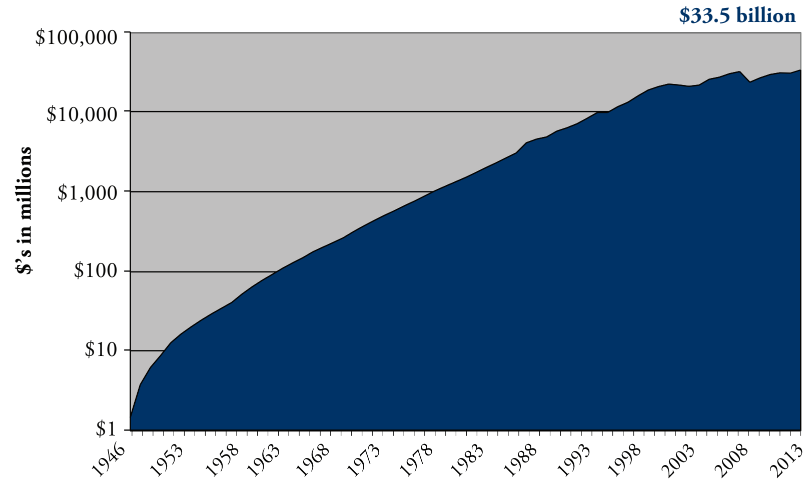
Risk Controls

The Board recognizes that even though the Systems' investments are subject to short-term volatility, it is critical that a long-term investment focus be maintained. Given the importance of the broad asset allocation decision to the Systems' long-term investment success, internal staff is required to conduct an asset allocation/liability study at least every five years and to report the results of that study to the Board. In addition, the CIO must annually evaluate the asset allocation mix and any strategic allocation of the portfolio and provide a report to the Board on the results of that evaluation. This ongoing review of the asset allocation process helps to ensure the asset allocation is being monitored and modified as needed to meet the financial obligations of the Systems.

TOTAL FUND REVIEW

The Systems' total invested assets were $33.5 billion as of June 30, 2013. There has been a consistent and long-term growth in assets since the inception of PSRS in 1946 and PEERS in 1965, as shown in the graph.

67 Years of Asset Growth



Investment Performance[3]

The Systems achieved strong absolute and relative returns in fiscal year 2013. PSRS and PEERS earned returns of 12.6% and 12.3%, respectively, for fiscal year July 1, 2012 through June 30, 2013. The PSRS and PEERS returns net of all fees and expenses were 12.4% and 12.1%, respectively.

These earnings resulted in an increase in total net assets of approximately $2.9 billion over the previous year, largely due to strong gains in developed equity markets. The returns exceeded both the Systems' policy benchmark of 11.2%, and the 8.0% actuarially assumed rate of return. Additionally, the strong returns were achieved while once again taking less investment risk than a large majority of other public pension funds in the nation.

As illustrated in the tables below within the respective PSRS and PEERS investment portfolios, U.S. stocks delivered returns of 23.0% and 22.7%, global stocks returned 15.9% and 16.3%, private equity (investments in private companies) increased 14.8% and 14.6%, real estate produced 12.1% and 11.9% returns, and hedged assets returned 8.5% and 8.2%. Each of these asset classes strongly contributed to the total fund returns for PSRS and PEERS while providing diversification from fixed income securities. The return on fixed income securities trailed the return on equity securities during the fiscal year primarily due to increased interest rates.

PSRS Total Fund Performance

Assets	Total Return	Weighted Contribution*
U.S. Public Equity	23.0%	7.4%
Public Credit	1.3%	0.1%
Hedged Assets	8.5%	1.2%
Global Public Equity	15.9%	2.2%
Public Risk Assets	**15.5%**	**10.9%**
U.S. Treasuries	-1.6%	-0.2%
U.S. TIPS	-3.0%	0.0%
Safe Assets	**-1.8%**	**-0.2%**
Private Equity	14.8%	0.9%
Private Real Estate	12.1%	0.9%
Private Credit	9.8%	0.1%
Private Risk Assets	**13.1%**	**1.9%**
Total PSRS	**12.6%**	**12.6%**

PEERS Total Fund Performance

Assets	Total Return	Weighted Contribution*
U.S. Public Equity	22.7%	7.3%
Public Credit	1.2%	0.1%
Hedged Assets	8.2%	1.1%
Global Public Equity	16.3%	2.3%
Public Risk Assets	**15.4%**	**10.8%**
U.S. Treasuries	-1.7%	-0.2%
U.S. TIPS	-3.0%	0.0%
Safe Assets	**-1.8%**	**-0.2%**
Private Equity	14.6%	0.8%
Private Real Estate	11.9%	0.8%
Private Credit	10.1%	0.1%
Private Risk Assets	**12.8%**	**1.7%**
Total PEERS	**12.3%**	**12.3%**

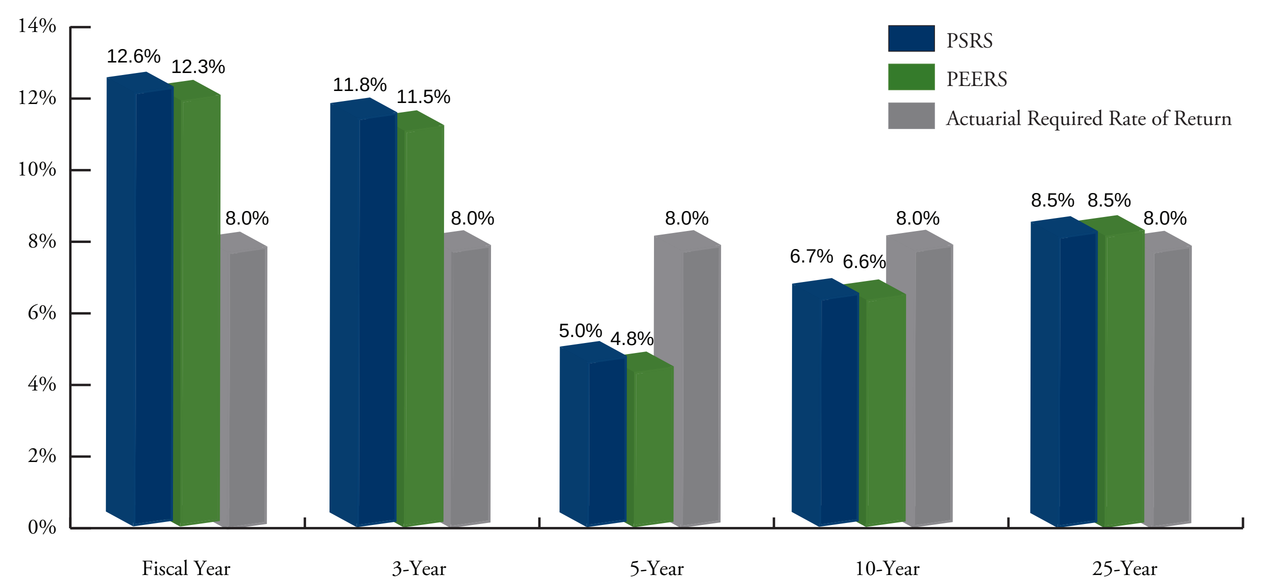
Percentages have been adjusted to reflect compounding effects and changes in asset weights.

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

Investment Performance Relative to Benchmarks

The Board has established a long-term goal to achieve a total investment return of at least 8.0% per year and a real rate of return of at least 5.5% per year. The investment returns for the fiscal year and three-year time periods are substantially higher than the long-term investment objective. The annualized returns for medium-term time periods are less than the long-term investment objective of 8.0% due to the severe credit crisis and resulting market decline experienced during 2008 and early 2009. Additionally, as the table indicates, the 25-year annualized total returns of 8.5% for PSRS and PEERS exceed the long-term return objective of 8.0%.

Total Fund Returns



In order to determine if the Systems' shorter-term and long-term objectives are being achieved, the Board also utilizes three benchmarks by which the Systems' progress may be judged: (1) performance relative to a **policy benchmark** (defined set of broad market indices that reflects the Systems' long-term asset allocation, or market beta), (2) performance relative to a **strategic benchmark** which indicates value added by the internal staff, and, to a lesser extent, (3) performance relative to other public pension systems and their investment managers as a reference point of oversight.

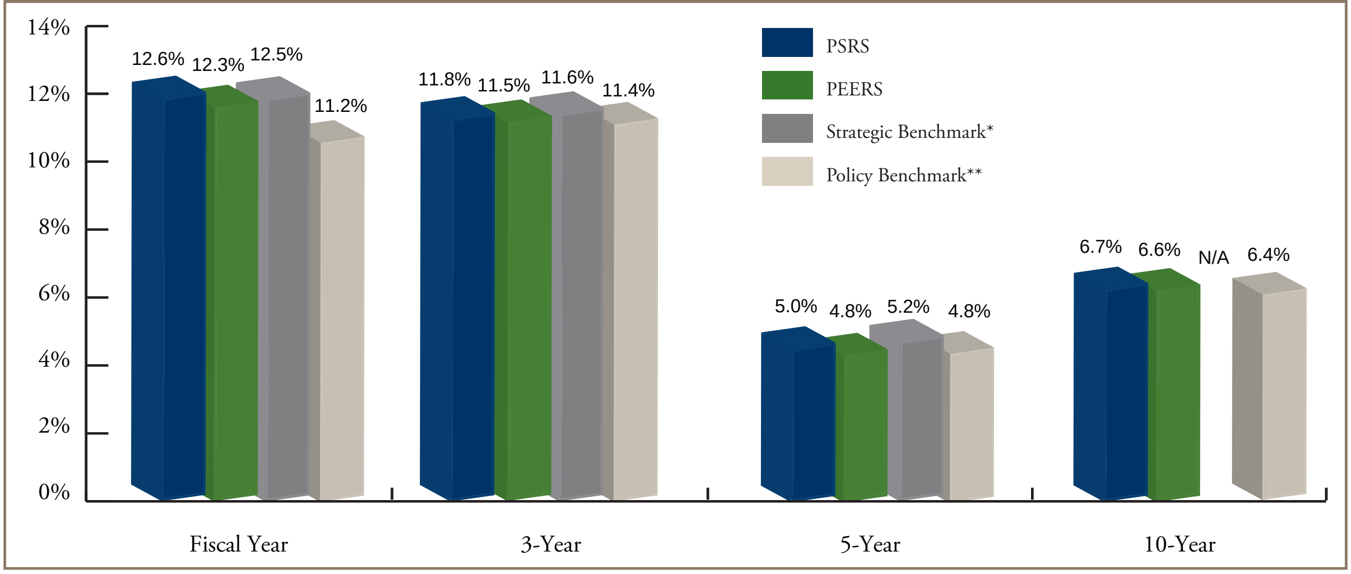
The internal staff presents to the Board a detailed attribution of the total fund performance at the end of each fiscal year. Value is added over and above expected market returns if the strategic benchmark exceeds the policy benchmark (i.e., the internal staff made positive strategic decisions) and/or if the actual total fund return exceeds the strategic benchmark. The table below summarizes the substantial value that was created in fiscal year 2013.

Performance Attribution

	PSRS	PEERS
Strategic Benchmark	12.54%	12.54%
Policy Benchmark	11.19%	11.19%
Value Added Through Strategic Decisions to Reposition Portfolio	***1.35%***	***1.35%***
Actual Fund Return	12.64%	12.30%
Strategic Benchmark	12.54%	12.54%
Value Added Through Implementation	***0.10%***	***-0.24%***
Total Value Added	1.45%	1.11%
Fees Paid Outside of Investment Structures	-0.20%	-0.20%
Total Value Added (Net of Fees and Expenses)	***1.25%***	***0.91%***

The total PSRS and PEERS returns exceeded the policy benchmark by 1.25% and 0.91% (net of all fees and expenses), respectively, for fiscal year 2013. This resulted in over $380 million in excess performance to the Systems. The PSRS and PEERS total fund returns have exceeded the policy benchmark in five of the last eight fiscal years, an indication that internal staff and active investment management have added value to the Systems. It is important to note that during that timeframe, internal staff navigated some of the most volatile market conditions in history.

Actual Returns vs. Strategic and Policy Benchmark Returns



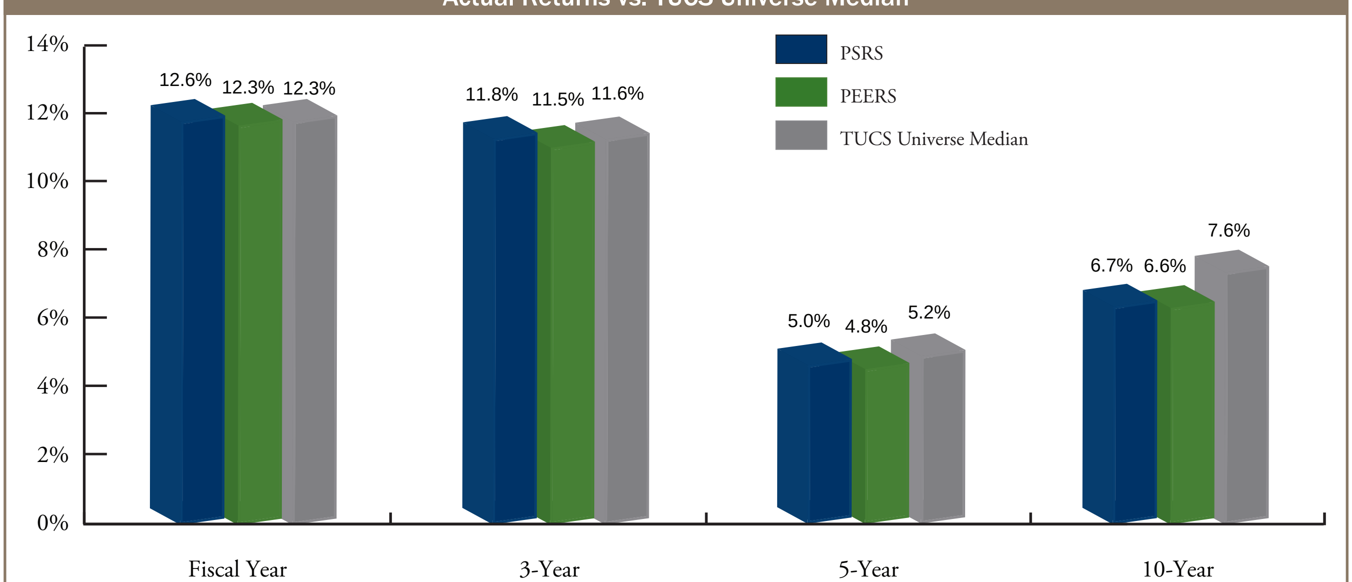
**As of June 30, 2013: 45.9% Russell 3000 Index, 17.0% MSCI All Country World ex-U.S. Free Index, 15.5% Barclays Capital Credit Intermediate Index, 11.4% Barclays Capital Treasury Blend, 7.5% NCREIF Property Index, 1.5% Barclays Capital U.S. TIPS 1-10 Year Index, and 1.2% Bank of America Merrill Lynch High Yield Master II Index. Strategic Benchmark data is not available for periods dating back 10 years or more.*

***As of June 30, 2013: 39.0% Russell 3000 Index, 16% Barclays Capital Treasury Blend, 16.5% MSCI All Country World ex-U.S. Free Index, 15% Barclays Capital Intermediate Credit Index, 7.5% NCREIF Property Index, 4% Barclays Capital U.S. TIPS 1-10 Year Index, and 2% Bank of America Merrill Lynch High Yield Master II Index.*

The Systems utilize the Trust Universe Comparison Services (TUCS) to compare the total return and risk levels of PSRS and PEERS relative to other public pension funds with assets in excess of $1 billion.

As the chart below indicates, the PSRS total return for the fiscal year, as well as for three-year time period exceeded the median return of other large public funds. PSRS' and PEERS' total returns for the five- and ten-year time periods were at or marginally below the public fund median return primarily due to asset allocation and risk tolerance differences. The 2013 TUCS universe data indicates that PSRS and PEERS have taken less risk than 70% of other comparable public funds over the last five years.

Actual Returns vs. TUCS Universe Median

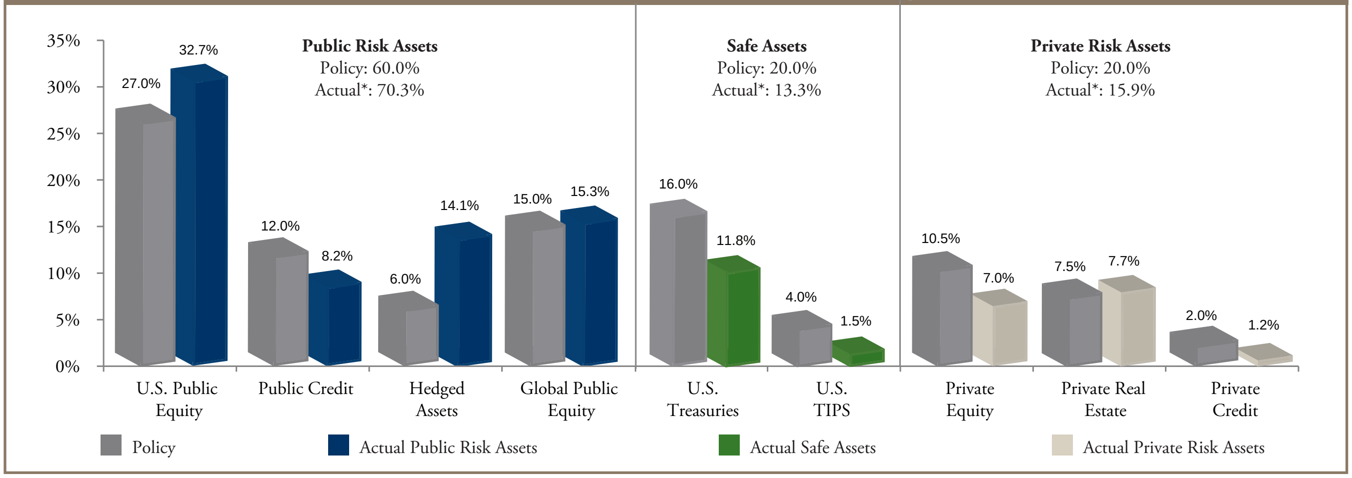


Asset Allocation: Actual Versus Target

The Board's broad policy allocation target as of June 30, 2013 was 60% Public Risk Assets, 20% Safe Assets and 20% Private Risk Assets. Within each broad policy target, the Board has established sub-asset class targets. For example, as the chart below indicates, the target allocation to U.S. Public Equity was 27% as of June 30, 2013. The Board made no changes to the policy targets during fiscal year 2013.

As illustrated in the chart, internal staff utilized the flexibility built into the investment policy to strategically overweight or underweight certain asset classes throughout the year. Significant strategic decisions during the current year included the strategic underweight to Safe Assets and an overweight to Public Risk Assets. Specific strategic decisions within the Public Risk Assets program were the substantial overweight to U.S. equities and emerging market stocks relative to Europe, while underweighting Public Credit. These tactical asset allocation decisions by internal staff contributed significantly to the value added above the policy benchmark for the fiscal year.

Total Fund Asset Allocation: Actual* vs. Target



**Actual assets include 0.5% invested in cash and cash equivalents that is not reflected in the chart above.*

Statistical Performance

One of the primary investment objectives of the Systems is to achieve returns similar to the market but at lower risk or volatility levels. To that end, internal staff monitors a number of quantitative risk statistics related to the total investment portfolio as well as individual composites. The table below indicates that the Systems have taken substantially less risk than the policy benchmark (as measured by standard deviation) over all time periods while achieving higher returns, thereby indicating strong risk-adjusted performance.

Beta measures the volatility, or systematic risk, of a security or portfolio in comparison to the market as a whole. If a portfolio has a beta of 1.0, it indicates that the portfolio moves in unison with the market. The Systems' portfolios have a beta of less than 1.0 relative to the policy benchmark, indicating less market volatility. The Systems' beta relative to the world stock index (ACWI World Index) is approximately 0.50. This signifies that the Systems' portfolio moves up or down approximately half as much as the world stock index.

Total Plan Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year	10-Year
Annualized PSRS Return	12.6%	11.8%	5.0%	6.7%
Annualized PEERS Return	12.3%	11.5%	4.8%	6.6%
Annualized Policy Benchmark Return*	11.2%	11.4%	4.8%	6.4%
Annualized Strategic Benchmark Return**	12.5%	11.6%	5.2%	N/A
Excess Return†	1.4%	0.4%	0.2%	0.3%
Annualized Standard Deviation of Composite***	3.8%	7.8%	10.9%	8.9%
Annualized Standard Deviation of Policy Benchmark***	4.1%	8.4%	12.5%	9.9%
Beta to Policy Benchmark***	0.91	0.92	0.86	0.89
Beta to ACWI World Index***	0.52	0.48	0.51	0.52

**The Total Plan policy benchmark is composed as follows: 16.0% Barclays Capital U.S. Treasury Blend, 4.0% Barclays Capital U.S. TIPS 1-10 Year Index, 39.0% Russell 3000 Index, 16.5% MSCI All Country World Free Ex-U.S. (Net) Index, 15.0% Barclays Capital Intermediate Credit Index, 7.5% NCREIF Property Index, 2.0% Merrill Lynch High Yield Master II Index.*

***The Total Plan strategic benchmark changes monthly based on the actual asset allocation at the end of the previous month. It was established more recently so a 10-year return is not available.*

**** Risk statistics are calculated on the PSRS portfolio but are indictive of the PEERS portfolio.*

†PSRS excess return relative to the Total Plan policy benchmark

PUBLIC RISK ASSETS CLASS SUMMARY

As of June 30, 2013, the combined PSRS/PEERS Public Risk assets had a market value of approximately $23.5 billion, representing 70.3% of total assets.

Investment Program Description

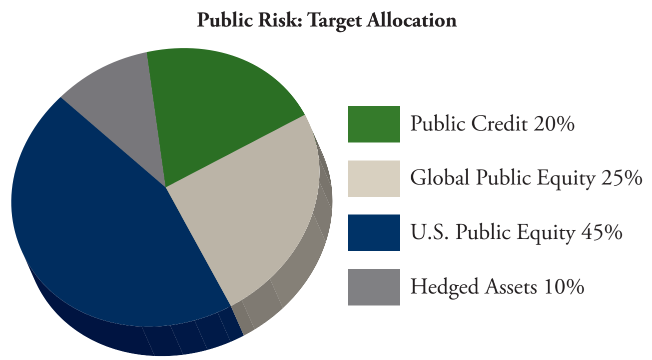
The Board adopted an asset allocation policy at the June 8, 2009 Board of Trustees' meeting that includes a broad allocation to Public Risk Assets. The asset allocation was reconfirmed by the Board on October 24, 2011. The four programs within the Public Risk Asset composite are U.S. Public Equity, Public Credit, Hedged Assets and Global Public Equity. Each program within the Public Risk allocation is a separate multi-manager composite that is treated generally as a single portfolio. Each program serves a specific and distinct role within the overall Public Risk composite and also within the overall total plan allocation. Over time, the Public Risk composite and its sub-components serve as an effective and efficient vehicle to supply the underlying beta exposure to a portfolio of global risk assets required by the Systems' asset allocation policy, while providing the opportunity to achieve excess returns above that of a passive equity benchmark[4] through the prudent combination of passive investment vehicles and a wide range of active investment strategies.

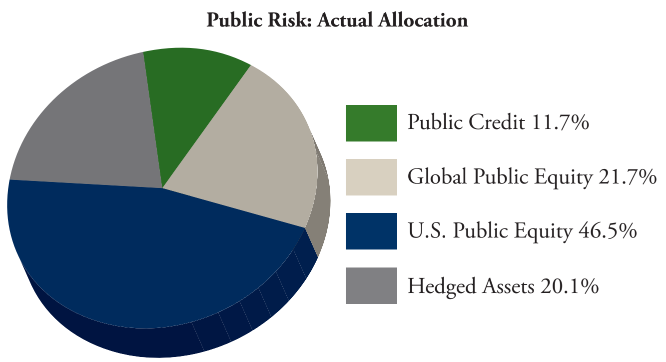
Structure

As of June 30, 2013, 46.5% of the Systems' Public Risk assets were invested in the U.S. Public Equity program, 21.7% in the Global Public Equity program, 11.7% in the Public Credit program and 20.1% in the Hedged Assets program. Each of these programs are discussed in more detail on the following pages.

The internal staff strategically overweighted the total plan to Public Risk assets during the year. The target allocation for Public Risk assets is 60% and the Systems' allocation at the end of the fiscal year was 70.3%. Within the Public Risk Assets composite, internal staff strategically overweighted U.S. Public Equity and Hedged Assets, while significantly underweighting Public Credit. The Systems' maintained a minor overweight to Global Equity during the year, but more importantly internal staff restructured the Global Equity portfolio for optimum performance at the beginning of the fiscal year. U.S. and developed global equity markets experienced large gains during the fiscal year while public credit performed poorly; therefore the employed strategic decisions contributed significant value to the Systems for the fiscal year.

Public Risk Assets Allocation





Market Overview

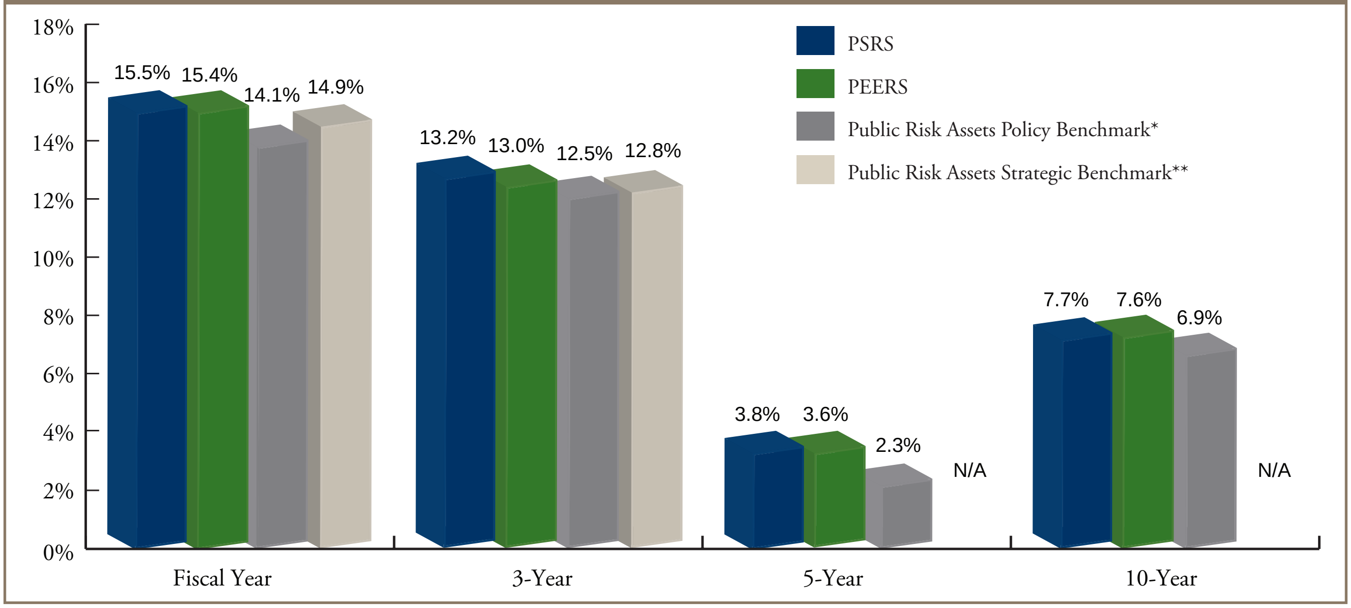
The global developed equity markets experienced significant gains during the fiscal year, fueled in the U.S. by news of continued quantitative easing and accelerating GDP growth. The Russell 3000 Index (broad measure of the U.S. stock market) was up 21.5% for the year and the MSCI All Country World ex-U.S. Index (broad measure of the international stock markets) gained 13.6%. Bond markets struggled during the year due to a significant increase in interest rates leading to a modest gain for the Public Credit benchmark (Barclays Capital Intermediate Credit Index) of 2.0%.

[4] *The customized Public Risk policy benchmark is comprised of 47.5% Russell 3000 Index, 27.5% MSCI All Country World Free Ex-U.S. (Net) Index and 25.0% Barclays Capital Intermediate Credit Index.*

Performance

The total returns for the PSRS and PEERS Public Risk portfolios were 15.5% and 15.4%, respectively, compared to the benchmark return of 14.1% for the fiscal year ended June 30, 2013. As shown in the table and graph, the PSRS and PEERS Public Risk portfolio outperformed the policy benchmark by 140 basis points and 130 basis points, respectively. The strong performance relative to the benchmark can be primarily attributed to tactical asset allocations by the internal staff and solid active management from external money managers. For the three-, five- and 10-year time periods, both PSRS and PEERS significantly outperformed the benchmark as noted below.

Public Risk Assets Performance



Public Risk Assets Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year	10-Year
Annualized PSRS Return	15.5%	13.2%	3.8%	7.7%
Annualized PEERS Return	15.4%	13.0%	3.6%	7.6%
Annualized Policy Benchmark Return*	14.1%	12.5%	2.3%	6.9%
Annualized Strategic Benchmark Return**	14.9%	12.8%	N/A	N/A
Excess Return†	1.4%	0.7%	1.5%	0.8%
Annualized Standard Deviation of Composite	5.4%	11.5%	16.8%	14.0%
Annualized Standard Deviation of Policy Benchmark*	5.4%	11.7%	17.6%	14.0%
Beta to Policy Benchmark*	1.01	0.98	0.95	0.97
Beta to ACWI World Index	0.75	0.72	0.79	0.83

**The Public Risk Assets policy benchmark is composed as follows: 47.5% Russell 3000 Index, 27.5% MSCI ACWI ex-U.S. (Net), 25% Barclays Credit Intermediate.*

*** The Public Risk Assets strategic benchmark changes monthly based on the actual asset allocation at the end of the previous month. It was established more recently so five- and 10-year returns are not available.*

†PSRS excess return relative to the Public Risk Assets policy benchmark

The table indicates that the Systems have taken similar risk relative to the policy benchmark (as measured by standard deviation) while achieving higher returns over longer time periods, thereby indicating strong risk-adjusted performance. Additionally, the Systems' portfolios have a beta of less than 1.0 relative to the policy benchmark over longer time periods shown, indicating less market risk.

U.S. PUBLIC EQUITY PROGRAM SUMMARY

As of June 30, 2013, the combined PSRS/PEERS U.S. Public Equity assets had a market value of approximately $10.9 billion, representing 32.7% of total assets.

Investment Program Description

U.S. Public Equity is comprised of the Large-Cap and Small-Cap programs which seek to provide long-term capital appreciation and dividend income in excess of inflation through the investment in domestic equity securities. Returns above a purely passive investment benchmark are targeted through the use of a wide variety of active investment strategies that may employ exposure to both equity securities and other types of investments. The primary ***beta*** exposure is achieved through investments in passive investment vehicles (including derivatives), traditional long-only active domestic equity management, and active long/short approaches. ***Alpha*** (or, excess returns above a passive alternative) is expected to be achieved through traditional long-only active domestic equity management, active long/short approaches and alpha overlay strategies (described in greater detail at the end of this section).

Structure

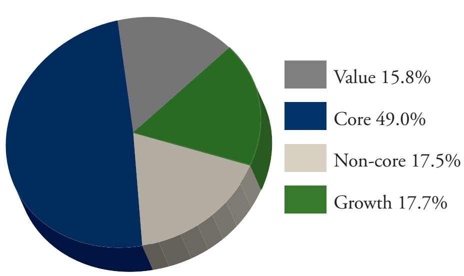
As of June 30, 2013, 32.4% of the PSRS/PEERS U.S. Public Equity composite was passively managed. The remainder of the portfolio was actively managed and diversified across a broad array of capitalization ranges and investment styles, including the Small-Cap Alpha Pool (S-CAP) and the Alpha Overlay program. Both programs represent multi-manager pools of assets managed within the overall PSRS/PEERS U.S. Public Equity structure. The S-CAP Program encompasses all small capitalization assets. The Alpha Overlay composite focuses on the separation of returns into alpha and beta, and encompasses alternative equity mandates including hedge fund portfolios.

Exposure to the various segments of the domestic equity market (i.e., growth-oriented, value-oriented, and core) and to the approved investment strategy types are achieved through the identification, selection and ongoing management of SEC-registered investment advisors qualified to serve as fiduciaries to the Systems.

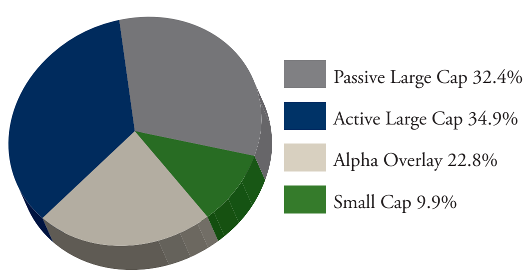
The pie charts below depict the U.S. Public Equity portfolio by presenting the current style structure of the portfolio as well as the allocation by composite and market sector.

U.S. Public Equity Allocations: Style and Composite

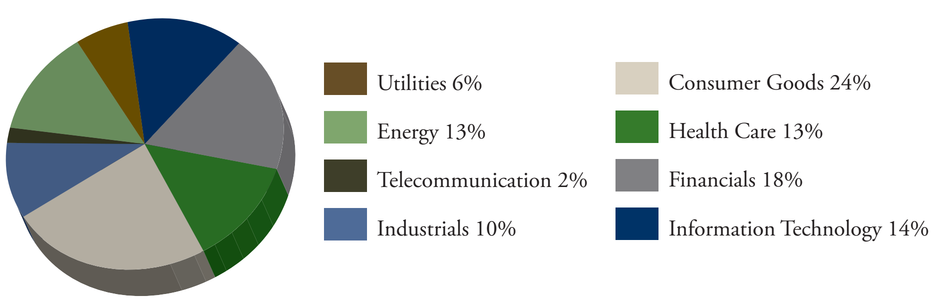
Style Allocation
June 30, 2013



Composite Allocation
June 30, 2013



U.S. Public Equity Market Sectors



Internal staff maintained a substantial overweight to U.S. public equities during the fiscal year. All investment strategies within the U.S. Public Equity program provided strong absolute returns. The U.S. Large cap strategy returned 22.4%, Alpha Overlay returned 24.3% and the S-CAP program returned 24.2% for the fiscal year.[5]

[5] *The reported returns are for PSRS but are indicative of PEERS returns.*

Market Overview

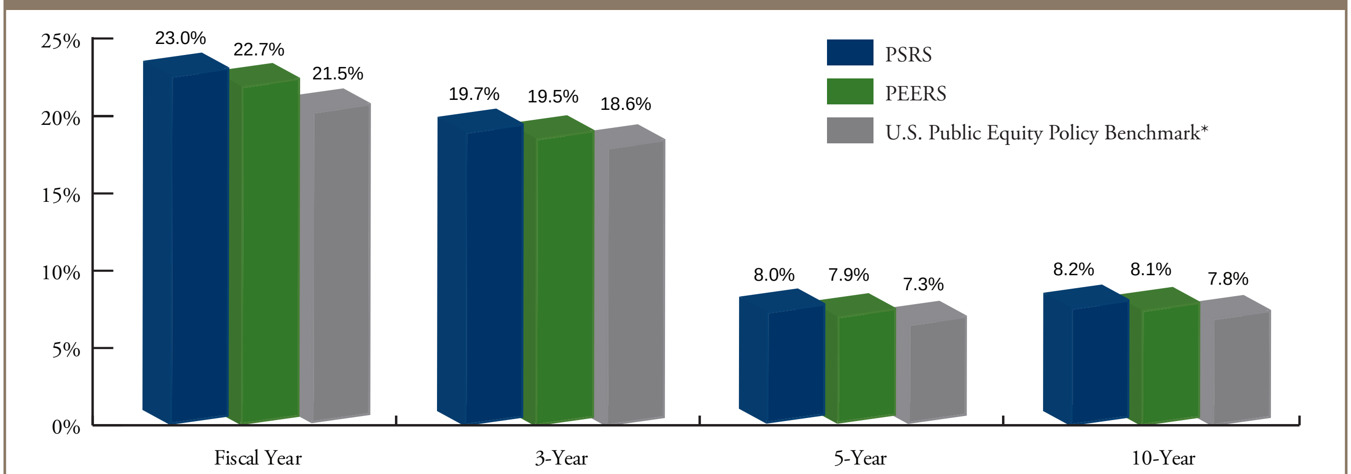
The U.S. stock markets had a very strong year across both market capitalization and styles as the broad measure of the U.S. stock market (Russell 3000 Index) increased by 21.5%. Small-cap stocks (Russell 2000 Index) increased by 24.2% for the year with large-cap value stocks (Russell 1000 Value Index) outperforming large-cap growth stocks (Russell 1000 Growth Index) with a return of 25.2% compared to 17.1%.

Performance

The total returns for the PSRS and PEERS U.S. Public Equity programs were 23.0% and 22.7%, respectively, compared to the benchmark return of 21.5% for the fiscal year ended June 30, 2013. As shown in the table and graph below, the PSRS and PEERS annualized U.S. equity composite returns outperformed the benchmark by 150 basis points and 120 basis points, respectively. The positive performance of the portfolio relative to the policy benchmark indicates value added by the internal staff through both strategic asset allocation decisions and manager selection decisions. Active management strategies contributed significantly to the outperformance, with the Alpha Overlay program exceeding its benchmark by more than 350 basis points for the year for both PSRS and PEERS.

As indicated in the table and graph, both PSRS and PEERS outperformed the benchmark by 110 basis points and 90 basis points, respectively, for the three-year time period. The U.S. public equity composites for PSRS and PEERS also outperformed the benchmark for the five and 10-year time periods. Over longer periods of time, the Systems' U.S. Public Equity portfolio is designed to deliver approximately 50-100 basis points of excess return through a combination of active and passive investment strategies.

U.S. Public Equity Performance



U.S. Public Equity Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year	10-Year
Annualized PSRS Return	23.0%	19.7%	8.0%	8.2%
Annualized PEERS Return	22.7%	19.5%	7.9%	8.1%
Annualized Policy Benchmark Return*	21.5%	18.6%	7.3%	7.8%
Excess Return†	1.5%	1.1%	0.7%	0.4%

**The U.S. Public Equity policy benchmark is the Russell 3000 Index.*
†PSRS excess return relative to the U.S. Public Equity policy benchmark.

Statistics

The following table displays the statistical characteristics of the PSRS/PEERS U.S. Public Equity program as of June 30, 2013 with comparisons shown to the portfolio's policy benchmark (Russell 3000 Index).

U.S. Public Equity Characteristics

Characteristics	June 30, 2013 Combined Systems*	June 30, 2013 Russell 3000 Index
Number of Securities	1,416	2,923
Dividend Yield	2.1%	2.1%
Price-to-Earnings Ratio	18.3	16.8
Avg. Market Capitalization	$74.6 bil.	$88.7 bil.
Price-to-Book Ratio	2.5	2.3

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

U.S. Public Equity - Top 10 Holdings		
Top 10 Largest Holdings* June 30, 2013	**Combined Market Value**	**% of Total U.S. Public Equity**
Exxon Mobil Corp.	$ 80,039,168	0.7%
Johnson and Johnson	57,770,042	0.6%
Chevron Corp.	57,332,416	0.5%
Edison International, Inc.	53,838,016	0.5%
Amgen, Inc.	52,840,027	0.5%
JP Morgan Chase and Co.	49,573,822	0.5%
Wal-Mart Stores, Inc.	47,357,092	0.4%
Wells Fargo and Co.	45,778,582	0.4%
AmerisourceBergen Corp.	44,308,195	0.4%
Pfizer, Inc.	42,586,880	0.4%
TOTAL	**$ 531,424,240**	**4.9%**

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

Investment Advisors

As of June 30, 2013, PSRS and PEERS had contracts with 13 external investment advisors who manage 23 portfolios that comprise 77.2% of the U.S. Public Equity portfolio. The remaining 22.8% of the portfolio is in the Alpha Overlay program described in the next section.

In fiscal year 2013, additional S-CAP mandates were added for NISA Investment Advisors, Allianz and RBC Global Asset Management. One investment advisor was terminated from their S-CAP mandates.

U.S. Public Equity Investment Advisors			
Investment Advisor	**Investment Style**	**Combined Portfolio Market Value* As of June 30, 2013**	**% of Total Market Value**
Analytic Investors	Structured Large Cap Value	$ 261,930,731	0.8%
Analytic Investors	U.S. Low Volatility Equity	854,905,390	2.6%
AQR Capital Management	Large Cap 140/40 Core	415,992,941	1.2%
Aronson + Johnson + Ortiz	Active Large Cap 130/30 Value	306,494,658	0.9%
Aronson + Johnson + Ortiz	Active Large Cap Value	474,658,660	1.4%
Blackrock - Russell 1000 Index Fund	Passive Russell 1000 Index	2,311,543,693	6.9%
Blackrock - Russell 1000 Growth Index Fund	Passive Russell 1000 Growth Index	588,806,971	1.8%
Blackrock - S&P 500 Index Fund	Passive S&P 500 Index	352,550,104	1.0%
Martingale Asset Management	Active Large Cap 130/30 Growth	237,982,082	0.7%
NISA Investment Advisors	Diversified Beta	293,594,414	0.9%
Westwood Management	Active Large Cap Value	471,146,743	1.4%
Westwood Management	Master Limited Partnerships	291,748,639	0.9%
Zevenbergen Capital	Active All Cap Growth	499,529,685	1.5%
S-CAP: Allianz	Active Micro Cap Growth	112,166,594	0.3%
S-CAP: Allianz	Active Ultra Micro Cap Growth	30,416,440	0.1%
S-CAP: AQR Capital Management	Active Small Cap Value	185,114,245	0.5%
S-CAP: Chartwell Investment Partners	Active Small Cap Value	181,209,428	0.5%
S-CAP: Columbus Circle	Active Small Cap Growth	140,535,896	0.4%
S-CAP: Next Century Growth Investors	Active Small Cap Growth	58,869,606	0.2%
S-CAP: Next Century Growth Investors	Active Micro Cap Growth	16,344,595	0.0%
S-CAP: NISA Investment Advisors	Russell 2000 Exposure	164,470,292	0.5%
S-CAP: NISA Investment Advisors	Russell 2000 Value Exposure	35,950,514	0.1%
S-CAP: RBC Global Asset Management	Active Small Cap Core	155,038,456	0.5%
Small Cap Alpha Pool (S-CAP) Subtotal		**1,080,116,066**	**3.1%**
Total		**$ 8,441,000,777**	**25.1%**

**Includes manager cash*

ALPHA OVERLAY PROGRAM SUMMARY

As of June 30, 2013, the combined PSRS/PEERS Alpha Overlay allocation had a market value of approximately $2.5 billion, representing 7.6% of total assets.

Investment Program Description

The Alpha Overlay portfolio resides within the U.S. Large-Cap Equity program. The Alpha Overlay portfolio has been constructed to assist in meeting the long-term goals established for the overall U.S. Large-Cap Equity allocation. Specifically, Alpha Overlay provides broad exposure to large-cap U.S. stocks using S&P 500 total return swaps, while the returns of a select portfolio of hedge fund strategies provides the opportunity to earn excess returns above the passive S&P 500 Index. By combining the market exposure obtained through the S&P 500 total return swaps with the diversified exposures to investment strategies focused on alpha generation, the combined portfolio is constructed and managed to produce a return stream with volatility and beta characteristics similar to the passive S&P 500 Index, while generating excess returns (or alpha) of approximately 200-250 basis points over longer periods of time.

Structure

As of June 30, 2013, 30.9% of the PSRS/PEERS Alpha Overlay composite assets were passively managed by NISA Investment Advisors using S&P 500 total return swaps to attain equitization. An additional 65.0% of the portfolio was actively managed across a diversified range of multi-strategy and market neutral hedge fund mandates. The remaining 4.1% of the portfolio was actively managed by Zevenbergen Capital in a long-only mandate. There were no investment advisor changes during fiscal year 2013. The chart below displays the specific investment advisor exposure within the composite as of June 30, 2013.

Alpha Overlay Investment Advisors

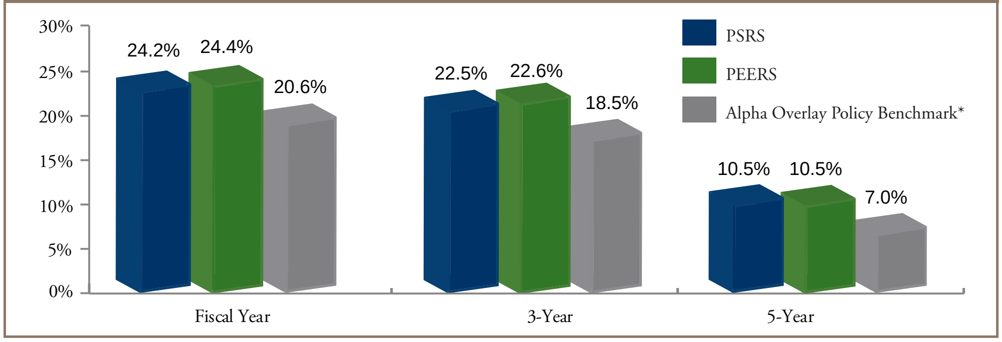
Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2013	% of Total Value
Algert Coldiron Investors	Multi-Strategy Market Neutral	$ 128,670,890	0.4%
Analytic Investors	Japan Market Neutral	35,076,756	0.1%
AQR Capital Management	Multi-Strategy	120,744,986	0.4%
Bridgewater Associates	Multi-Strategy	257,174,598	0.8%
Carlson Capital Management	Multi-Strategy	197,396,580	0.6%
Davidson Kempner	Multi-Strategy	277,558,013	0.8%
NISA Investment Advisors	S&P 500 Exposure	772,641,039	2.3%
Och-Ziff	Multi-Strategy	144,970,152	0.4%
Och-Ziff Asia	Multi-Strategy	17,527,187	0.1%
Och-Ziff Europe	Multi-Strategy	20,327,342	0.1%
Renaissance	Equity Long/short	168,904,856	0.5%
Stark Investments	Equity Long/short	7,575,976	0.0%
UBS O'Connor	Global Market Neutral	84,327,826	0.3%
UBS O'Connor	Multi-Strategy	164,226,378	0.5%
Zevenbergen Capital	Active All-Cap Growth	101,021,952	0.3%
Total		**$ 2,498,144,531**	**7.6%**

** Includes manager cash*

Performance

The total returns for PSRS' and PEERS' Alpha Overlay programs were 24.2% and 24.4%, respectively, compared to the benchmark return of 20.6% for the fiscal year ended June 30, 2013. As shown in the table and graph below, the PSRS and PEERS Alpha Overlay composite returns substantially exceeded the benchmark while maintaining a risk profile (standard deviation and beta) similar to that of the benchmark over longer time periods. The Alpha Overlay program outperformed the benchmark in excess of 350 basis points over all time periods shown below.

Alpha Overlay Performance



Alpha Overlay Statistical Performance

Portfolio Characteristics	**Fiscal Year**	**3-Year**	**5-Year**
Annualized PSRS Return	24.2%	22.5%	10.5%
Annualized PEERS Return	24.4%	22.6%	10.5%
Annualized Policy Benchmark Return*	20.6%	18.5%	7.0%
Excess return†	3.6%	4.0%	3.5%
Annualized Standard Deviation of Composite	7.2%	13.5%	18.3%
Annualized Standard Deviation of Policy Benchmark*	6.7%	13.6%	18.4%
Beta to Benchmark*	1.06	0.99	0.98

**The Alpha Overlay Policy Benchmark is the S&P 500 Index. Ten-year returns are not available due to the age of the asset class.*

†PSRS excess return relative to the Alpha Overlay policy benchmark

GLOBAL PUBLIC EQUITY PROGRAM SUMMARY

As of June 30, 2013, the combined PSRS/PEERS Global Public Equity assets had a market value of approximately $5.1 billion, representing 15.3% of total assets.

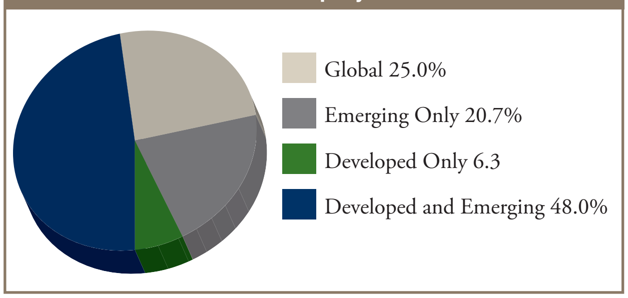
Investment Program Description

The Global Public Equity program provides long-term capital appreciation in excess of inflation and dividends through exposure to public equity securities on a global basis. Specific investment strategies approved for the Global Public Equity program include passive investment vehicles, traditional long-only active equity management and active long/short approaches. Exposure to the various segments of the global equity market (i.e., U.S., developed non-U.S., emerging, growth-oriented, value-oriented, and core) and to the approved investment strategy types are achieved through the identification, selection and ongoing management of SEC-registered investment advisors qualified to serve as fiduciaries to the Systems. The global portfolios provide an element of diversification relative to the domestic equity portfolios. Currency is another aspect of international investing that can impact the performance and volatility of the asset class over the short-term, however, over the long-term the effect from currency is expected to be neutral.

Structure

As of June 30, 2013, 24.6% of the PSRS/PEERS Global Public Equity composite was passively managed. The remainder of the portfolio was actively managed and diversified across capitalization ranges, styles and a number of developed and emerging market countries. The bar graph displays the specific country exposure within the composite while the pie chart indicates broader exposure by investment mandate.

Global Public Equity Allocation



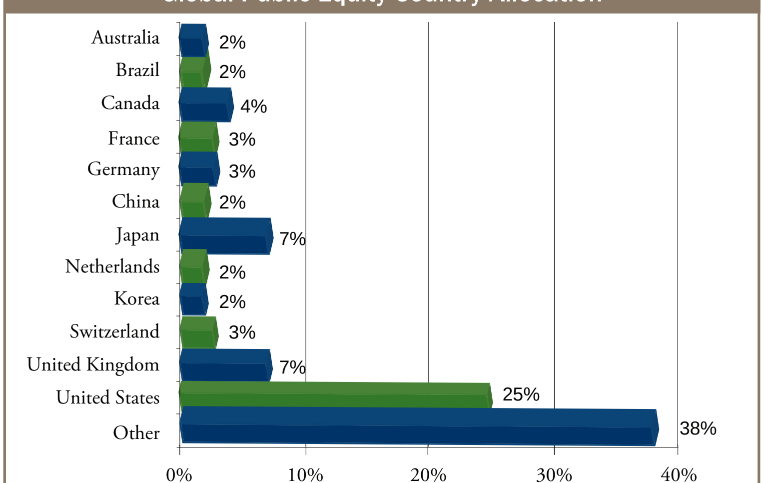
Internal staff made significant adjustments to the composite prior to the start of the fiscal year. These changes provided immediate added value during the fiscal year with the PSRS and PEERS annualized Global Public Equity composite returns outperforming the benchmark by 330 and 370 basis points, respectively. Significant changes included the termination of multiple active managers while deploying new assignments for both active and passive mandates.

Market Overview

The global stock markets had a strong year across developed equity markets. The broad measure for developed international markets (MSCI EAFE Index) increased 18.6%, emerging markets (MSCI EM Index) increased 2.9% and global stocks (MSCI World) increased 18.6%.

Global markets benefited from increased political and economic stability in Europe due to positive developments in both the Eurozone bank union and Greek debt crisis.

Global Public Equity Country Allocation

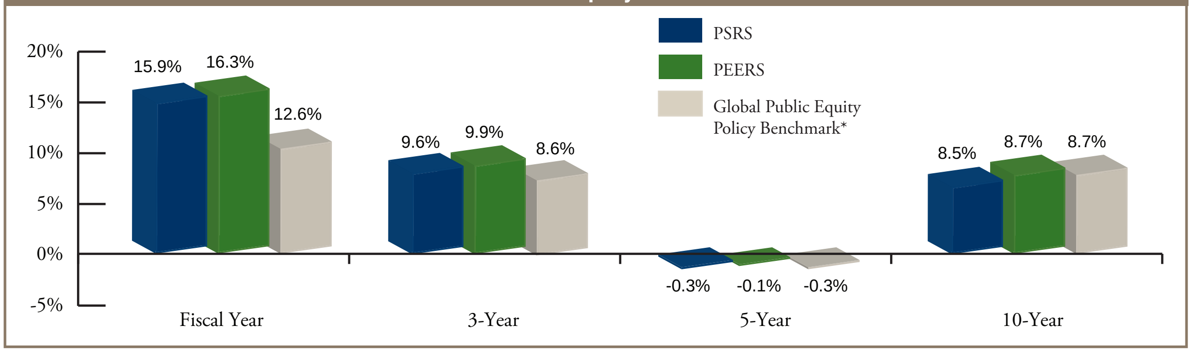


Performance

The total returns for the PSRS and PEERS Global Public Equity programs were 15.9% and 16.3%, respectively, compared to the benchmark return of 12.6% for the fiscal year ended June 30, 2013. As shown in the table and graph below, the PSRS and PEERS annualized Global Public Equity composite returns outperformed the benchmark by 330 and 370 basis points, respectively.

For the three-year time period, PSRS and PEERS outperformed the benchmark by 100 basis points and 130 basis points, respectively. The Systems' five- and 10-year returns were in line with the benchmark returns.

Global Public Equity Performance



Global Public Equity Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year	10-Year
Annualized PSRS Return	15.9%	9.6%	-0.3%	8.5%
Annualized PEERS Return	16.3%	9.9%	-0.1%	8.7%
Annualized Policy Benchmark Return*	12.6%	8.6%	-0.3%	8.7%
Excess Return†	3.3%	1.0%	0.0%	-0.2%

**The Global Equity policy benchmark is the MSCI All Country World ex-U.S. Free Index.*

†PSRS excess return relative to the Global Equity policy benchmark

Global Public Equity - Top 10 Holdings

Top 10 Largest Holdings* June 30, 2013	Combined Market Value	% of Total Global Public Equity
HSBC Holdings	$ 34,515,939	0.7%
Bayer AG	32,360,090	0.6%
Nestle SA	30,097,427	0.6%
Roche Holdings AG	29,425,979	0.6%
ING Group	24,059,926	0.5%
Samsung Electronics Co. Ltd.	23,814,169	0.5%
Honda Motor Co.	23,318,981	0.5%
Danone	23,115,879	0.4%
Denso Corp.	22,030,015	0.4%
Linde AG	21,008,543	0.4%
Total	**$ 263,746,948**	**5.2%**

** Includes only actively managed separate accounts*

A complete list of portfolio holdings is available upon request.

Investment Advisors

As of June 30, 2013, PSRS and PEERS had contracts with 11 external investment advisors who manage 15 portfolios within the Global Public Equity portfolio. In fiscal year 2013, new active management mandates were added with Arrowstreet Capital and MFS Investment Management and a new passive assignment was added to NISA Investment Advisors. An active global manager, an active international manager and an active emerging market manager were terminated.

Global Public Equity Investment Advisors

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2013	% of Total Market Value
Acadian Asset Management	Active Emerging Markets	$ 189,842,196	0.5%
AllianceBernstein Institutional Mgmt.	Active Intl. Value	333,781,599	1.0%
Analytic Investors	Active Global	537,628,126	1.6%
AQR Capital Management	Active Intl. Core	429,675,915	1.3%
Arrowstreet Capital	Active Emerging Markets	137,399,500	0.4%
Arrowstreet Capital	Active Global	387,812,300	1.2%
Arrowstreet Capital	Global Long/Short	352,641,748	1.1%
Blackrock - MSCI ACWI ex-US Index	Passive Intl. Core	668,582,328	2.0%
MFS Investment Management	Active Intl. Core	639,315,444	1.9%
MFS Investment Management	Active Intl. Core	109,446,940	0.3%
Neon Capital Management	Active Emerging Markets	63,547,857	0.2%
NISA Investment Advisors	EAFE Swaps	319,316,165	1.0%
NISA Investment Advisors	ACWI Swaps	269,175,575	0.8%
Rock Creek Group	Active Emerging Markets	486,480,947	1.5%
Russell Investments	Active Emerging Markets	181,212,835	0.5%
Transition accounts	Transition accounts	8,101,626	0.0%
Total		**$ 5,113,961,101**	**15.3%**

** Includes manager cash*

PUBLIC CREDIT PROGRAM SUMMARY

As of June 30, 2013, the combined PSRS/PEERS Public Credit assets had a market value of approximately $2.8 billion, representing 8.2% of total assets.

Investment Program Description

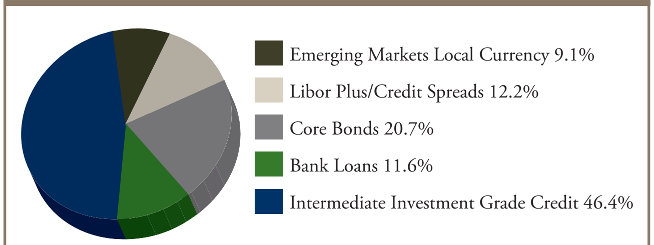
The Public Credit program is designed to provide a source of income and capital appreciation for PSRS and PEERS while creating substantial diversification to the total plan with a low correlation to other asset classes. Most securities in this program exhibit high liquidity. Specific investments can include investment grade corporate securities, below investment grade debt instruments, distressed debt securities, convertible bonds, bank loans, agencies, mortgage-backed securities, asset-backed securities and interest rate sensitive securities (including those issued or guaranteed by the United States government or its agencies). Investments in this program may include debt of both U.S. and non-U.S. issuers.

The performance objective for the Public Credit program is to exceed the returns of the investment grade credit markets through the use of a wide variety of active management approaches while incurring a level of risk that is generally consistent with the policy benchmark (Barclays Capital Intermediate Credit Index).

Structure

As of June 30, 2013, the Public Credit composite was actively managed and diversified across high quality corporate bonds, bank loans and non-dollar currencies of both developed and emerging countries. The pie chart below presents the strategy allocation of the Systems' Public Credit assets as of June 30, 2013.

Public Credit Strategy Allocation



The target allocation for the Public Credit program is 12.0% and the Systems' allocation at the end of the fiscal year was 8.2%. Within the Public Credit composite, the Systems' internal staff has built a diversified portfolio with a base of 46% in high quality, shorter duration corporate bonds. The most significant position outside of the core bond allocation was to non-U.S. dollar bonds (and foreign currencies) due to an expectation that the U.S. dollar would decline over the medium term.

Market Overview

The yield on the 10-year Treasury increased from 1.65% on June 30, 2012 to 2.48% on June 30, 2013. The significant increase in interest rates throughout the year negatively impacted the price of bonds.

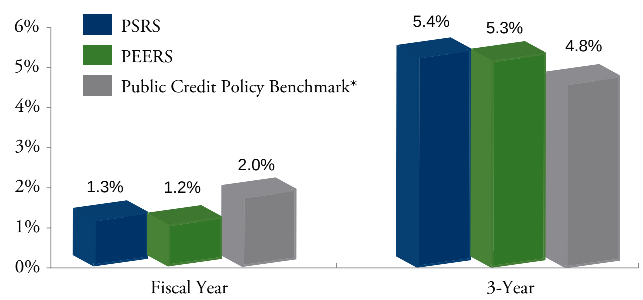
Investment grade credit corporate bonds (Barclays Capital Intermediate Credit Index) increased 2.0% for the year while a broader measure of the U.S. bond market (Barclays Capital Aggregate Index) decreased 0.7%. High yield, or lower quality, bonds (Bank of America Merrill Lynch High Yield Master II Index) increased 9.6% for the year, global bonds (Barclays Capital Global Bond Index) decreased 3.4%, and emerging market bonds (JP Morgan Emerging Market Bond Index) increased 1.1%.

Performance

The total returns for the PSRS and PEERS Public Credit programs were 1.3% and 1.2%, respectively, compared to the benchmark return of 2.0% for the fiscal year ended June 30, 2013. As indicated in the table and graph on the following page, both PSRS and PEERS outperformed the benchmark for the three-year time period.

Active management strategies (manager selection decisions) detracted from the return of the Public Credit Portfolio. Allocations to longer duration securities negatively impacted performance due to an increase in interest rates over the fiscal year. The Oaktree bank loan portfolio and the PIMCO LIBOR Plus portfolios provided solid absolute and relative returns for the fiscal year, gaining 7.5% and 7.3%, respectively.

Public Credit Performance



Public Credit Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year
Annualized PSRS Return	1.3%	5.4%
Annualized PEERS Return	1.2%	5.3%
Annualized Policy Benchmark Return*	2.0%	4.8%
Excess Return†	-0.7%	0.6%

**The Public Credit policy benchmark is the Barclays Capital Intermediate Index.*

†PSRS excess return relative to the Public Credit policy benchmark

The Public Credit Program was established in December 2008, so five- and 10-year returns are not available.

Top 10 Holdings

The following table displays the top 10 Public Credit holdings as of June 30, 2013.

Public Credit - Top 10 Holdings

Top 10 Largest Holdings* June 30, 2013	Combined Market Value	% of Total Public Credit
PIMCO Developing Local Markets Fund	$ 250,094,656	9.1%
PIMCO Short Term Floating NAV II Fund	170,606,567	6.2%
United States Treasury Strip, 3.875%, 8/15/40	74,970,845	2.7%
United States Treasury Strip, 4.375%, 5/15/40	56,701,411	2.1%
United States Treasury Note, 4.500%, 7/18/13	54,804,452	2.0%
United Parcel Service Inc., 5.125%, 4/1/19	34,495,500	1.2%
Fannie Mae, 4.000%, 8/1/14	29,523,788	1.1%
EMC Corporation, 3.375%, 6/1/23	28,903,768	1.0%
Verizon Wireless, 8.500%, 11/15/18	28,307,346	1.0%
Nevada Power Company, 7.125%, 3/15/19	27,746,208	1.0%
Total	**$ 756,154,541**	**27.4%**

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

Investment Advisors

As of June 30, 2013, PSRS and PEERS had contracts with three external investment advisors who manage five portfolios in the Public Credit portfolio. There were no changes in manager assignments during the fiscal year.

Public Credit Investment Advisors

Investment Advisor	Investment Style	Combined Market Value* As of June 30, 2013	% of Total Market Value
NISA Investment Advisors	Corporate Credit	$ 1,278,757,966	3.8%
Oaktree Bank Loans	Senior Bank Loans	320,161,948	1.0%
Pacific Investment Management Co.	Core Plus	570,879,230	1.7%
Pacific Investment Management Co.	LIBOR Plus	337,585,987	1.0%
Pacific Investment Management Co.	Developing Local Markets	250,094,659	0.7%
Total		**$ 2,757,479,790**	**8.2%**

**Includes manager cash*

HEDGED ASSETS PROGRAM SUMMARY

As of June 30, 2013, the combined PSRS/PEERS Hedged Assets portfolio had a market value of approximately $4.7 billion, representing 14.1% of total assets.

Investment Program Description

The Hedged Assets program's objective is to provide diversification to the total portfolio and reduce volatility within the Public Risk composite. The purpose of this program is to enhance the overall risk/return profile of the Public Risk composite through the inclusion of specialized investment strategies that typically generate returns in a different fashion (i.e., absent a high correlation to equities or bonds). These strategies may utilize leverage as allowed within their governing documents. The returns from these strategies have historically had a low-to-moderate correlation with the traditional equity markets, thus providing diversification benefits in addition to portfolio return enhancement. These strategies seek to control risks and maintain a focus on absolute returns. The inherent nature of these vehicles to serve as a "hedge" provides for the expectation that the Program will lag the equity market during times when equities are performing above the long-term averages. However, when equities are performing below the long-term averages, the program would be expected to outperform the equity market. In addition, managers within this asset class have historically possessed significantly lower volatility relative to traditional equity managers.

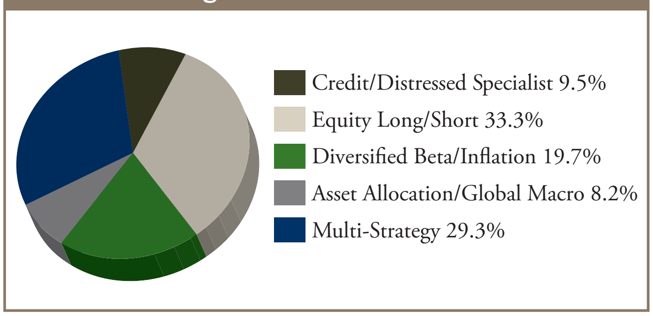
Structure

In December 2005, the Systems hired Albourne America, LLC (Albourne) as its hedge fund Consultant. Albourne is an independent global advisory firm focused mainly on hedge funds. As the Systems ramped-up investments in alternatives, it was determined that direct investments into hedge funds would be utilized, as opposed to incorporating fund-of-funds. The System's internal staff believed that the benefits of direct investments, including lower fees, customized portfolio exposures, direct access to manager knowledge, and higher levels of transparency, outweighed the benefit of quicker implementation offered by fund-of-funds. Using this approach, the Systems hired their first hedge fund manager in January 2007.

As the chart below indicates, the Hedged Assets program is diversified into Multi-Strategy Managers, Asset Allocation/Global Macro, Diversified Beta/Inflation, Credit/Distressed Specialists and Equity Long/Short. Multi-Strategy managers include those focused on event-driven, credit and relative value. The Systems manage the Hedged Assets portfolio to a blended benchmark of 25% Russell 3000 Index, 25% MSCI All Country World Free Ex-U.S. Index and 50% Barclays Capital Intermediate Credit Index.

Internal staff's decision to overweight Hedged Assets relative to Safe Assets and Public Credit added significant value to the Systems.

Hedged Assets Diversification

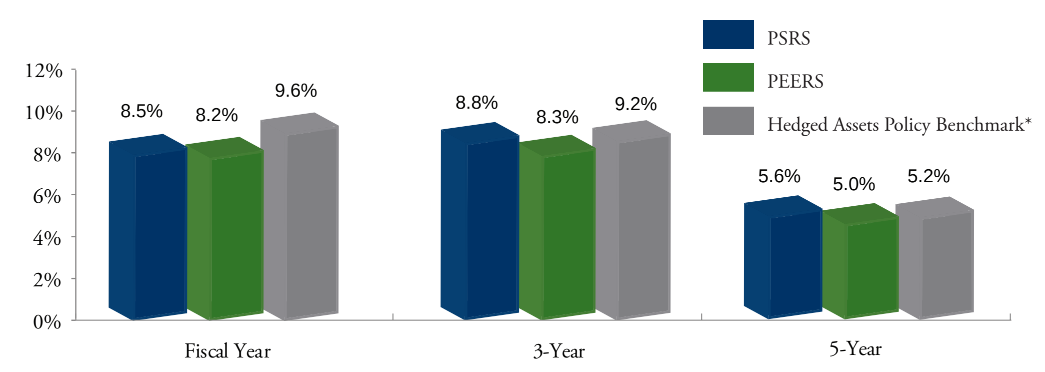


Performance

The total annualized returns on the PSRS and PEERS Hedged Assets portfolios for the fiscal year were 8.5% and 8.2%, respectively. The one-year returns were strong absolute returns but trailed the policy benchmark.

For the three-year time period, PSRS and PEERS underperformed the benchmark. For the five-year time period, PSRS outperformed the benchmark by 40 basis points and PEERS slightly underperformed the benchmark. As the table indicates, the longer term performance was accomplished by assuming less than one-half of the volatility of the world stock index (MSCI All Country World Index) and achieving a beta of approximately .40 to the index, signifying that the Systems' portfolios move up or down less than half as much as the world stock index.

Hedged Assets Performance



Hedged Assets Fiscal Year Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year
Annualized PSRS Return	8.5%	8.8%	5.6%
Annualized PEERS Return	8.2%	8.3%	5.0%
Annualized Policy Benchmark Return*	9.6%	9.2%	5.2%
Annualized S&P 500 Return	20.6%	18.5%	7.0%
Annualized MSCI AC World Index Return	16.6%	12.4%	2.3%
Annualized Standard Deviation of Composite**	5.4%	7.1%	8.7%
Annualized Standard Deviation of Policy Benchmark**	4.5%	8.6%	12.2%
Annualized Standard Deviation of S&P 500**	6.7%	13.6%	18.4%
Annualized Standard Deviation to ACWI World Index**	7.0%	15.9%	20.9%
Beta to Policy Benchmark**	1.17	0.76	0.64
Beta to S&P 500**	0.51	0.44	0.39
Beta to ACWI World Index**	0.70	0.40	0.36

**The Hedged Assets policy benchmark is composed as follows: 50% Barclays Credit Intermediate, 25% MSCI ACWI ex U.S. (Net), 25% Russell 3000 Index.*

*** Risk statistics are calculated on the PSRS portfolio but are indictive of the PEERS portfolio.*

Investment Advisors

As of June 30, 2013, PSRS and PEERS had contracts with 17 external investment advisors who managed 27 portfolios.

The Systems added one investment mandate with Westwood Management to the portfolio during fiscal year 2013 and terminated two relationships.

Hedged Assets Investment Advisors			
Investment Advisor	**Investment Style**	**Combined Portfolio Market Value* As of June 30, 2013**	**% of Total Market Value**
AQR Absolute Return Fund	Multi-Strategy	$ 120,744,985	0.4%
AQR Diversified Beta Fund	Diversified Beta/Inflation	354,894,837	1.1%
AQR Real Asset Fund	Multi-Strategy	87,003,868	0.3%
Bridgewater All Weather	Equity Long/short	379,834,507	1.1%
Bridgewater Inflation Pool	Diversified Beta/Inflation	144,966,111	0.4%
Bridgewater Pure Alpha II	Asset Allocation/Global Macro	113,974,466	0.3%
Bridgewater Pure Alpha Major Markets	Asset Allocation/Global Macro	274,194,853	0.8%
Carlson Black Diamond	Multi-Strategy	143,424,122	0.4%
Davidson Kempner	Multi-Strategy	127,517,960	0.4%
Davidson Kempner	Distressed Debt/Credit	134,947,280	0.4%
GoldenTree Asset Management	Distressed Debt/Credit	315,525,182	0.9%
Indus Capital Partners	Equity Long/short	120,333,237	0.4%
Karsch Capital Management	Equity Long/short	121,070,176	0.4%
Karsch Capital Management	Equity Long/short	263,435,849	0.8%
Maverick Capital	Equity Long/short	132,879,905	0.4%
NISA Investment Advisors	Diversified Beta/Inflation	338,929,873	1.0%
NISA Investment Advisors	Diversified Beta	59,841,673	0.2%
Och-Ziff Domestic Partners	Multi-Strategy	168,726,848	0.5%
Och-Ziff Europe	Multi-Strategy	37,750,777	0.0%
Och-Ziff Asia	Multi-Strategy	157,744,678	0.5%
Owl Creek Overseas Fund	Multi-Strategy	117,916,249	0.4%
Pershing Square	Equity Long/short	231,081,431	0.7%
Renaissance	Equity Long/short	313,680,447	0.9%
Stark Investments	Equity Long/short	14,069,670	0.0%
UBS O'Connor	Multi-Strategy	118,922,527	0.5%
Westwood Management	Diversified Beta/Inflation	30,967,247	0.1%
York Capital	Multi-Strategy	305,623,069	0.8%
Total		**$ 4,730,001,827**	**14.1%**

**Includes manager cash*

SAFE ASSETS CLASS SUMMARY

As of June 30, 2013, the combined PSRS/PEERS Safe Assets had a market value of approximately $4.5 billion, representing 13.3% of total assets.

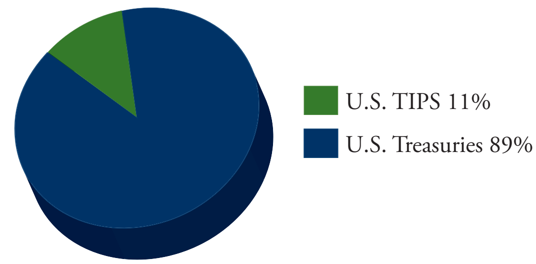
Investment Program Description

The Safe Assets program is intended to act as a source of safety and income for PSRS and PEERS. The program is designed to create substantial diversification to the total portfolio and reduce volatility through low correlation to other asset classes. Specifically, the Safe Assets portfolio should provide asset protection at the total fund level in periods of economic stress. The policy benchmark for the Safe Assets allocation is 80% Barclays Capital U.S. Treasury Blended Index (a combination of the Barclays Capital Treasury Intermediate Index and the Barclays Capital Treasury Long Index) and 20% Barclays Capital U.S. TIPS 1-10 Year Index.

Structure

As of June 30, 2013, the Systems' entire Safe Assets program was actively managed by NISA Investment Advisors. The assets held within the program exhibit high liquidity and safety. The pie chart on this page depicts the PSRS and PEERS Safe Assets program by showing the sector and composite allocations as of June 30, 2013.

Safe Assets Sector and Composite Allocations



Internal staff strategically underweighted the allocation to Safe Assets during the year. Internal staff continues to maintain an underweight to Safe Assets due in part to historically low yields on both U.S. Treasuries and TIPS and due to better expected risk/adjusted returns going forward within the Public Risk program. The Systems' allocation to Safe Assets was 13.3% as of June, 30, 2013, as compared to the benchmark weight of 20%. However, as yield expectations change the internal staff makes strategic shifts within the programs.

Market Overview

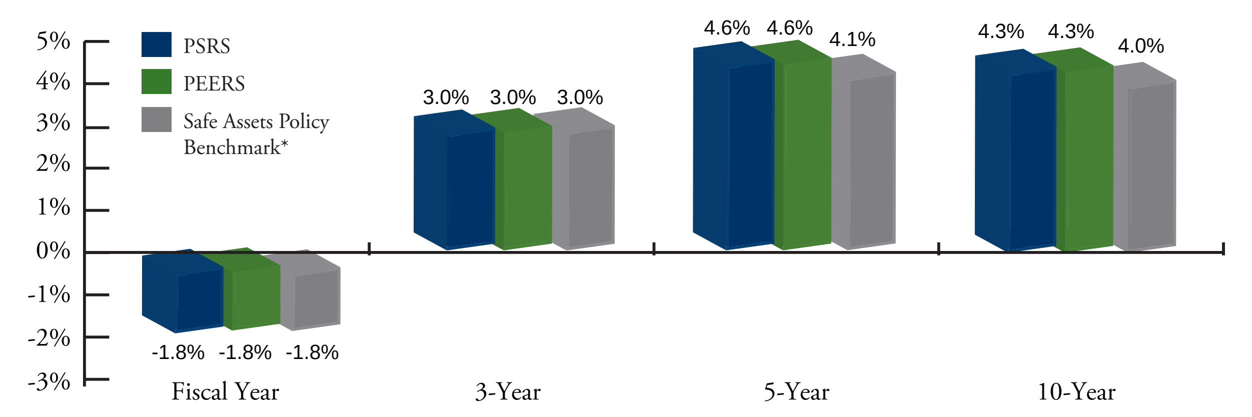
The yield on the 10-year Treasury increased from 1.65% on June 30, 2012 to 2.48% on June 30, 2013. The significant increase in interest rates throughout the year negatively impacted the price of bonds.

Performance

The total returns for the PSRS and PEERS Safe Asset portfolios equaled the benchmark return of -1.8% for the fiscal year ended June 30, 2013. For the three-year time period, the Systems' performance equaled the Safe Assets benchmark. Both Systems outperformed the Safe Assets benchmark by 50 basis points for the five-year time period and by 30 basis points for the 10-year time period.

The absolute return of the Safe Assets portfolio is relatively modest over longer time periods. However, the Safe Assets portfolio continues to provide asset protection at the total fund level in periods of economic stress and ultimate liquidity to PSRS and PEERS. An allocation to Safe Assets allows the Systems to accept market risk in other portions of the total fund portfolio.

Safe Assets Performance



Safe Assets Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year	10-Year
Annualized PSRS Return	-1.8%	3.0%	4.6%	4.3%
Annualized PEERS Return	-1.8%	3.0%	4.6%	4.3%
Annualized Policy Benchmark Return*	-1.8%	3.0%	4.1%	4.0%
Excess Return†	0.0%	0.0%	0.5%	0.3%
Annualized Standard Deviation of Composite**	2.8%	3.1%	3.8%	3.7%
Annualized Standard Deviation of Policy Benchmark**	2.8%	3.1%	3.9%	3.8%
Beta to Policy Benchmark**	0.99	0.98	0.97	0.98
Beta to ACWI World Index**	0.13	-0.07	0.00	-0.02

**The Safe Assets policy benchmark is composed as follows: 80% Barclays Capital Treasury Intermediate Index and 20% Barclays Capital U.S. TIPS 1-10 Yrs. Index.*

***Risk statistics are calculated on the PSRS portfolio but are indicative of the PEERS portfolio.*

†PSRS excess return relative to the Safe Assets policy benchmark

The table indicates that the Systems have taken similar risk to the policy benchmark (as measured by standard deviation) over most time periods, while achieving higher returns; indicating strong risk-adjusted performance. Additionally, the Systems' portfolios have a beta slightly less than 1.0 relative to the policy benchmark over all time periods, indicating less market volatility. Most importantly, the Safe Asset portfolio exhibits a beta of approximately zero relative to the world stock index (MSCI All Country World Index), indicating no correlation to risk assets. This statistic supports one of the primary objectives of Safe Assets: diversification from other risk assets in the total fund.

Top 10 Holdings and Characteristics

The following table displays the statistical characteristics of the Systems' Safe Assets Program as of June 30, 2013 with comparisons shown to the Barclays Capital Intermediate U.S. Treasury Index. Additionally, the top 10 Safe Asset holdings as of June 30, 2013 are shown in the table below the characteristics.

Safe Assets Characteristics

Characteristics	June 30, 2013 Combined Systems*	June 30, 2013 Barclays Capital Intermediate U.S. Treasury Index
Number of Securities	80	194
Average Coupon	2.4%	1.8%
Yield to Maturity	1.0%	1.0%
Average Maturity (Years)	6.3	3.9
Duration (Years)	5.2	3.7

Safe Assets - Top 10 Holdings

Top 10 Largest Holdings* June 30, 2013	Combined Market Value	% of Total Safe Assets
United States Treasury Note, 1.25%, 10/31/15	$ 239,244,796	5.4%
United States Treasury Note, 0.25%, 2/28/14	216,560,136	4.9%
United States Treasury Note, 3.50%, 5/15/20	215,701,160	4.8%
United States Treasury Note, 2.75%, 10/31/13	206,469,049	4.6%
United States Treasury Note, 2.375%, 10/31/14	205,657,717	4.6%
United States Treasury Note, 2.00%, 4/30/16	164,774,467	3.7%
United States Treasury Note, 3.00%, 9/30/16	155,462,288	3.5%
United States Treasury Note, 2.125%, 5/31/15	146,143,179	3.3%
United States Treasury Note, 2.875%, 5/15/43	144,803,700	3.3%
United States Treasury Note, 0.75%, 12/15/13	141,603,687	3.2%
Total	**$ 1,836,420,179**	**41.3%**

**Includes only actively managed separate accounts*

A complete list of portfolio holdings is available upon request.

Investment Advisors

NISA Investment Advisors managed the Safe Assets program as of June 30, 2013. The following table lists the firm's management by investment style.

Safe Assets Investment Advisor

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2013	% of Total Market Value
NISA Investment Advisors	U.S. Treasuries	$ 3,942,032,408	11.8%
NISA Investment Advisors	U.S. TIPS	508,110,564	1.5%
Total		**$ 4,450,142,972**	**13.3%**

**Includes manager cash*

PRIVATE RISK ASSETS CLASS SUMMARY

As of June 30, 2013, the combined PSRS/PEERS Private Risk assets had a market value of approximately $5.3 billion, representing 15.9% of total assets.

Investment Program Description

The allocation to Private Risk investments is viewed as a separate asset class for inclusion in the Systems' overall investment portfolios. The process of building the Systems' Private Risk program and fully funding the target allocation is expected to occur over a period of several years. Additional new investments will be necessary beyond the initial start-up period in order to maintain the long-term 20.0% target allocation. The three programs within the Private Risk Assets composite are Private Equity, Private Real Estate and Private Credit. Each program within the Private Risk allocation is a separate multi-manager composite that is treated generally as a single portfolio. Each program serves a specific and distinct role within the overall Private Risk composite and also within the overall total plan allocation. Over time, the Private Risk composite serves as a long-term vehicle to supply the underlying beta exposure to a portfolio of private assets.

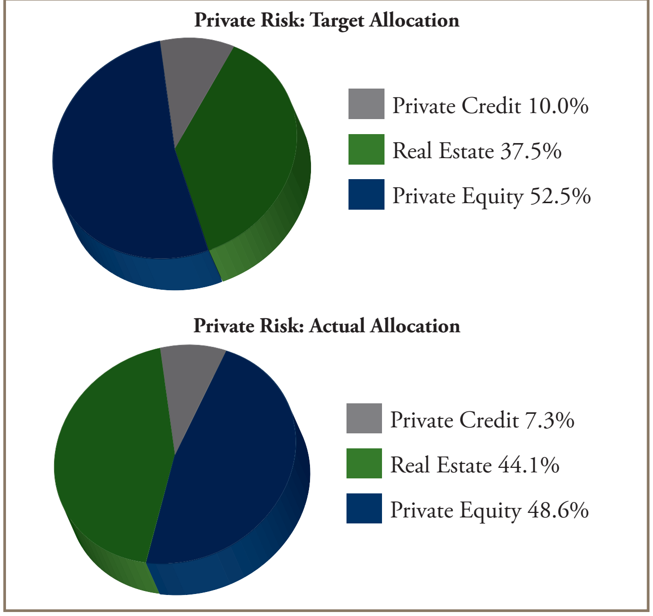
Investments in Private Risk Assets differ substantially from the Systems' public markets asset classes (Public Risk Assets and Safe Assets) in part because they are typically very long-term in nature, not publicly traded, relatively illiquid, and offer the potential for substantially higher returns (along with a commensurate level of risk). The illiquid nature of Private Risk Assets can result from the form of the asset or security itself, or it can be a function of the investment structure being utilized (e.g., a limited partnership).

Due to the fact that Private Risk Assets are not publicly traded, pricing and performance measurements prior to realization of gains are less reliable than in the traditional publicly traded asset classes. The Systems continually monitor the valuation policies and procedures utilized for such investments.

Structure

As of June 30, 2013, 48.6 % of the PSRS/PEERS Private Risk assets were invested in the Private Equity program, 44.1 % in the Private Real Estate program, and 7.3 % in the Private Credit program. Each of these programs is discussed in more detail on the following pages.

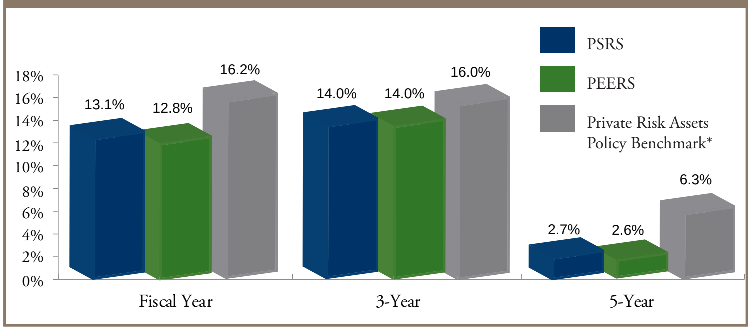
Private Risk Assets Allocation



Performance

The total returns for the PSRS and PEERS Private Risk portfolios were 13.1% and 12.8%, respectively, compared to the policy benchmark return of 16.2% for the fiscal year ended June 30, 2013. For the three- and five-year time periods, PSRS and PEERS underperformed the benchmark as noted below. The underperformance for the time frames noted below are partially due to the pricing and performance methodology utilized for private assets. For instance, the Systems utilize a liquid benchmark (Russell 3000 Index) to measure an illiquid (private equity) asset class. Thus, there will be significant performance differences over short time periods in volatile markets.

Private Risk Assets Investment Returns



Private Risk Assets Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year
Annualized PSRS Return	13.1%	14.0%	2.7%
Annualized PEERS Return	12.8%	14.0%	2.6%
Annualized Policy Benchmark Return*	16.2%	16.0%	6.3%
Excess return†	-3.1%	-2.0%	-3.6%

**The Private Risk Assets policy benchmark is composed as follows: 52.5% Russell 3000 Index, 37.5% NCREIF Property Index and 10.0% Merrill Lynch High Yield Master II Index.*

†PSRS excess return relative to the Private Risk Assets policy benchmark.

The Private Risk Assets composite was established more recently, so 10-year returns are not available.

PRIVATE EQUITY PROGRAM SUMMARY

As of June 30, 2013, the combined PSRS/PEERS Private Equity assets had a market value of approximately $2.3 billion, representing 7.0% of total assets.

Investment Program Description

The Private Equity asset class is comprised of investment opportunities not typically included within the public equity and fixed income markets. Private Equity investments provide financing for start-up companies, private middle market companies, firms in financial distress and public and non-public firms seeking buyout financing. Private Equity investments can be classified into three basic sub-asset class categories:

- Venture Capital
- Buyouts
- Debt-Related

Investments in the sub-asset classes can be made in the U.S. or foreign countries. In total, the allocation to Non-U.S. Private Equity investments will not exceed 40.0% of the overall Private Equity target allocation. The risks associated with Private Equity will be viewed both in isolation and within the context of the entire fund.

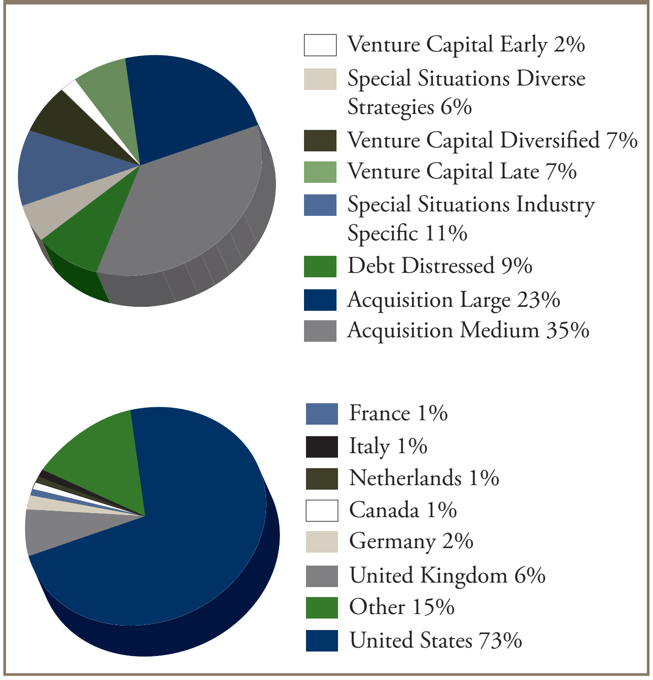
Structure

As of June 30, 2013, the combined PSRS and PEERS Private Equity assets committed* for investment were $4.1 billion. The market value of funds that have been drawn down and actually invested as of June 30, 2013 was approximately $2.3 billion, representing 7.0% of total assets. The Systems private equity investment commitments that have not yet been funded were approximately $1.4 billion as of June 30, 2013.

The objective for the Systems' allocation to Private Equity is to achieve returns that are higher than those attainable in the public equity markets with the added benefit of diversification. The PSRS/PEERS target allocation to Private Equity is 10.5%. However, as of June 30, 2013, the actual allocation for the Systems was just 7.0% because the long-term and illiquid nature of the private equity asset class dictates that capital must be invested at a measured pace. Pathway Capital Management has been retained by the Systems to provide private equity investment management services through two structures; a discretionary fund-of-funds relationship and an advisory relationship. Additionally, the Systems have invested in private equity secondary funds.

The pie charts below show the diversification (utilizing the market value of the assets that have been invested) of the Systems' private equity holdings as of June 30, 2013 from both strategy and country perspectives.

Private Equity Asset Class and Geographic Diversification



Market Overview

Most private equity funds performed well in fiscal year 2013. There were clear differences, however, among geographic regions, with the United States generally outperforming other regions across the key metrics of exit market activity, investment activity and fundraising activity. During the year, many U.S. private equity-backed companies were able to take advantage of the robust credit markets to refinance existing debt, reduce interest expense, extend maturities or finance stock buybacks or dividends.

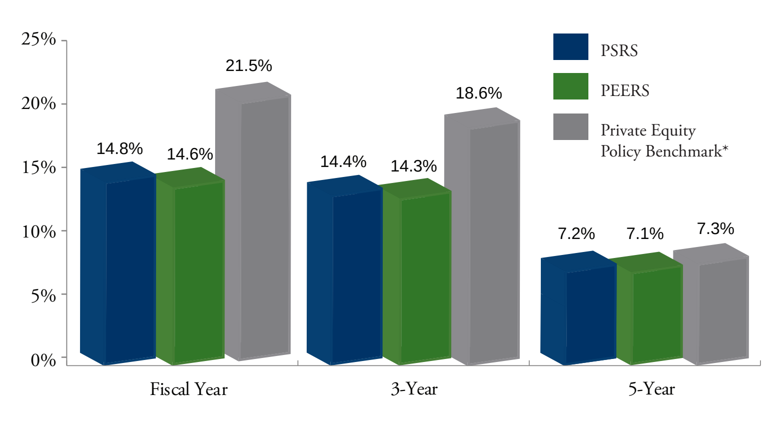
** Committed capital reflects the total amount of capital that the Systems are legally obligated to supply to the partnerships and funds as the capital is needed to invest in underlying holdings. Market value reflects capital that has actually been drawn and invested by the partnerships and funds.*

Performance

The total returns for the PSRS and PEERS Private Equity programs were 14.8% and 14.6%, respectively, compared to the benchmark return of 21.5% for the fiscal year ended June 30, 2013. The underperformance for the one- and three-year time frames noted below is partially due to the pricing and performance methodology utilized for private assets. The Systems utilize a liquid benchmark (Russell 3000 Index) to measure an illiquid (private equity) asset class. Thus, there will be significant performance differences over short time periods in volatile markets.

Due to the long term nature of the asset class, the performance of a private equity portfolio can be more appropriately judged over a longer timeframe. As the table below indicates, the PSRS and PEERS Private Equity portfolio has produced strong absolute returns over all time periods.

Private Equity Investment Returns



Private Equity Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year
Annualized PSRS Return	14.8%	14.4%	7.2%
Annualized PEERS Return	14.6%	14.3%	7.1%
Annualized Policy Benchmark Return*	21.5%	18.6%	7.3%
Excess Return†	-6.7%	-4.2%	-0.1%

**The Private Equity policy benchmark is the Russell 3000 Index.*

†PSRS excess return relative to the Private Equity policy benchmark.

The Private Equity program was established in March 2003, therefore 10-year returns are not available.

Investment Advisors

As of June 30, 2013, PSRS and PEERS had committed to 69 separate partnerships with 41 firms within the Private Equity asset class. In fiscal year 2013, PSRS and PEERS committed to five new partnerships for $209 million. Additionally, the Systems received total distributions from the private equity partnerships in excess of $507 million in fiscal year 2013.

Private Equity Investment Advisors

Investment Advisor	Investment Style	Combined Market Value* As of June 30, 2013	% of Total Market Value
Advent International GPE VII-B	Acquisition - Medium	$ 10,428,569	0.0%
BC European IX	Acquisition - Medium	11,840,857	0.0%
Blackstone Capital Partners V and VI	Acquisition - Large	26,896,129	0.1%
Canaan Partners IX	Venture Capital	4,363,045	0.0%
Carlyle Europe Partners III	Acquisition - Medium	29,190,980	0.1%
Carlyle Partners IV and V	Acquisition - Large	45,679,243	0.1%
Centerbridge Capital Partners I and II	Acquisition & Debt	37,401,757	0.1%
Centerbridge Capital Special Credit Partners II	Debt - Distressed	17,875,725	0.1%
CVC European Equity Partners IV and V	Acquisition - Large	29,112,898	0.1%
CVC European Equity Tandem Fund	Acquisition - Large	9,588,882	0.0%
Encap VIII Co-Investors and IX	Acquisition - Energy	13,807,713	0.0%
Exponent Partners II	Acquisition - Medium	19,957,300	0.1%
First Reserve Fund XI and XII	Acquisition - Energy	52,629,609	0.2%
Genstar Capital Partners V	Acquisition - Medium	7,524,259	0.0%
GTCR Fund IX and X	Acquisition - Medium	57,450,665	0.2%
Hellman & Friedman Capital Partners VI and VII	Acquisition - Large	30,907,125	0.1%
Kelso Investment Associates VIII	Acquisition - Medium	25,158,706	0.1%
KKR 2006 Fund	Acquisition - Large	26,987,300	0.1%
KRG Fund IV	Acquisition - Medium	20,172,606	0.1%
Lexington Capital Partners VI-B and VII	Secondary Fund	165,392,093	0.5%
Madison Dearborn VI	Acquisition - Large	11,484,402	0.0%
Montagu III and IV	Acquisition - Medium	18,667,132	0.1%
Nordic VII and VIII	Acquisition - Medium	30,653,288	0.1%
New Enterprise Associates 13 and 14	Venture Capital	42,628,409	0.1%
Oak Investment Partners XIII	Venture Capital	15,591,464	0.1%
OCM Principal Opportunities Fund IV, VII, VIIb and IX	Debt - Distressed	37,833,703	0.1%
Odyssey Investment Partners IV	Acquisition - Medium	31,566,091	0.1%
Onex Partners II and III	Acquisition - Medium	42,415,252	0.1%
Pantheon Global Secondary Fund III and IV	Secondary Fund	125,395,889	0.4%
Pathway Capital Management	Fund-of-Funds	976,432,568	2.9%
Paul Capital Partners IX	Secondary Fund	44,781,516	0.1%
Permira IV	Acquisition - Large	19,505,019	0.1%
Providence Equity Partners VI	Acquisition - Medium	29,758,164	0.1%
Quad-C Partners VIII	Acquisition - Medium	4,179,960	0.0%
Quantum Energy Partners V	Acquisition - Energy	9,775,047	0.0%
The Resolute Fund II	Acquisition - Medium	26,176,590	0.1%
Silver Lake Partners III	Acquisition - Technology	18,382,623	0.1%
Spectrum Equity Investors VI	Acquisition - Medium	6,857,389	0.0%
TA XI	Acquisition - Large	13,913,838	0.0%
TCV VI and VII	Venture Capital	42,839,357	0.1%
Thoma Cressey Fund VIII	Acquisition - Medium	20,595,522	0.1%
TPG Partners V and VI	Acquisition - Large	40,378,653	0.1%
Wayzata Opportunities Fund I, II and III	Debt - Distressed	44,912,757	0.1%
Wind Point Partners VI and VII	Acquisition - Medium	37,449,661	0.1%
Cash and cash equivalents	Cash and cash equivalents	2,377,464	0.0%
Stock distribution account	Public Stocks	219,764	0.0%
Total		**$ 2,337,136,983**	**7.0%**

**Market values are reported by the Systems' Private Equity advisors. Market values reflect the most current net asset values. In instances where the most current net asset values were not as of June 30, 2013, the net asset values utilized were cash flow adjusted through June 30, 2013.*

PRIVATE CREDIT PROGRAM SUMMARY

As of June 30, 2013, the combined PSRS/PEERS Private Credit assets had a market value of approximately $389 million, representing 1.2% of total assets.

Investment Program Description

Investments in Private Credit are similar to Private Equity investments in that they are typically very long-term in nature, not publicly traded, relatively illiquid, and offer the potential for substantially higher returns (along with a commensurate level of risk). The Private Credit portfolio also differs from the Private Equity portfolio, and is a separate and distinct composite within Private Risk Assets. The Private Credit asset class is comprised primarily of debt-related investments that provide a current yield along with equity participation (usually warrants) referred to as an equity kicker. Primary strategies are distressed debt, bankruptcy restructurings, mezzanine debt, bank loans and other credit-driven or debt-related investment strategies. Investments can be made in the U.S. or foreign countries. In total, the allocation to Non-U.S. Private Credit investments will not exceed 40% of the overall Private Credit target allocation. The risks associated with Private Credit will be viewed both in isolation and within the context of the entire fund.

Structure

As of June 30, 2013, the combined PSRS/PEERS Private Credit assets committed* for investment were $727.6 million. The market value of funds that have been drawn down and actually invested as of June 30, 2013 was approximately $389 million, representing 1.2% of total assets. PSRS/PEERS' private credit investment commitments that have not yet been funded were approximately $133.9 million as of June 30, 2013.

The objective for the Systems' allocation to private credit is to achieve returns that are higher than those attainable in the public markets with the added benefit of diversification. In December 2009, the PSRS/PEERS Board of Trustees approved 2.0% for the target allocation to the private credit asset class. The long-term and illiquid nature of the private equity asset class dictates that capital must be invested at a measured pace. Pathway Capital Management has been retained by the Systems to provide private credit investment management services through two structures; a discretionary fund-of-funds relationship and an advisory relationship. During the current year, Albourne America, LLC was retained to provide private credit advisory services.

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

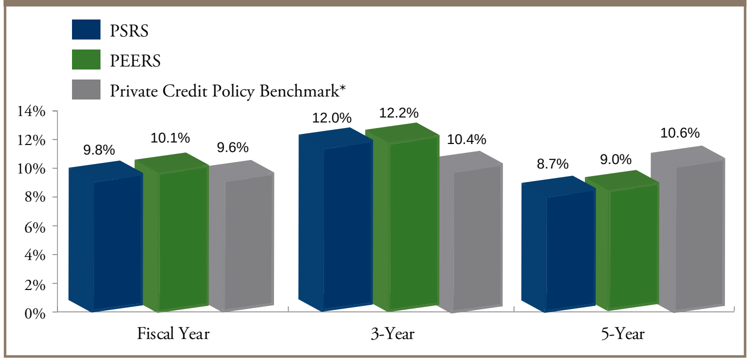
Market Overview

Private Credit markets were driven by robust debt markets and low default rates. The Systems' Private Credit partnerships took advantage of the attractive markets to realize investments and return cash to investors.

Performance

The total returns for the PSRS and PEERS Private Credit programs were 9.8% and 10.1%, respectively, compared to the benchmark return of 9.6% for the fiscal year ended June 30, 2013. For the three-year time period, PSRS and PEERS outperformed the benchmark by 160 basis points and 180 basis points, respectively. For the five-year time period, PSRS and PEERS underperformed the benchmark by 190 basis points and 160 basis points, respectively. As discussed previously, private assets are more appropriately evaluated over longer timeframes.

Private Credit Investment Returns



Private Credit Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year
Annualized PSRS Return	9.8%	12.0%	8.7%
Annualized PEERS Return	10.1%	12.2%	9.0%
Annualized Policy Benchmark Return*	9.6%	10.4%	10.6%
Excess Return†	0.2%	1.6%	-1.9%

**The Private Credit policy benchmark is the Merrill Lynch High Yield Master II Index.*

†PSRS excess return relative to the Private Credit policy benchmark

The Private Credit program was established in December 2007, so 10-year returns are not available.

Investment Advisors

As of June 30, 2013, PSRS and PEERS had committed to 11 separate partnerships with nine firms within the Private Credit asset class. No new commitments were made to the Private Credit asset class during fiscal year 2013. Additionally, the Systems received total distributions from the private credit partnerships in excess of $146 million in fiscal year 2013.

Private Credit Investment Advisors

Investment Advisor	Investment Style	Combined Market Value* As of June 30, 2013	% of Total Market Value
Avenue Capital Group Fund V	Debt - Distressed	$ 2,937,797	0.0%
Caltius IV	Debt - Mezzanine	3,528,060	0.0%
Centerbridge Special Capital Partners	Debt - Distressed	26,834,689	0.1%
Encap Fund VII	Acquisition - Energy	10,145,020	0.0%
Encap Fund VIII	Acquisition - Energy	20,347,342	0.1%
Indigo Capital V	Debt - Mezzanine	15,369,763	0.0%
Lone Star Real Estate Fund II	Debt - Distressed	24,053,162	0.1%
OCM Opportunities Fund VIII	Debt - Distressed	30,048,486	0.1%
OCM Opportunities Fund VIII b	Debt - Distressed	29,693,974	0.1%
Pathway Capital Management	Funds-of-Funds	199,709,862	0.6%
TA Subordianted Debt Fund III	Debt - Mezzanine	26,224,777	0.1%
Total		**$ 388,892,932**	**1.2%**

**Market values are reported by the Systems' Private Credit advisors. Market values reflect the most current net asset values. In instances where the most current net asset values were not as of June 30, 2013, the net asset values utilized were cash flow adjusted through June 30, 2013.*

PRIVATE REAL ESTATE PROGRAM SUMMARY

As of June 30, 2013, the combined PSRS/PEERS Private Real Estate assets had a market value of approximately $2.6 billion, representing 7.7% of total assets.

Investment Program Description

The Real Estate allocation is intended to provide exposure to a diversified portfolio of institutional quality private real estate investments that will provide meaningful, consistent returns, and act as a hedge against inflation and as a diversifier to the overall PSRS and PEERS investment portfolio. The specific objectives of the real estate allocation will be to optimize yield and return, preserve capital and enhance portfolio value across market cycles. The risks associated with Private Real Estate will be viewed both in isolation and within the context of the entire fund.

Structure

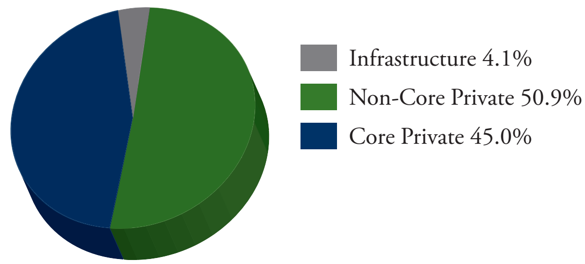
As of June 30, 2013, the combined PSRS/PEERS real estate assets committed* for investment were $3.1 billion. The market value of funds that had been drawn down and actually invested as of June 30, 2013 was approximately $2.6 billion, representing 7.7% of total assets. PSRS/PEERS' real estate investment commitments that have not yet been funded were approximately $455 million as of June 30, 2013.

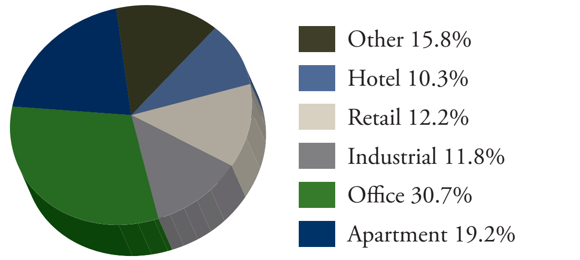
Within the overall real estate allocation, the Systems have established a 55% target allocation to non-core real estate and a 45% allocation to core private real estate. Non-core investments represent those properties and/or investment strategies that require specialized acquisition and management expertise or skill to mitigate the business and leasing risk that may be associated with individual investments. Non-core investments have greater associated volatility compared to core investments. Core investments include existing, substantially leased income-producing properties located mainly in metropolitan areas that exhibit reasonable economic diversification and growth.

The following pie charts indicate the current allocation to real estate investment strategies utilizing the market value of the Systems' invested real estate assets and the diversification within the real estate composite by property type.

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

Private Real Estate Diversification





Market Overview

Real estate values declined significantly in the United States in 2008 and 2009 as a result of the global financial crisis. Since that time, real estate markets have improved, suggesting a market recovery is underway. As such, the private real estate benchmark, the NCREIF Property Index (NPI), increased 10.7% in fiscal year 2013.

Real estate fundamentals are improving across the board as moderate economic growth supports demand for commercial space. Occupancy rates are increasing in all property types, while development activity remains near historical lows in all sectors except apartments. As a result, income growth is beginning to accelerate in the office, industrial and retail sectors which are in the early stages of recovery.

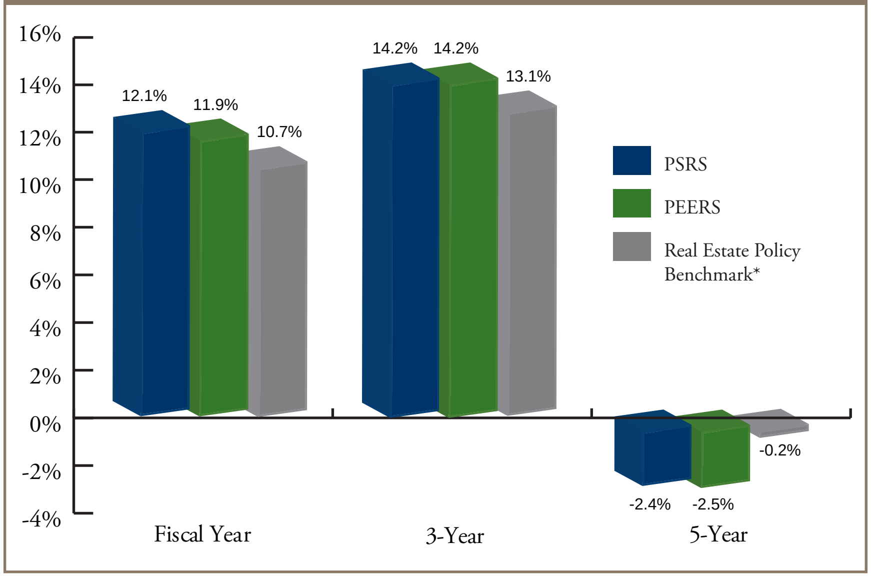
PSRS and PEERS maintain a sizable allocation to high-quality, stabilized real estate assets (core) held in primary markets due to the secure income return. Additionally, the Systems have an allocation to non-core assets to participate in the distressed sector of the real estate market. PSRS and PEERS will continue to focus real estate efforts going forward on investments that complement the Systems' existing portfolio.

Performance

The total returns for the PSRS and PEERS Private Real Estate program were 12.1% and 11.9%, respectively, compared to the benchmark return of 10.7% for the fiscal year ended June 30, 2013. As shown in the table and graph below, the PSRS and PEERS annualized Private Real Estate returns outperformed the policy benchmark by 140 basis points and 120 basis points, respectively.

Both PSRS and PEERS significantly outperformed the policy benchmark for the three-year time period noted below. For the five-year time period, both PSRS and PEERS underperformed the benchmark. This underperformance was primarily due to the significant downward pressure on real estate valuations during the credit crisis of 2008 and 2009.

Real Estate Investment Returns



Real Estate Statistical Performance

Portfolio Characteristics	Fiscal Year	3-Year	5-Year
Annualized PSRS Return	12.1%	14.2%	-2.4%
Annualized PEERS Return	11.9%	14.2%	-2.5%
Annualized Policy Benchmark Return*	10.7%	13.1%	-0.2%
Excess Return†	1.4%	1.1%	-2.2%

**The Real Estate policy benchmark is the NCREIF Property Index.*

†PSRS excess return relative to the Real Estate policy benchmark

The Real Estate program was established in April 2004, so a 10-year return is not available.

Investment Advisors

As of June 30, 2013, PSRS and PEERS had committed to 49 separate partnerships with 27 firms within the Private Real Estate asset class. In fiscal year 2013, PSRS and PEERS committed to three new partnerships totaling $200 million. Additionally, the Systems received total distributions from the real estate partnerships in excess of $312 million in fiscal year 2013.

Real Estate Investment Advisors			
Investment Advisor	**Investment Style**	**Combined Market Value* As of June 30, 2013**	**% of Total Market Value**
Alinda Infrastructure Fund I	Infrastructure	$ 48,008,047	0.1%
AMB Alliance III	Non-Core - Private	48,941,390	0.1%
AMB Japan Fund I	Non-Core - Private	28,851,794	0.1%
AEW Core Property Fund	Core - Private	79,219,192	0.2%
Blackstone R.E. Partners V, VI and VII	Non-Core - Private	195,270,625	0.6%
Brockton Capital II	Non-Core - Private	16,533,971	0.0%
Carlyle Europe Real Estate Partners III	Non-Core - Private	53,138,304	0.2%
Carlyle Realty V and VI	Non-Core - Private	73,427,729	0.2%
CBRE Fund IV, US Value 5, and US Value 6	Non-Core - Private	69,015,732	0.2%
CIM Fund III	Non-Core - Private	66,320,493	0.2%
CIM Urban REIT	Non-Core - Private	39,349,579	0.1%
Colony Investors VIII	Non-Core - Private	23,465,108	0.1%
CPI Capital Partners Europe	Non-Core - Private	14,930,422	0.0%
Dune Real Estate Fund I	Non-Core - Private	19,898,293	0.1%
Forum Asian Realty Income II	Non-Core - Private	31,579,974	0.1%
Guggenheim Structured R.E. III	Non-Core - Private	13,098,385	0.0%
Heitman Value Partners I and II	Non-Core - Private	51,851,472	0.2%
JPMorgan Special Situation Property Fund	Non-Core - Private	85,238,674	0.3%
JPMorgan Strategic Property Fund	Core - Private	262,836,041	0.8%
LaSalle Asia Opportunity Fund II and III	Non-Core - Private	37,307,617	0.1%
LaSalle Income & Growth IV and V	Non-Core - Private	60,645,178	0.2%
LaSalle Japan Logistics Fund II	Non-Core - Private	16,730,733	0.1%
LaSalle Property Fund	Core - Private	84,393,326	0.3%
Lone Star V and VI	Non-Core - Private	47,744,638	0.1%
Lone Star Real Estate Fund	Non-Core - Private	7,589,946	0.0%
Macquarie Infrastructure Partners	Infrastructure	56,758,379	0.2%
MSREF V International	Non-Core - Private	4,987,371	0.0%
Morgan Stanley Prime Property Fund	Core - Private	286,255,584	0.9%
NREP Real Estate Debet Fund	Non-Core - Private	4,436,495	0.0%
Noble Hospitality Fund	Non-Core - Private	66,381,817	0.2%
Principal Enhanced Property Fund	Core - Private	36,335,365	0.1%
Prudential PRISA Fund	Core - Private	137,131,845	0.4%
Prudential PRISA II and III	Non-Core - Private	75,502,740	0.2%
RREEF America REIT III	Non-Core - Private	29,526,965	0.1%
Starwood Hospitality Fund	Non-Core - Private	23,412,731	0.1%
UBS Trumbull Property Fund	Core - Private	275,458,886	0.8%
Westbrook R.E. Fund VII, VIII, and IX	Non-Core - Private	102,835,834	0.3%
Cash and cash equivalents	Cash and cash equivalents	4,132,843	0.0%
Total		**$ 2,578,543,518**	**7.7%**

**Market values are reported by the Systems' Real Estate advisors. Market values reflect the most current net asset values. In instances where the most current net asset values were not as of June 30, 2013, the net asset values utilized were cash flow adjusted through June 30, 2013.*

U.S. Public Equity Broker Commissions Report

PSRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost Per Share
Pershing LLC	23,294,018	$ 697,978,404	$ 432,781	$ 0.02
Credit Suisse Securities, LLC	12,244,997	532,110,355	423,645	0.03
Jefferies & Company, Inc.	11,356,375	711,151,945	369,068	0.03
Capital Institutional Services	8,642,532	254,867,754	312,333	0.04
Instinet, LLC	12,961,285	294,670,981	272,906	0.02
Merrill Lynch	23,820,952	719,400,527	261,689	0.01
Deutsche Bank	36,185,411	1,005,838,109	259,168	0.01
Morgan Stanley & Co Incorporated	18,924,163	609,860,270	241,983	0.01
JP Morgan Chase	17,512,623	517,829,764	199,519	0.01
Weeden & Co	20,063,677	627,509,393	187,487	0.01
Liquidnet Inc.	17,935,432	525,507,462	186,374	0.01
Goldman Sachs and Company	8,789,118	329,937,518	182,859	0.02
Investment Technology Group	18,303,268	554,080,063	182,013	0.01
Barclays Capital, Inc.	13,384,041	505,223,601	171,220	0.01
Citigroup Global Markets, Inc.	9,980,457	420,145,326	161,905	0.02
UBS Securities, LLC	5,593,759	184,935,660	158,319	0.03
SG Cowen & Co	16,660,624	552,068,612	134,776	0.01
Bank of New York	5,170,982	265,992,279	129,267	0.02
Other (<$120,000)	79,610,343	2,442,813,802	1,825,500	0.02
Total	**360,434,057**	**$11,751,921,825**	**$ 6,092,812**	**$ 0.02**

PEERS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost Per Share
Pershing LLC	2,638,857	$ 80,494,444	$ 48,697	$ 0.02
Credit Suisse Securities, LLC	1,500,733	60,872,586	47,575	0.03
Jefferies & Company, Inc.	1,250,497	78,195,921	40,093	0.03
Capital Institutional Services	890,336	26,921,969	32,093	0.04
Instinet, LLC	1,417,686	33,077,849	29,403	0.02
Merrill Lynch	2,530,994	75,305,457	28,780	0.01
Deutsche Bank	3,947,130	101,826,855	28,109	0.01
Morgan Stanley & Co Incorporated	1,753,803	58,692,903	24,435	0.01
JP Morgan Chase	1,856,580	53,586,828	23,333	0.01
Goldman Sachs and Company	999,786	36,921,148	21,077	0.02
Investment Technology Group	1,977,612	59,254,761	19,713	0.01
Weeden & Co	1,921,983	59,538,608	17,765	0.01
UBS Securities, LLC	612,736	20,401,919	17,132	0.03
Barclays Capital, Inc.	1,199,252	49,335,524	17,042	0.01
Liquidnet Inc.	1,548,836	45,874,057	16,788	0.01
Citigroup Global Markets, Inc.	1,012,307	42,994,115	16,733	0.02
Bank of New York	518,895	28,712,611	13,255	0.03
SG Cowen & Co	1,489,145	47,738,298	13,198	0.01
Other (<$12,000)	8,858,333	253,926,607	188,390	0.02
Total	**37,925,501**	**$ 1,213,672,460**	**$ 643,611**	**$ 0.02**

Global Public Equity Broker Commissions Report

PSRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost (Basis Points)
Morgan Stanley & Co Incorporated	68,948,901	$ 480,784,186	$ 283,703	5.9
Goldman Sachs and Company	39,297,285	269,230,439	263,801	9.8
Merrill Lynch	67,815,760	319,145,559	210,516	6.6
UBS Securities, LLC	43,099,463	282,877,963	207,162	7.3
Instinet, LLC	54,792,511	406,752,709	197,653	4.9
Credit Suisse Securities, LLC	23,538,854	137,120,811	128,770	9.4
Deutsche Bank	35,878,583	204,169,823	128,291	6.3
JP Morgan Chase	17,234,921	91,313,423	109,966	12.0
Citigroup Global Markets, Inc.	18,075,258	100,460,745	105,612	10.5
Other (<$100,000)	135,007,083	880,659,157	641,969	7.3
Total	**503,688,619**	**$3,172,514,815**	**$ 2,277,443**	**7.2**

PEERS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost (Basis Points)
Morgan Stanley & Co Incorporated	6,515,147	$ 49,812,072	$ 30,357	6.1
Goldman Sachs and Company	4,734,123	31,058,805	29,875	9.6
UBS Securities, LLC	4,901,404	35,075,519	25,400	7.2
Merrill Lynch	8,605,549	36,533,644	23,807	6.5
Instinet, LLC	7,353,706	45,882,414	22,214	4.8
Deutsche Bank	4,193,008	23,621,353	14,737	6.2
Credit Suisse Securities, LLC	2,828,204	15,315,826	14,409	9.4
Citigroup Global Markets, Inc.	2,166,411	11,533,659	11,549	10.0
JP Morgan Chase	1,741,094	9,141,804	11,264	12.3
Other (<$10,000)	13,853,397	90,549,762	67,791	7.5
Total	**56,892,043**	**$ 348,524,858**	**$ 251,403**	**7.2**

Investment Summary as of June 30, 2013					
				Percent of Total Fair Value	
Asset Type	PSRS Fair Value	PEERS Fair Value	Combined Funds	FY 2013	FY 2012
Public Risk Assets					
U.S. Public Equity	$ 9,865,044,978	$ 1,074,100,330	$ 10,939,145,308	32.7%	30.5%
Global Public Equity	4,594,292,140	519,668,961	5,113,961,101	15.3%	14.8%
Public Credit	2,481,378,318	276,101,472	2,757,479,790	8.2%	9.0%
Hedged Assets	4,274,185,297	455,816,530	4,730,001,827	14.1%	14.6%
Total Public Risk Assets	**21,214,900,733**	**2,325,687,293**	**23,540,588,026**	**70.3%**	**68.9%**
Safe Assets					
U.S. Treasuries	3,508,945,498	433,086,910	3,942,032,408	11.8%	13.6%
U.S. TIPS	456,694,692	51,415,872	508,110,564	1.5%	1.7%
Total Safe Assets	**3,965,640,190**	**484,502,782**	**4,450,142,972**	**13.3%**	**15.3%**
Private Risk Assets					
Private Real Estate	2,327,938,285	250,605,233	2,578,543,518	7.7%	7.4%
Private Equity	2,154,895,419	182,241,564	2,337,136,983	7.0%	6.9%
Private Credit	359,475,497	29,417,435	388,892,932	1.2%	1.4%
Total Private Risk Assets	**4,842,309,201**	**462,264,232**	**5,304,573,433**	**15.9%**	**15.7%**
Securities Lending Collateral	**9,764**	**1,102**	**10,866**	**0.0%**	**-0.1%**
Cash & Equivalents*	**153,944,707**	**25,380,761**	**179,325,468**	**0.5%**	**0.2%**
Total Investments**	**$ 30,176,804,595**	**$3,297,836,170**	**$33,474,640,765**	**100.0%**	**100.0%**
Reconciliation with Financial Statements					
Total from above	$ 30,176,804,595	$ 3,297,836,170	$ 33,474,640,765		
Accrued payable for investments purchased	4,329,286,136	451,099,920	4,780,386,056		
Accrued income payable	49,867	5,525	55,392		
Accrued receivable for investments sold	(1,014,191,683)	(87,558,789)	(1,101,750,472)		
Accrued income receivable	(61,298,852)	(6,935,393)	(68,234,245)		
Securities lending collateral	(9,764)	(1,102)	(10,866)		
Short-term investments designated for benefits	(153,913,655)	(25,382,804)	(179,296,459)		
Statements of Plan Net Position	**$ 33,276,726,644**	**$3,629,063,527**	**$36,905,790,171**		

**Managers may hold cash or cash equivalents as part of an active management strategy. Cash or cash equivalents held as part of an active management strategy are not separately listed.*

*** Total Investments includes accrued income and securities lending collateral as of June 30, 2013.*

Investment Expenses for the Fiscal Year Ended June 30, 2013

Investment Managers	PSRS	PEERS	Total
Investment Management Fees			
NISA Investment Advisors - Core	$ 2,671,182	$ 320,398	$ 2,991,580
NISA Investment Advisors - TIPS	365,900	41,193	407,093
Safe Assets Fees	3,037,082	361,591	3,398,673
NISA Investment Advisors - Corporate	923,373	100,306	1,023,679
Oaktree Bank Loans	1,420,930	147,488	1,568,418
Pacific Investment Management Company	4,858,124	553,509	5,411,633
Public Credit Fees	7,202,427	801,303	8,003,730
Analytic Investors, LLC	1,200,680	121,627	1,322,307
AQR Capital Management -140/40	1,353,209	125,825	1,479,034
Aronson & Johnson & Ortiz	1,730,491	151,696	1,882,187
BlackRock Investment Management	196,228	27,164	223,392
Martingale Asset Management	833,957	38,002	871,959
NISA Investment Advisors	100,040	12,163	112,203
Westwood Management	3,692,824	330,725	4,023,549
Zevenbergen Capital	684,205	69,172	753,377
U.S. Public Equity Fees	9,791,634	876,374	10,668,008
Acadian Asset Management	446,079	50,367	496,446
Alliance Bernstein Institutional Management	986,449	116,389	1,102,838
Analytic Investors, LLC - Global Low Vol	881,036	102,260	983,296
AQR Capital Management	1,304,868	148,859	1,453,727
Arrowstreet Capital	3,639,320	404,469	4,043,789
BlackRock - ACWI EX US	326,744	32,321	359,065
Esemplia	266,238	27,785	294,023
INVESCO Global Asset Management	324,312	39,104	363,416
MFS Institutional Advisors	2,264,332	234,772	2,499,104
Neon Capital Management	2,679,720	297,746	2,977,466
NISA Investment Advisors	104,778	15,405	120,183
Russell Investments	83,971	8,511	92,482
The Rock Creek Group	2,436,247	246,857	2,683,104
T. Rowe Price International, Inc.	499,725	60,250	559,975
Global Public Equity Fees	16,243,819	1,785,095	18,028,914
Allianz	902,746	88,281	991,027
AQR Capital Management	728,918	83,242	812,160
Chartwell Investment Partners	601,698	64,789	666,487
Columbus Circle	942,135	93,197	1,035,332
NISA Investment Advisors	115,051	11,868	126,919
Next Century Growth Investors	584,447	55,708	640,155
RBC Global Asset Management	580,636	64,624	645,260
Thomson, Horstmann & Bryant	254,398	28,840	283,238
S-Cap Fees	4,710,029	490,549	5,200,578
Alpha Overlay Fees	44,972,228	4,574,569	49,546,797
Hedged Assets Fees	102,688,586	10,759,920	113,448,506
Private Real Estate Fees	39,440,902	4,184,428	43,625,330
Private Credit Fees	17,555,054	1,498,631	19,053,685
Private Equity Fees	83,505,561	13,267,302	96,772,863
Commission Recapture Income	(191,494)	(17,026)	(208,520)
Investment Management Expense	328,955,828	38,582,736	367,538,564
Custodial Services			
JP Morgan Chase, NA	417,637	41,305	458,942
Custodial Fees	417,637	41,305	458,942
Investment Consultants			
Albourne America, LLC	560,516	55,613	616,129
Pathway Consulting	1,840,276	165,475	2,005,751
Risk Metrics - ISS	30,713	3,038	33,751
R.V. Kuhns and Associates, Inc.	7,203	960	8,163
Towers Watson	341,250	33,750	375,000
Townsend	318,500	31,499	349,999
Investment Consultant Fees	3,098,458	290,335	3,388,793
Staff Investment Expenses	3,657,042	2,104,767	5,761,809
Total Investment Expenses	$336,128,965	$ 41,019,143	$ 377,148,108