

*Why was the  
MSEP 2000 created?*

To resolve internal  
benefit equity issues;

To promote a career goal  
of thirty years of state service;

To allow long-service  
employees to retire before  
social security eligibility;

To provide promotional  
opportunities for  
younger employees;

To address hazardous  
position benefit needs;

To provide for dependents  
in the event of  
duty-related death; and

To facilitate local to state  
employment mobility.

Why





1000 Walnut, Suite 1600  
P.O. Box 13127  
Kansas City, MO 64199

The Board of Trustees  
Missouri State Employees' Retirement System  
907 Wildwood Drive  
Jefferson City, MO 65109

Dear Board Members:

We have audited the financial statements of the Missouri State Employees' Retirement System, a component unit of the state of Missouri, as of and for the year ended June 30, 2000, as listed in the accompanying table of contents. These financial statements are the responsibility of the retirement system's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements of the Missouri State Employees' Retirement System's pension trust funds present fairly, in all material respects, the plan net assets as of June 30, 2000, and the related changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the financial statements of the Missouri State Employees' Retirement System's internal service fund present fairly, in all material respects, its financial position as of June 30, 2000, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedules of funding progress and employer contributions on pages 33-37 are not a required part of the basic financial statements of the Missouri State Employees' Retirement System, but are required by the Governmental Accounting Standards Board. The supplementary information included in pages 38-44 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Missouri State Employees' Retirement System. Such information, included on pages 33-44 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

August 25, 2000

**KPMG LLP**



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

Missouri State Employees' Retirement System

**Statements of Plan Net Assets**

**Pension Trust Funds**

As of June 30, 2000

	Missouri State Employees' Plan	Administrative Law Judges and Legal Advisors' Plan	Judicial Plan	Total (Memorandum Only)
<b>Assets</b>				
Cash and short-term investments	\$ 80,495,437	\$ 192,076	\$ 173,740	\$ 80,861,253
<u>Receivables</u>				
State contributions	16,484,291	70,474	1,691,954	18,246,719
Investment income	24,845,752	59,286	53,627	24,958,665
Investment sales	189,424,463	451,999	408,851	190,285,313
Other	1,090,362	2,602	2,353	1,095,317
Total receivables	231,844,868	584,361	2,156,785	234,586,014
<u>Investments at fair value</u>				
U.S. Treasury securities	714,280,842	1,704,397	1,541,692	717,526,931
Corporate bonds	241,818,806	577,021	521,938	242,917,765
Government bonds & gov't mortgage-backed securities	285,637,011	681,579	616,514	286,935,104
Real estate equity	6,779,192	16,176	14,632	6,810,000
Common stock	2,671,745,395	6,375,244	5,766,652	2,683,887,291
International EAFE index fund	423,750,466	1,011,141	914,616	425,676,223
Preferred stock	1,493	4	3	1,500
Venture capital	368,756	880	796	370,432
Closed-end real estate fund	21,225	51	46	21,322
Collateralized mortgage obligation	33,096,314	78,974	71,435	33,246,723
Foreign currency	17,511,828	41,786	37,797	17,591,411
International equities	1,022,939,127	2,440,909	2,207,895	1,027,587,931
U.S. dollar-denominated international corporate bonds	31,042,282	74,072	67,001	31,183,355
Total investments	5,448,992,737	13,002,234	11,761,017	5,473,755,988
Securities lending collateral	864,114,366	2,061,926	1,865,090	868,041,382
<u>Fixed Assets</u>				
Land	266,077	635	574	267,286
Building and building improvements	3,122,317	7,450	6,739	3,136,506
Furniture, fixtures, and equipment	1,794,269	4,281	3,873	1,802,423
	5,182,663	12,366	11,186	5,206,215
Accumulated depreciation	(1,122,777)	(2,679)	(2,423)	(1,127,879)
Total fixed assets	4,059,886	9,687	8,763	4,078,336
Prepaid expenses and other	62,138	148	134	62,420
Total assets	6,629,569,432	15,850,432	15,965,529	6,661,385,393
<b>Liabilities</b>				
Administrative expense payables	2,584,739	6,168	5,579	2,596,486
Investment purchases	212,090,474	506,084	457,773	213,054,331
Securities lending collateral	864,114,366	2,061,926	1,865,090	868,041,382
Real estate security deposits	54,665	130	118	54,913
Employee vacation and overtime liability	210,472	502	454	211,428
Total liabilities	1,079,054,716	2,574,810	2,329,014	1,083,958,540
Net assets held in trust for pension benefits	\$ 5,550,514,716	\$ 13,275,622	\$ 13,636,515	\$ 5,577,426,853

(A schedule of funding progress for each plan is presented on page 33.)

See accompanying *Notes to the Financial Statements*.

Missouri State Employees' Retirement System

**Statements of Changes in Plan Net Assets**

**Pension Trust Funds**

Year Ended June 30, 2000

	Missouri State Employees' Plan	Administrative Law Judges and Legal Advisors' Plan	Judicial Plan	Total (Memorandum Only)
<b>Additions</b>				
<i>Contributions</i>				
State contributions	\$ 202,330,547	\$ 807,022	\$19,988,676	\$ 223,126,245
Member purchases of service credit	1,991,206	0	0	1,991,206
Service transfer contributions	3,468,697	0	0	3,468,697
Total contributions	207,790,450	807,022	19,988,676	228,586,148
<i>Investment income</i>				
<i>From investing activities</i>				
Net appreciation in fair value of investments	201,322,605	480,390	434,531	202,237,526
Interest	160,966,761	384,094	347,428	161,698,283
Dividends	47,790,311	114,036	103,150	48,007,497
Other	734,727	1,753	1,586	738,066
Total investing activity income	410,814,404	980,273	886,695	412,681,372
Investing activity expenses:				
Management fees	(7,312,695)	(17,449)	(15,784)	(7,345,928)
Custody fees	(723,654)	(1,727)	(1,562)	(726,943)
Consultant fees	(216,207)	(516)	(467)	(217,190)
Performance measurement fees	(56,995)	(136)	(123)	(57,254)
Portfolio transition/rebalancing cost	(137,012)	(327)	(296)	(137,635)
Internal investment activity expenses	(1,040,120)	(2,482)	(2,245)	(1,044,847)
Miscellaneous expense	(4,472)	(11)	(10)	(4,493)
Total investing activity expenses	(9,491,155)	(22,648)	(20,487)	(9,534,290)
Net income from investing activities	401,323,249	957,625	866,208	403,147,082
<i>From securities lending activities</i>				
Securities lending income	5,003,978	11,940	10,801	5,026,719
Securities lending expenses:				
Borrower rebates	(3,101,625)	(7,401)	(6,694)	(3,115,720)
Management fees	(346,919)	(828)	(749)	(348,496)
Total securities lending activities expenses	(3,448,544)	(8,229)	(7,443)	(3,464,216)
Net income from securities lending activities	1,555,434	3,711	3,358	1,562,503
Total net investment income	402,878,683	961,336	869,566	404,709,585
Miscellaneous income	629,924	1,503	1,360	632,787
Total additions	611,299,057	1,769,861	20,859,602	633,928,520
<b>Deductions</b>				
Benefits	171,528,074	755,574	13,292,188	185,575,836
Benefit adjustments	8,162,748	0	0	8,162,748
Service transfer payments	18,609	0	0	18,609
Contribution refunds	889	0	0	889
Administrative expenses	5,487,531	13,094	11,844	5,512,469
Total deductions	185,197,851	768,668	13,304,032	199,270,551
Net increase	426,101,206	1,001,193	7,555,570	434,657,969
Net assets held in trust for pension benefits				
Beginning of year	5,124,413,510	12,274,429	6,080,945	5,142,768,884
End of year	\$ 5,550,514,716	\$ 13,275,622	\$13,636,515	\$ 5,577,426,853

See accompanying *Notes to the Financial Statements*.

Missouri State Employees' Retirement System

***Balance Sheet***

***Internal Service Fund***

As of June 30, 2000

***Assets***

Premiums receivable	\$ 1,666,963
Investments at fair value	<u>633,539</u>
Total assets	<u><u>2,300,502</u></u>

***Liabilities and retained earnings***

***Liabilities***

Premiums payable	1,324,158
Checks outstanding net of deposits	2,259
Other	<u>869,878</u>
Total liabilities	<u>2,196,295</u>

***Retained earnings***

Total liabilities and retained earnings	<u><u>\$ 2,300,502</u></u>
---	----------------------------

See accompanying *Notes to the Financial Statements*.

Missouri State Employees' Retirement System  
***Statement of Revenues, Expenses, and Changes in Retained Earnings***  
***Internal Service Fund***  
Year Ended June 30, 2000

***Operating revenues***

Premium receipts	\$ 20,119,784
Miscellaneous income	436,488
Total operating revenues	<u>20,556,272</u>

***Operating expenses***

Premium disbursements	20,049,507
Premium refunds	70,277
Administrative expenses	519,271
Total operating expenses	<u>20,639,055</u>
Operating revenues under operating expenses	<u>(82,783)</u>

***Nonoperating revenues***

Investment income	68,349
Net revenues under expenses	<u>(14,434)</u>
Retained earnings July 1, 1999	118,641
Retained earnings June 30, 2000	<u>\$ 104,207</u>

See accompanying *Notes to the Financial Statements*.

Missouri State Employees' Retirement System

**Statement of Cash Flows**

**Internal Service Fund**

Year Ended June 30, 2000

***Cash flows from operating activities***

Cash received from employer and members	\$ 20,460,366
Premium payments to outside carriers	(19,867,433)
Refunds of premiums to members	(70,277)
Cash payments to employees for services	(327,219)
Cash payments to other suppliers of goods and services	(291,494)
Net cash used in operating activities	<u>\$ (96,057)</u>

***Cash flows from noncapital financing activities***

Implicit funding of checks outstanding net of deposits	\$ 2,259
Implicit repayment of prior years checks outstanding net of deposits	(3,000)
Net cash used in noncapital financing activities	<u>\$ (741)</u>

***Cash flows from investing activities***

Purchase of investment securities	\$(306,542,507)
Proceeds from sale and maturities of investment securities	306,570,956
Cash received from investment income	68,349
Net cash provided by investing activities	<u>96,798</u>
Net increase in cash	<u>0</u>
Cash balances June 30, 1999	<u>0</u>
Cash balances June 30, 2000	<u>\$ 0</u>

***Reconciliation of operating revenues under operating expenses to net cash used in operating activities***

Operating revenues under operating expenses	\$ (82,783)
Adjustments to reconcile operating revenues under operating expenses to net cash used in operating activities	
Change in assets and liabilities	
Increase in operational accounts receivable	(96,253)
Increase in operational accounts payable	82,979
Total adjustments	<u>(13,274)</u>
Net cash used in operating activities	<u>\$ (96,057)</u>

See accompanying *Notes to the Financial Statements*.



**(1) Plan Descriptions****Missouri State Employees' Plan**

The Missouri State Employees' Plan (MSEP) is a single-employer, public employee retirement plan administered in accordance with Sections 104.010 and 104.312 to 104.1093 of the Revised Statutes of Missouri (RSMo). As established under Section 104.320, RSMo, the Missouri State Employees' Retirement System is a body corporate and an instrumentality of the state. In the system are vested the powers and duties specified in sections 104.010 and 104.312 to 104.1093 and such other powers as may be necessary or proper to enable it, its officers, employees, and agents to carry out fully and effectively all the purposes of sections 104.010 and 104.312 to 104.1093.

Responsibility for the operation and administration of the system is vested in the Missouri State Employees' Retirement System (MOSERS) Board of Trustees. Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the MSEP is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

Generally, all full-time state employees who are not covered under another state-sponsored retirement plan are eligible for membership in the MSEP. On June 30, 2000, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits		18,196
Terminated employees entitled to, but not yet receiving benefits		11,774
Active:		
Vested	34,896	
Nonvested	22,878	57,774
<b>Total membership</b>		<b>87,744</b>

The MSEP provides retirement, survivor, and disability benefits to its members. Benefits for general state employees are fully vested after five years of credited service (completion of one, four-year term of office for elected state officials and three full biennial assemblies for members of the general assembly). General employees may retire with full benefits upon the earliest of attaining (1) age 65 and active with 4 years of service; (2) age 60 with 15 years of service, (3) age 50 with age and service equalling 80 or more. General employees may retire early on or after age 55 with at least 10 years of service with reduced benefits. The base benefit in the general employee plan is equal to 1.6 percent of final average pay (FAP) times years of credited service. For members hired prior to August 28, 1997 cost-of-living adjustments (COLAs) are provided annually based on 80 percent of the change in the consumer price index (CPI) with a minimum of 4 percent, and maximum of 5 percent, until the cumulative amount of COLAs equals 65 percent of the original benefit. Thereafter, the 4 percent minimum is eliminated. For members hired on or after August 28, 1997 COLAs are provided annually based on 80% of the CPI. Qualified, terminated-vested members may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least five, but less than ten years of service, be less than age 60, and have a benefit present value of less than \$10,000.



The state of Missouri is required to make all contributions to the MSEP. Prior to September 1, 1972, contributions by members were required. Accumulated employee contributions made prior to that time, plus interest through August 28, 1997, are refundable to the member or designated beneficiaries.

**Administrative Law Judges and Legal Advisors’ Plan**

The Administrative Law Judges and Legal Advisors’ Plan (ALJLAP) is a single-employer, public employee retirement plan administered in accordance with Sections 287.812 to 287.856, RSMo. Responsibility for the operation and administration of the system is vested in the MOSERS’ Board of Trustees. Due to the nature of MOSERS’ reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the ALJLAP is considered a component unit of the state of Missouri financial reporting entity and is included in the state’s financial reports as a pension trust fund.

Individuals appointed or employed as administrative law judges or legal advisors in the Division of Workers’ Compensation, members of the Labor and Industrial Relations Commission and their attorneys, the chairperson of the State Board of Mediation, and administrative hearing commissioners are eligible for membership in the ALJLAP. On June 30, 2000, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	23
Terminated employees entitled to, but not yet receiving benefits	20
Active:	
Vested	52
Nonvested	0
<b>Total membership</b>	<b>95</b>

The ALJLAP provides retirement, death, and disability benefits to its members. Employees who retire on or after (1) age 65 with 12 or more years of credited service; (2) age 60 with 15 or more years of credited service; or (3) age 55 with 20 or more years of credited service are eligible for a monthly retirement benefit equal to one-half of the average, highest, 12 consecutive months of salary received during the period of service. Employees with less than 12 years of service are eligible for a reduced benefit upon retirement. COLAs are provided annually based on 80 percent of the change in the CPI with a minimum of 4 percent (for members hired prior to August 28, 1997), and maximum of 5 percent, until the cumulative amount of COLAs equals 65 percent of the original benefit. Thereafter, the 4 percent minimum is eliminated. Qualified, terminated-vested members may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least five, but less than ten years of service, be less than age 60, and have a benefit present value of less than \$10,000. The state of Missouri is required to make all contributions to the ALJLAP.

### **Judicial Plan**

The Judicial Plan is a single-employer, public employee retirement plan administered in accordance with Sections 476.445 to 476.690, RSMo. Responsibility for the operation and administration of the Judicial Plan is vested in the MOSERS' Board of Trustees. Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the Judicial Plan is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

Judges are eligible to retire at (1) age 62 with 12 years of credited service; (2) age 60 with 15 years of credited service; or (3) age 55 with 20 years of credited service with benefits equal to one-half of the average monthly compensation of the highest judicial position held during the period of service. COLAs are provided annually based on 80 percent of the change in the CPI with a minimum of 4 percent (for members hired prior to August 28, 1997), and maximum of 5 percent, until the cumulative amount of COLAs equals 65 percent of the original benefit. Thereafter, the 4 percent minimum is eliminated. Qualified, terminated-vested members may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least five but less than ten years of service, be less than age 60, and have a benefit present value of less than \$10,000. On June 30, 2000, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits		363
Terminated employees entitled to, but not yet receiving benefits		64
Active:		
Vested	375	
Nonvested	0	375
<b>Total membership</b>		<b>802</b>

The Judicial Plan provides retirement, death, and disability benefits to those serving as judges in the state of Missouri. Funding of the Judicial Plan on an actuarial basis began on July 1, 1998, and the state of Missouri is required to make all contributions to the Judicial Plan.

### **Missouri State Insurance Plan**

The Missouri State Insurance Plan is accounted for as an internal service fund of the state of Missouri and is administered by MOSERS. It provides basic life insurance for eligible members of the MSEP (except employees of the Missouri Department of Conservation, and the state colleges and universities), members of the Judicial Plan, members of the ALJLAP, and certain members of the Public School Retirement System; a duty-related death benefit, optional life insurance for active employees and retirees who are eligible for basic coverage; and a long-term disability plan for certain eligible members. Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the Missouri State Insurance Plan is considered a component unit the state of Missouri financial reporting entity and is included in the state's financial reports as an internal service fund.

## (2) Summary of Significant Accounting Policies and Plan Asset Matters

### ***Basis of Accounting***

The financial statements of the MSEP, the ALJLAP, the Judicial Plan, and the Missouri State Insurance Plan were prepared using the accrual basis of accounting. Contributions are recognized as revenues in the period in which employee services are performed, and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received or payment is made. The direct method of reporting cash flows is used. For its proprietary activities, MOSERS applies all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, except for those that conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.

### ***Cash***

Cash balances represent both operating cash accounts held by the banks and investment cash on deposit with the investment custodian. To maximize investment income, the float caused by outstanding checks is invested, thus causing a possible negative book balance. The negative book balance has been reflected in the liabilities section of the balance sheet of the internal service fund. The negative book balance has been included in the cash and short-term investments on the statements of plan net assets of the pension trust funds. The following is a schedule of the aggregate book and bank balances of all cash accounts. All deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC). In addition to the FDIC insurance coverage on the accounts of MOSERS, the bank pledged the following securities to MOSERS on June 30, 2000, as collateral for overnight repurchase agreements:

\$500,000 Federal National Mortgage Association Discount Note Maturity Date 10/26/2000

\$2,000,000 Federal Home Loan Bank Note 5.5% Maturity Date 10/15/2001

\$1,480,000 Small Business Association Pool #503672 9.375% Maturity Date 8/25/2010

#### **Cash Balances**

	<b>Book</b>	<b>Bank</b>
Pension Trust Funds	\$(4,722,690)	\$713,427
Internal Service Fund	\$(2,259)	\$325

### **Method Used to Value Investments**

Investments of the pension trust funds and the internal service fund are reported at fair value.

The schedule on the following page provides a summary of the fair values of the investments as reported on the statements of plan net assets of the pension trust funds and balance sheet of the internal service fund. Fair values for the equity real estate investments are based on appraisals. Fair values of the venture capital investments are based on valuations of the underlying companies of the limited partnerships. Fair value of the EAFE index fund is determined based on the underlying assets in the fund. The remaining assets are primarily valued by the investment custodian using the last trade price information supplied by various pricing data vendors. On June 30, 2000, the system did not have investments in any one organization, other than those issued by the U.S. government, which represented greater than 5 percent of plan net assets.

28

### **Categories of Asset Risks**

All investments are governed primarily by an investment doctrine known as the prudent person rule. The prudent person rule, as set forth by state statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the funds. The Governmental Accounting Standards Board Statement Number 3 requires disclosure of investment securities within the following three categories of custodial credit risk. Category 1 includes investments that are insured or registered or which are held by the system or its agent in the system's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust departments or agent in the system's name. Category 3 includes uninsured and unregistered investments, which are held by the counterparty, its trust department, or agent but not in the system's name.

A security, for purposes of classification in the above categories, is a transferable financial instrument that evidences ownership or creditorship. Securities do not include investments made with another party, real estate, or direct investments in mortgages and other loans. Investments in open-end mutual funds, annuity contracts, and guaranteed investment contracts are also not considered securities for purposes of custodial credit risk classification. Such investments are shown as not subject to classification.

### **Total Memorandum Only Columns**

Total columns captioned (Memorandum Only) are to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial positions, results of operations, or cash flows in conformity with generally accepted accounting principles. Such data are not comparable to a consolidation since interfund eliminations have not been made.

## Investments

Year Ended June 30, 2000

	Pension Trust Funds' Investments at Fair Value	Internal Service Fund Investments at Fair Value	Total (Memorandum Only) Investments at Fair Value
<b>Category 1 Classification</b>			
Common stocks			
not on securities loan	\$ 2,624,072,426	\$ 0	\$ 2,624,072,426
International equities			
not on securities loan	958,844,173		958,844,173
International Corporate Bonds	31,183,355		31,183,355
Preferred stocks	1,500		1,500
Treasury bonds, notes, and bills			0
not on securities loan	5,085,249		5,085,249
Government bonds and			
government mortgage backed securities	286,935,104		286,935,104
Corporate bonds			0
not on securities loan	242,917,765		242,917,765
Subtotal	<u>4,149,039,572</u>	<u>0</u>	<u>4,149,039,572</u>
<b>Category 2 Classification</b>			
Repurchase agreements	<u>1,414,469</u>	<u>633,539</u>	<u>2,048,008</u>
Subtotal	<u>1,414,469</u>	<u>633,539</u>	<u>2,048,008</u>
<b>Not Subject to Classification</b>			
Investments held by broker-dealers			
under securities loans for cash collateral			
Common stocks	59,814,865		59,814,865
International investments	68,743,758		68,743,758
Treasury bonds, notes, and bills	712,441,682		712,441,682
Short-term investment funds	952,210,857		952,210,857
Collateralized mortgage obligations	33,246,723		33,246,723
Real estate equity holdings	6,810,000		6,810,000
Closed-end real estate fund	21,322		21,322
EAFE index fund	425,676,223		425,676,223
Foreign currencies	17,591,411		17,591,411
Venture capital limited partnerships	370,432		370,432
Subtotal	<u>2,276,927,273</u>	<u>0</u>	<u>2,276,927,273</u>
Total	<u>\$ 6,427,381,314</u>	<u>\$633,539</u>	<u>\$ 6,428,014,853</u>
Reconciliation to investments			
on Statements of Plan Net Assets			
Totals above	\$ 6,427,381,314		
Less short-term investments			
Repurchase agreements	(1,414,469)		
Short-term investment funds	(84,169,996)		
Less invested securities lending collateral			
Short-term investment funds	(868,040,861)		
Investments on Statements of Plan Net Assets	<u>\$ 5,473,755,988</u>		

## Derivatives

In accordance with its investment policy, MOSERS through its external investment managers, holds investments in futures contracts, swap contracts, and forward foreign currency exchange contracts. The tables below detail the various contracts in the portfolio as of June 30, 2000.

### Futures Contracts

Type	Long/Short	Notional Amount	Exposure
MSCI Taiwan Index	Long	\$ 9,000,000	\$ 78,000
S&P 500 Index	Long	2,900,000	47,585
UST 10 year	Short	2,200,000	(2,406)
UST 5 year	Long	10,200,000	11,156
Total		\$ 24,300,000	\$ 134,335

### Currency Forwards

Type	Long/Short	Book Value	Market Value	Counterparty Exposure	Counterparty
Euro	Long	\$ 20,705,522	\$ 21,051,876	\$ 346,354	Deutsche Bank
United Kingdom	Long	8,866,189	8,570,796	(295,393)	Deutsche Bank
Hong Kong	Long	598,384	598,376	(8)	Deutsche Bank
United States	Long	34,000,000	34,000,000	0	Deutsche Bank
Euro	Long	3,597,399	3,628,454	31,055	Goldman Sachs
Sweden	Long	279,021	278,830	(191)	Goldman Sachs
United States	Long	4,861,472	4,861,472	0	Goldman Sachs
Euro	Short	(3,368,895)	(3,392,037)	(23,142)	Deutsche Bank
United Kingdom	Short	(53,705,523)	(51,698,515)	2,007,008	Deutsche Bank
United States	Short	(7,095,678)	(7,095,678)	0	Deutsche Bank
Canada	Short	(415,551)	(415,550)	1	Deutsche Bank
Euro	Short	(2,738,620)	(2,757,296)	(18,676)	Goldman Sachs
United Kingdom	Short	(1,707,300)	(1,705,639)	1,661	Goldman Sachs
United States	Short	(3,876,420)	(3,876,420)	0	Goldman Sachs
Total		\$ 0	\$ 2,048,669	\$ 2,048,669	

### Swaps

Type	MOSERS Pays	MOSERS Receives	Notional Amount	Counterparty Exposure	Counterparty
India Index to LIBOR	LIBOR minus 1.25%	MSCI India Index in US\$	\$ 9,000,000	\$ (591,825)	Lehman Brothers
GSCI to T-Bills	Treasury Bills	GSCI Return minus .80%	130,031,171	8,788,363	Goldman Sachs
T-Bills to LIBOR	LIBOR	Treasury Bills plus a spread	50,000,000	24,264	Lehman Brothers
Total			\$ 189,031,171	\$ 8,220,802	

MOSERS does not anticipate additional significant market risk from the swap arrangements. Forward foreign currency exchange contracts are used primarily to hedge against changes in exchange rates related to foreign equities, primarily denominated in European and Asian currencies.

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

MOSERS invests in mortgage-backed securities, which are reported at fair value in the Statements of Plan Net Assets of Pension Trust Funds and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates, thereby reducing the value of these securities. MOSERS invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk.

**Securities Lending Program**

The board of trustees' investment policy permits the pension trust funds to participate in a securities lending program. Certain securities of the pension trust funds are loaned to participating brokers who provide collateral in the form of cash, U.S. Treasury or government agency securities, or letters of credit issued by approved banks. Collateral must be provided in the amount of 102 percent of market value for domestic loans and 105 percent of market value for international loans. There are no restrictions on the amount of loans that can be made. Securities on loan at fiscal year end for cash collateral are presented as not subject to classification in the schedule on page 29; securities on loan for noncash collateral are classified according to the category pertaining to the collateral.

On June 30, 2000, the domestic equity lending program was being managed by Goldman Sachs. In this program, Goldman Sachs functions as the exclusive borrower of MOSERS' domestic equities. MOSERS receives an annual fee from Goldman Sachs that is guaranteed. The guaranteed fee is renegotiated on a periodic basis to adjust for changes in the securities lending business climate. MOSERS' custodian also provides for full indemnification to the pension trust funds for any losses that might occur in the program due to broker default, insufficiency of collateral, or operations risk associated with corporate actions and income collection. Full indemnification and daily monitoring of securities that are on loan ensure proper collateralization levels and mitigate counterparty risk. Cash collateral from this program is invested in a commingled, short-term investment fund managed by the custodian. On June 30, 2000, the cash collateral fund had a weighted average maturity of 42 days. For all the services described above, the custodian is paid an annual fee, which is netted out against the guaranteed fee paid by Goldman Sachs.

On June 30, 2000, the fixed income and international securities lending programs were managed by Credit Suisse/First Boston (CSFB). The majority of fixed income and international loans are open loans and can be terminated on demand by either MOSERS or the borrower. Cash collateral from these loans is invested in a short-term investment fund managed by CSFB. These cash collateral investments had a weighted average maturity of 17 days as of June 30, 2000. Net income derived from the fixed income and international equity lending programs is guaranteed by CSFB. CSFB, a "AA-rated" bank, also provides indemnification for broker default.

**Office Building, Equipment, and Fixtures**

Office building, equipment, and fixtures are capitalized at cost when acquired. Improvements, which increase the useful life of the property, are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets according to the following schedule:

- 5 years for furniture, fixtures, equipment
- 40 years for building

**(3) Contributions and Reserves**

The MSEP, the ALJLAP, and the Judicial Plan are pension plans covering substantially all state of Missouri employees, administrative law judges and legal advisors in the Division of Workers' Compensation, and judges. The state of Missouri is obligated by state law to make all required contributions to the plans. The required contributions are expressed as a level percentage of covered payroll and are actuarially determined using an individual entry-age actuarial cost method. The unfunded accrued liabilities are amortized over a closed 35-year period. Costs of administering the plans are financed from the assets of the pension trust funds.



#### **(4) Other Postemployment Benefits (OPEB)**

In addition to the retirement benefits provided through MOSERS, the state of Missouri also funds, either partially or in its entirety, OPEB for eligible retirees as follow:

##### ***Retiree Life Insurance***

Retirees, who retired on or after October 1, 1985, are eligible for \$5,000 of state-sponsored, basic life insurance coverage if they retire directly from active employment. As of June 30, 2000, 8,359 retirees were eligible and participating in the program. The coverage is financed on a pay-as-you-go basis and is purchased as a group policy through competitive bids at a current cost of \$10.35 per month per eligible participant (\$999,696 for the year ended June 30, 2000). Premiums are paid entirely by the state as provided for by Section 104.515, RSMo.

Retirees of the Department of Labor and Industrial Relations (DOLIR), who retired prior to January 1, 1996, are eligible for state-sponsored life insurance coverage in the same amount of coverage they were receiving through the DOLIR. As of June 30, 2000, 691 retirees were eligible and participating in the program. The coverage is financed on a pay-as-you-go basis and is purchased as a group policy through competitive bids at a current cost of \$2.07 per thousand dollars of coverage, per month, per eligible participant (\$76,226 for the year ended June 30, 2000). Premiums are paid entirely by the DOLIR as provided for by Section 228.225, RSMo. Retirees of the DOLIR who retired on or after January 1, 1996, are eligible for \$5,000 of state-sponsored life insurance coverage if they retire directly from active employment. They are included in the group described in the preceding paragraph.

#### **(5) Plan Termination**

MOSERS and its related plans are administered in accordance with Missouri statutes. The statutes do not provide for termination of the plans under any circumstances.

#### **(6) Contingencies**

Included in MOSERS' real estate investments is a property located in St. Louis, Missouri and a property in Kansas City, Missouri, which have been found to have hazardous substance contamination. MOSERS is currently participating in the Hazardous Substance Environmental Remediation Program administered by the Missouri Department of Natural Resources in order to delineate the scope and magnitude of the contamination and determine what appropriate remedial action is needed. Based on the available information, the system's management believes it is not reasonably possible to predict the amount of additional expense MOSERS may incur. Accordingly, no provision has been made in the accompanying financial statements for this matter.

MOSERS is a defendant in several lawsuits which, in management's opinion, will not have a material effect on the financial statements.

**Required Supplementary Information**  
**Schedules of Funding Progress**

**Missouri State Employees' Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/91	\$ 1,793,370,043	\$ 2,052,600,760	\$ 259,230,717	87.4%	\$ 1,027,719,059	25.2%
6/30/92	1,991,215,165	2,291,583,890	300,368,725	86.9	1,030,240,894	29.2
6/30/93	2,236,558,739	2,447,222,060	210,663,321	91.4	1,063,246,615	19.8
6/30/94	2,425,134,504	2,919,456,425	494,321,921	83.1	1,124,862,008	43.9
6/30/95	2,649,077,134	3,150,796,580	501,719,446	84.1	1,198,938,042	41.8
6/30/96	2,927,896,643	3,440,126,483	512,229,840	85.1	1,267,605,000	40.4
6/30/97	3,580,974,502	4,484,047,801	903,073,299	79.9	1,359,656,666	66.4
6/30/98	4,210,635,094	4,918,887,183	708,252,089	85.6	1,459,712,203	48.5
6/30/99	4,908,820,033	5,505,968,629	597,148,596	89.2	1,564,552,532	38.2
6/30/00	5,511,714,616	5,920,684,192	408,969,576	93.1	1,683,697,080	24.3

**Administrative Law Judges and Legal Advisors' Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/91	\$ 4,707,938	\$ 7,202,859	\$ 2,494,921	65.4%	\$ 1,940,201	128.6%
6/30/92	5,247,546	7,483,415	2,235,869	70.1	1,725,380	129.6
6/30/93	5,864,317	8,164,468	2,300,151	71.8	1,931,355	119.1
6/30/94	6,229,224	8,766,732	2,537,508	71.1	2,094,062	121.2
6/30/95	6,655,207	9,729,955	3,074,748	68.4	2,166,275	141.9
6/30/96	7,258,814	10,276,363	3,017,549	70.6	2,706,314	111.5
6/30/97	8,864,395	11,427,181	2,562,786	77.6	2,865,733	89.4
6/30/98	10,285,233	12,886,908	2,601,675	79.8	2,806,436	92.7
6/30/99	11,763,737	14,774,525	3,010,788	79.6	3,488,698	86.3
6/30/00	13,191,825	16,521,743	3,329,918	79.8	4,072,888	81.8

**Judicial Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/91	\$ 0	\$ 119,052,585	\$ 119,052,585	0.0%	\$ 25,742,372	462.5%
6/30/92	0	127,140,534	127,140,534	0.0	26,402,164	481.6
6/30/93	0	132,441,964	132,441,964	0.0	26,641,236	497.1
6/30/94	0	141,595,625	141,595,625	0.0	27,006,602	524.3
6/30/95	0	153,646,982	153,646,982	0.0	27,984,008	549.1
6/30/96	0	161,734,110	161,734,110	0.0	29,908,056	540.8
6/30/97	0	197,472,573	197,472,573	0.0	31,663,101	623.7
6/30/98	0	207,579,797	207,579,797	0.0	32,446,141	639.8
6/30/99	6,067,305	227,802,341	221,735,036	2.7	34,162,013	649.1
6/30/00	13,861,769	241,797,341	227,935,572	5.7	37,107,487	614.3

See Notes to the Schedules of Required Supplementary Information.  
See accompanying Independent Auditors' Report.

**Required Supplementary Information**  
**Schedules of Employer Contributions**

**Missouri State Employees' Retirement System**

Year Ended June 30	Annual Required Contribution		Percentage Contributed
	Percent	Dollar Amount	
1991	11.57%	\$ 120,205,229	86%
1992	9.65	100,672,145	100
1993	9.68	102,988,219	100
1994	9.49	106,681,308	100
1995	9.04	108,902,372	100
1996	10.69	137,007,112	100
1997	10.66	146,383,371	100
1998	10.40	152,090,687	100
1999	12.58	197,909,834	100
2000	11.91	202,330,547	100

**Administrative Law Judges and Legal Advisors' Plan**

Year Ended June 30	Annual Required Contribution		Percentage Contributed
	Percent	Dollar Amount	
1991	26.61%	\$ 527,648	100%
1992	25.51	500,250	100
1993	27.77	548,707	100
1994	24.18	502,019	100
1995	22.50	498,233	100
1996	21.16	548,276	100
1997	22.60	652,709	100
1998	19.66	564,295	100
1999	18.70	639,285	100
2000	20.10	807,022	100

**Judicial Plan**

Year Ended June 30	Annual Required Contribution		Percentage Contributed
	Percent	Dollar Amount	
1991	35.55%	\$ 9,151,413	56%
1992	37.78	9,974,738	74
1993	40.93	10,904,258	71
1994	40.12	10,835,049	76
1995	40.85	11,431,467	80
1996	43.14	12,902,335	77
1997	46.50	14,723,342	71
1998	45.91	14,896,023	77
1999	51.81	17,862,353	100
2000	53.92	19,988,676	100

See *Notes to the Schedules of Required Supplementary Information*.  
See accompanying *Independent Auditors' Report*.

***Actuarial Methods and Assumptions for Valuations Performed June 30, 2000***

The entry-age normal actuarial cost method of valuation is used in determining liabilities and normal cost. Differences in the past between assumed experience and actuarial experience (actuarial gains and losses) become part of actuarial accrued liabilities. Unfunded, actuarial accrued liabilities are amortized to produce payments (principal and interest), which are expressed as a percent of payroll. A closed 35-year amortization period was used for the June 30, 2000, valuations. The actuarial value of assets is based on a method that fully recognizes expected investment return and averages unanticipated market return over a 3-year period. The investment return rate assumption used is 8.5 percent per year, compounded annually (net after investment expenses). The inflation rate assumption used is 4.5 percent per year. Projected salary increase assumptions are based on 4.5 percent per year for wage inflation plus an additional 0.0 percent to 2.7 percent per year for the MSEP and 0.0 percent to 1.6 percent per year for the ALJLAP and the Judicial Plan (depending on age, attributable to seniority, and/or merit increases). The assumption used for annual postretirement benefit increases is 4.25 percent (on a compound basis), when a minimum COLA of 4 percent is in effect, and 3.6 percent (on a compound basis), when no minimum COLA is in effect.

***Factors That Have Significantly Affected Trends***

**1991** - The actuarial valuations as of June 30, 1991, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1993.

	<u>Amount</u>	<u>Percent of Payroll</u>
<b>MSEP</b>		
Change in benefits	\$719,403	.07%
Experience and nonrecurring items	(411,088)	(.04)
<hr/>		
<b>ALJLAP</b>		
Experience and nonrecurring items	43,849	2.26

**1992** - The actuarial valuations as of June 30, 1992, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1994.

	<u>Amount</u>	<u>Percent of Payroll</u>
<b>MSEP</b>		
Change in benefits and assumptions	\$(4,017,939)	(.39)%
Experience and nonrecurring items	2,060,482	.20
<hr/>		
<b>ALJLAP</b>		
Change in assumptions	(23,293)	(1.35)
Experience and nonrecurring items	(38,649)	(2.24)

1994 - The actuarial valuations as of June 30, 1994, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1996.

	<u>Amount</u>	<u>Percent of Payroll</u>
<b>MSEP</b>		
Change in benefits and assumptions	\$31,496,136	2.80%
Experience and nonrecurring items	(12,935,913)	(1.15)
<hr/>		
<b>ALJLAP</b>		
Change in benefits and assumptions	21,359	1.02
Experience and nonrecurring items	(49,420)	(2.36)

1996 - The actuarial valuations as of June 30, 1996, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1998.

	<u>Amount</u>	<u>Percent of Payroll</u>
<b>MSEP</b>		
Change in benefits and assumptions	\$(1,774,647)	(0.14)%
Experience and nonrecurring items	(1,521,126)	(0.12)
<hr/>		
<b>ALJLAP</b>		
Change in benefits and assumptions	(43,572)	(1.61)
Experience and nonrecurring items	(35,994)	(1.33)

1997 - During the year ended June 30, 1997, the MSEP experienced a net change of \$1,043,921,000 in the actuarial accrued liability. Of the change, \$660,195,000 was attributable to plan amendments, and \$53,365,000 was attributable to a change in actuarial assumptions.

During the year ended June 30, 1997, the ALJLAP experienced a net change of \$1,150,818 in the actuarial accrued liability. Of the change, \$1,055,550 was attributable to plan amendments.

During the year ended June 30, 1997, the Judicial Plan experienced a net change of \$35,738,463 in the actuarial accrued liability. Of the change, \$23,140,721 was attributable to plan amendments.

The actuarial valuations as of June 30, 1997, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 1999.

	<u>Amount</u>	<u>Percent of Payroll</u>
<b>MSEP</b>		
Change in benefits and assumptions	\$44,188,842	3.25%
Experience and nonrecurring items	(14,548,326)	(1.07)
<hr/>		
<b>ALJLAP</b>		
Change in benefits and assumptions	45,565	1.59
Experience and nonrecurring items	(73,076)	(2.55)
<hr/>		
<b>Judicial Plan</b>		
First year for funding of benefits previously paid on a pay-as-you-go basis	16,404,653	51.81

**1998** - The actuarial valuations as of June 30, 1998, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2000.

	<u>Amount</u>	<u>Percent of Payroll</u>
<b>MSEP</b>		
Experience and nonrecurring items	\$(9,780,072)	(0.67)%
<hr/>		
<b>ALJLAP</b>		
Experience and nonrecurring items	39,290	1.40
<hr/>		
<b>Judicial Plan</b>		
Experience and nonrecurring items	684,614	2.11

**1999** - The actuarial valuations as of June 30, 1999, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2001.

	<u>Amount</u>	<u>Percent of Payroll</u>
<b>MSEP</b>		
Change in benefits	\$ 6,258,206	0.40%
Experience and nonrecurring items	(11,264,771)	(0.72)
<hr/>		
<b>ALJLAP</b>		
Change in benefits	72,914	2.09
Experience and nonrecurring items	4,535	.13
<hr/>		
<b>Judicial Plan</b>		
Change in benefits	321,123	.94
Experience and nonrecurring items	150,313	.44

**2000** - The actuarial valuations as of June 30, 2000, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2002.

	<u>Amount</u>	<u>Percent of Payroll</u>
<b>MSEP</b>		
Change in assumptions	\$(5,051,091)	(.30)%
Experience and nonrecurring items	(10,438,922)	(.62)
<hr/>		
<b>ALJLAP</b>		
Change in assumptions	36,656	.90
Experience and nonrecurring items	(51,726)	(1.27)
<hr/>		
<b>Judicial Plan</b>		
Change in assumptions	(315,414)	(.85)
Experience and nonrecurring items	(352,521)	(.95)

Missouri State Employees' Retirement System

**Schedule of Investment Expenses**

Year Ended June 30, 2000

	Missouri State Employees' Plan	Administrative Law Judges and Legal Advisors' Plan	Judicial Plan	Total (Memorandum Only)
<b>Investing activity</b>				
<i>Investment management fees</i>				
<b>Fixed income managers</b>				
BlackRock Financial Management L.P.	\$ 456,760	\$ 1,090	\$ 986	\$ 458,836
Hoisington Investment Management Company	199,095	475	430	200,000
<b>Equity managers</b>				
<i>Domestic equities</i>				
AmeriCap Advisors	115,599	276	250	116,125
Capital Guardian Trust	393,142	938	849	394,929
Dimensional Fund Advisors, Inc.	515,125	1,229	1,112	517,466
Oak Associates, Ltd.	2,534,348	6,048	5,469	2,545,865
Southeastern Asset Management, Inc.	182,878	436	395	183,709
<i>International equities</i>				
Deutsche Bank	99,104	236	214	99,554
Morgan Grenfell Investment Services Limited	721,778	1,722	1,558	725,058
Merrill Lynch Emerging Markets	29,865	71	64	30,000
Mastholm Investment Managers	163,640	390	353	164,383
Silchester International Investors	1,633,945	3,899	3,527	1,641,371
<b>Other managers</b>				
<i>Venture capital</i>				
Brinson Partners, Inc.	3,274	8	7	3,289
<i>Diversification pool</i>				
NISA Investment Advisors, LLC	253,754	606	548	254,908
<i>Cash manager</i>				
Deutsche Bank	10,388	25	22	10,435
Total investment management fees	7,312,695	17,449	15,784	7,345,928
<i>Other investment fees</i>				
<i>Investment consultant fees</i>				
Summit Strategies, Inc.	216,207	516	467	217,190
<i>Investment custodial fees</i>				
Deutsche Bank	723,654	1,727	1,562	726,943
<i>Performance measurement fees</i>				
Deutsche Bank	56,995	136	123	57,254
<i>Portfolio transition costs</i>				
Deutsche Bank	0	0	0	0
<i>Portfolio rebalancing costs</i>				
NISA International Advisors, LLC	137,012	327	296	137,635
<i>Miscellaneous expense</i>				
	4,472	11	10	4,493
<i>Internal investment activity expenses</i>	1,040,120	2,482	2,245	1,044,847
Total investing activity expenses	9,491,155	22,648	20,487	9,534,290
<b>Securities lending activity</b>				
<i>Securities lending borrower rebates</i>	3,101,625	7,401	6,694	3,115,720
<i>Securities lending management fees</i>				
Deutsche Bank	172,724	412	373	173,509
Credit Suisse First Boston	174,195	416	376	174,987
Total securities lending activity expenses	3,448,544	8,229	7,443	3,464,216
Total investment expenses	\$ 12,939,699	\$ 30,877	\$ 27,930	\$ 12,998,506

See accompanying *Independent Auditors' Report*.

Not included above are fees totaling approximately \$332,195 charged within the Merrill Lynch EAFE fund, which are netted against income.



Missouri State Employees' Retirement System  
**Schedule of Internal Investment Activity Expenses**  
Year Ended June 30, 2000

	Missouri State Employees' Plan	Administrative Law Judges and Legal Advisors' Plan	Judicial Plan	Total (Memorandum Only)
<b>Personal services</b>				
Salaries	\$ 528,473	\$ 1,261	\$ 1,142	\$ 530,876
Employee fringe benefits	123,765	295	267	124,327
Total personal services	652,238	1,556	1,409	655,203
<b>Professional services</b>				
Actuarial services	0	0	0	0
Attorney services	32,476	77	70	32,623
Auditing services	0	0	0	0
Banking services	0	0	0	0
Consulting services	6,220	15	13	6,248
Total professional services	38,696	92	83	38,871
<b>Communications</b>				
Postage and mailing	0	0	0	0
Telephone	325	1	1	327
Printing	0	0	0	0
Total communications	325	1	1	327
<b>Building and grounds</b>				
Depreciation	0	0	0	0
Utilities	0	0	0	0
Maintenance	0	0	0	0
Total building and grounds	0	0	0	0
<b>Equipment</b>				
Depreciation	0	0	0	0
Maintenance	32,190	77	69	32,336
Rental	0	0	0	0
Loss on sale of equipment	0	0	0	0
Total equipment	32,190	77	69	32,336
<b>Travel and meetings</b>				
Board travel and meetings	0	0	0	0
Staff travel and meetings	60,989	146	132	61,267
Vehicle maintenance and operation	0	0	0	0
Total travel and meetings	60,989	146	132	61,267
<b>General</b>				
Educational materials	8,991	21	19	9,031
Office supplies	691	2	1	694
Subscriptions and dues	246,000	587	531	247,118
Insurance	0	0	0	0
Advertising	0	0	0	0
Temporary help	0	0	0	0
Physical examinations	0	0	0	0
Miscellaneous	0	0	0	0
Total general	255,682	610	551	256,843
Total administrative expenses	\$ 1,040,120	\$ 2,482	\$ 2,245	\$ 1,044,847

See accompanying *Independent Auditors' Report*.

Missouri State Employees' Retirement System

**Schedule of Administrative Expenses**

Year Ended June 30, 2000

	Missouri State Employees' Plan	Administrative Law Judges and Legal Advisors' Plan	Judicial Plan	Total (Memorandum Only)
<b>Personal service</b>				
Salaries	\$ 2,347,394	\$ 5,598	\$ 5,069	\$ 2,358,061
Employee fringe benefits	595,390	1,421	1,285	598,096
Total personal services	2,942,784	7,019	6,354	2,956,157
<b>Professional services</b>				
Actuarial services	182,071	434	393	182,898
Attorney services	103,548	247	223	104,018
Auditing services	47,285	113	102	47,500
Banking services	16,443	39	35	16,517
Consulting services	147,470	352	318	148,140
Total professional services	496,817	1,185	1,071	499,073
<b>Communications</b>				
Postage and mailing	271,489	648	586	272,723
Telephone	88,337	211	191	88,739
Printing	245,606	586	530	246,722
Total communications	605,432	1,445	1,307	608,184
<b>Building and grounds</b>				
Depreciation	109,285	261	236	109,782
Utilities	41,613	99	90	41,802
Maintenance	58,065	139	125	58,329
Loss on sale of building	182,149	435	393	182,977
Total building and grounds	391,112	934	844	392,890
<b>Equipment</b>				
Depreciation	287,415	686	620	288,721
Maintenance	199,139	475	430	200,044
Rental	41,297	99	89	41,485
Loss on sale of equipment	16,316	39	35	16,390
Total equipment	544,167	1,299	1,174	546,640
<b>Travel and meetings</b>				
Board travel and meetings	7,903	19	17	7,939
Staff travel and meetings	161,274	385	348	162,007
Vehicle maintenance and operation	4,442	11	10	4,463
Total travel and meetings	173,619	415	375	174,409
<b>General</b>				
Educational materials	74,616	178	161	74,955
Office supplies	135,842	324	293	136,459
Subscriptions and dues	53,088	127	115	53,330
Insurance	61,659	147	133	61,939
Advertising	6,657	16	14	6,687
Temporary help	1,084	3	2	1,089
Physical examinations	654	2	1	657
Miscellaneous	0	0	0	0
Total general	333,600	797	719	335,116
Total administrative expenses	\$ 5,487,531	\$ 13,094	\$ 11,844	\$ 5,512,469

See accompanying *Independent Auditors' Report*.

Missouri State Employees' Retirement System  
*Internal Service Fund*  
*Schedule of Administrative Expenses*  
Year Ended June 30, 2000

***Personal services***

Salaries	\$ 283,855
Employee fringe benefits	75,727
Total personal services	<u>359,582</u>

***Professional services***

Actuarial services	0
Attorney services	0
Auditing services	5,650
Banking services	697
Consulting services	0
Total professional services	<u>6,347</u>

***Communications***

Postage and mailing	3,270
Telephone	9,269
Printing	0
Total communications	<u>12,539</u>

***Building and grounds***

Building use charge	10,978
Utilities	4,497
Maintenance	5,991
Total building and grounds	<u>21,466</u>

***Equipment***

Equipment use charge	38,883
Maintenance	15,918
Rental	4,419
Loss on sale of equipment	0
Total equipment	<u>59,220</u>

***Travel and meetings***

Board travel and meetings	1,646
Staff travel and meetings	23,700
Vehicle maintenance and operation	427
Total travel and meetings	<u>25,773</u>

***General***

Educational materials	8,717
Office supplies	14,602
Subscriptions and dues	3,974
Insurance	6,194
Advertising	726
Temporary help	131
Physical examinations	0
Miscellaneous	0
Total general	<u>34,344</u>
Total administrative expenses	<u>\$ 519,271</u>

See accompanying *Independent Auditors' Report*.

Missouri State Employees' Retirement System

***Schedule of Professional/Consultant Fees***

Year Ended June 30, 2000

Professional /Consultant	Nature of Service	Pension Trust Funds			Total (Memorandum Only)	Internal
		Missouri State Employees' Plan	Administrative Law Judges and and Legal Advisors' Plan	Judicial Plan		Service Fund Missouri State Insurance Plan
Gabriel, Roeder, Smith & Co.	Actuarial service	\$ 182,071	\$ 435	\$ 392	\$ 182,898	\$ 0
Thompson Coburn	Legal counsel	103,547	247	223	104,017	0
Gabriel, Roeder, Smith & Co.	Website development	54,640	130	118	54,888	0
KPMG LLP	Financial audit	47,285	113	102	47,500	5,650
42 Cost Effectiveness Measurement Inc.	Benefit administration benchmarking analysis	24,887	59	54	25,000	0
Jack Pierce	Governmental pension consulting	23,891	57	52	24,000	0
Central Bank	Banking services	16,443	39	35	16,517	697
CORTEX Applied Research Inc.	Pension governance workshop	14,898	36	32	14,966	0
MIC	Software implementation	13,960	33	30	14,023	0
Global Reach Internet Productions	Website development	6,635	16	14	6,665	0
Charlesworth & Associates	Risk consulting	5,973	14	13	6,000	0
PeopleSoft	Software implementation	2,214	5	5	2,224	0
Sonacom	Phone system consulting	373	1	1	375	0
Total professional/consultant fees		\$ 496,817	\$ 1,185	\$ 1,071	\$ 499,073	\$ 6,347

See accompanying *Independent Auditors' Report*.

Information on investment management and consulting fees can be found in the *Schedule of Investment Expenses* on page 38.

# Missouri State Employees' Retirement System

## *Investment Summary*

### *Pension Trust Funds*

Year Ended June 30, 2000

Type of Investment	June 30, 1999				June 30, 2000		Percent of Total Fair Value
	Cost Value	Fair Value	Purchases and Capital Additions at Cost	Sales and Redemptions at Cost	Cost Value	Fair Value	
<b>Fixed income</b>							
Treasury bonds, notes, and bills	\$ 370,391,651	\$ 381,595,105	\$ 1,144,668,378	\$ (812,420,206)	\$ 702,639,823	\$ 717,526,931	13.11%
Gov. bonds and govt. mortgage-backed securities	583,254,890	575,051,996	5,649,818,048	(5,944,119,417)	288,953,521	286,935,104	5.24
Corporate bonds	601,163,076	585,147,986	815,878,866	(1,172,737,376)	244,304,566	242,917,765	4.44
Collateralized mortgage obligations	32,590,884	32,227,943	710,155*		33,301,039	33,246,723	0.61
Total fixed income	1,587,400,501	1,574,023,030	7,611,075,447	(7,929,276,999)	1,269,198,949	1,280,626,523	23.40
<b>Common stock</b>							
	1,954,168,173	2,430,635,474	1,354,863,002	(1,076,611,830)	2,232,419,345	2,683,887,291	49.03
<b>Preferred stock</b>							
	12,532	79,589	3,991	(12,532)	3,991	1,500	0.00
<b>International investments</b>							
International equities	532,474,302	619,940,987	848,609,067	(421,456,532)	959,626,837	1,027,587,931	18.77
International corporate bonds	26,152,693	25,714,207	55,342,526	(50,018,041)	31,477,178	31,183,355	0.57
Foreign currency	4,511,613	4,794,774	141,725,523	(130,643,103)	15,594,033	17,591,411	0.32
EAFE index fund	256,830,398	378,181,470	404,735,711	(271,067,459)	390,498,650	425,676,223	7.78
Total international investments	819,969,006	1,028,631,438	1,450,412,827	(873,185,135)	1,397,196,698	1,502,038,920	27.44
<b>Real estate</b>							
Equity holdings	7,330,533	6,810,001	0	0	7,330,533	6,810,001	0.12
Closed-end real estate fund	1,760,190	90,007	0	(46,319)	1,713,871	21,321	0.00
Total real estate	9,090,723	6,900,008	0	(46,319)	9,044,404	6,831,322	0.12
<b>Venture capital limited partnerships</b>							
	869,192	323,138	0	(370,468)	498,724	370,432	0.01
<b>Investments (per Statements of Plan Net Assets page 19)</b>							
	4,371,510,127	5,040,592,677	10,416,355,267	(9,879,503,283)	4,908,362,111	5,473,755,988	100.00%
<b>Short-term investments</b>							
Short-term investment funds	100,150,531	100,150,531	3,327,482,523	(3,343,463,058)	84,169,996	84,169,996	
Repurchase agreements	1,425,363	1,425,363	158,982,094	(158,992,988)	1,414,469	1,414,469	
Total short-term investments	101,575,894	101,575,894	3,486,464,617	(3,502,456,046)	85,584,465	85,584,465	
<b>Invested securities lending collateral</b>							
Short-term investment funds	88,981,634	88,981,634	24,860,014,099	(24,080,954,872)	868,040,861	868,040,861	
Total investments	\$4,562,067,655	\$5,231,150,205	\$38,762,833,983	\$(37,462,914,201)	\$5,861,987,437	\$6,427,381,314	

See accompanying *Independent Auditors' Report*.

Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS' office.

\* Collateralized mortgage obligations purchases and sales are reported net on this schedule.

Missouri State Employees' Retirement System

***Investment Summary***

***Internal Service Fund***

Year Ended June 30, 2000

Type of Investment	June 30, 1999				June 30, 2000		Percent of Total Fair Value
	Book Value	Fair Value	Purchases	Sales and Redemptions	Book Value	Fair Value	
Repurchase agreements	\$ 661,988	\$ 661,988	\$ 306,542,507	\$ (306,570,956)	\$ 633,539	\$ 633,539	100%

44

See accompanying *Independent Auditors' Report*.

Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS' office.