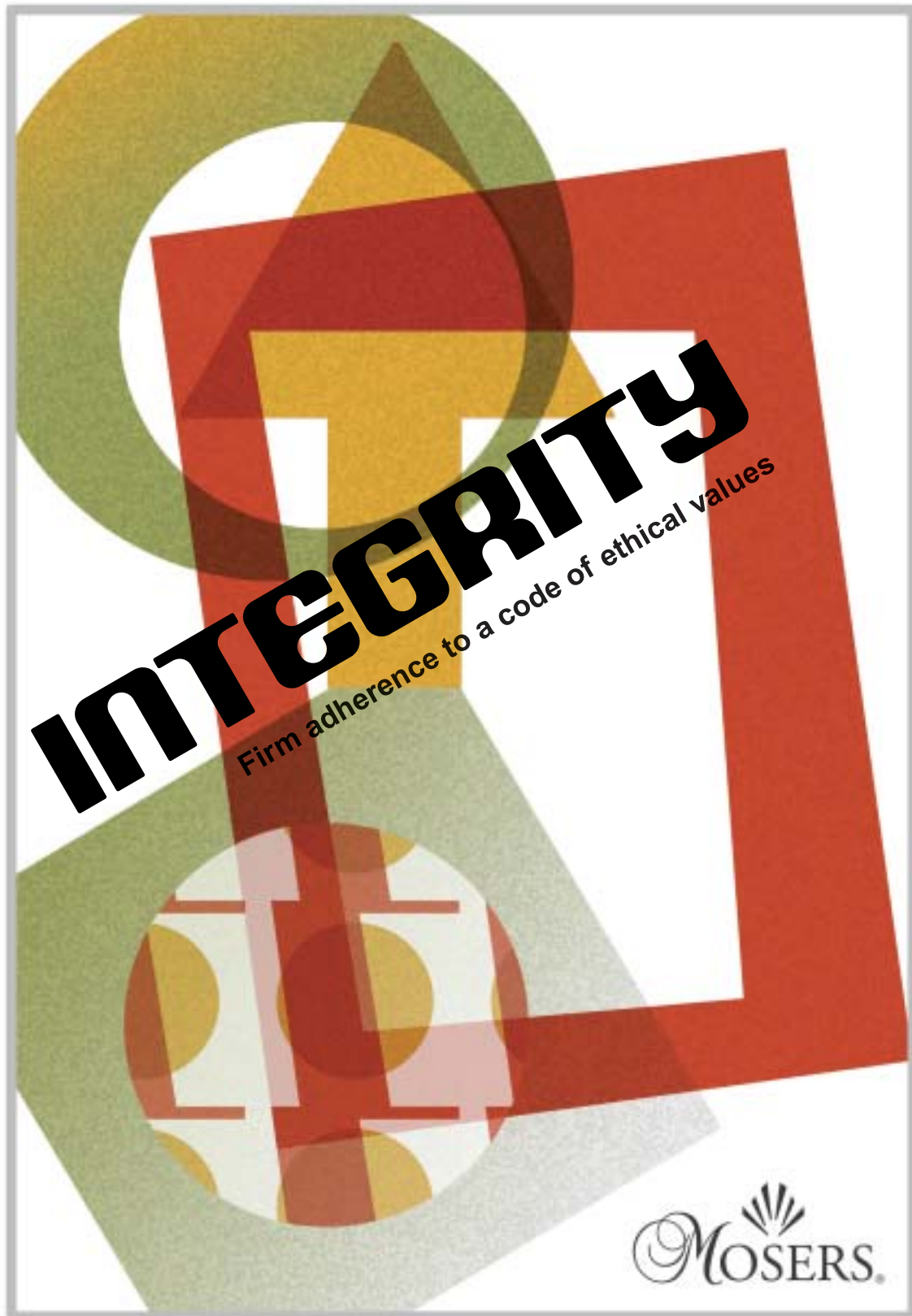
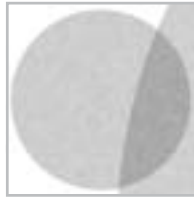


Missouri State Employees' Retirement System
A Component Unit of the State of Missouri



Summary Annual Financial Report
Fiscal Year Ended June 30, 2002



“Integrity, balance, security, trust, strength, and stability - these are the core values that shape MOSERS’ guiding principles. These principles are characteristic of the highest ethical standards and promote a work culture that enables us to act in the exclusive interest of the members of our system.”

Gary Findlay
Executive Director

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MOSERS' Mission

“To play an integral role in the future financial security of plan participants by promptly and courteously delivering quality benefits and information which members value and trust, through professional plan administration and prudent management of system assets.”

MOSERS was established in 1957 as a trust fund for the purpose of providing retirement and life insurance benefits to eligible state employees.

Meet the Board



Seated left to right:

Senator Ed Quick,
Representative Bill Skaggs-*Chairperson*,
Bryan Ornburn, Tom Hodges,
Jacquelyn White

Standing left to right:

Lori Strong-Goeke,
Representative Richard Franklin,
Carol Gilstrap-*Vice Chairperson*,
State Treasurer Nancy Farmer

Not pictured:

Senator John Russell,
Elected Active Member-*Vacant*

Letter From the Board Chair

Dear Members:

I am pleased to report to you that despite economic turmoil and a sluggish economy your retirement system remains well-funded and your promised benefits are secure.

Your retirement system remains well-funded and your promised benefits are secure.

In a year in which the financial marketplace has witnessed corporate scandals such as Enron and WorldCom, boards of corporations and pension funds alike have come increasingly under the spotlight. Now, more than ever, members are paying attention to the financial status of their retirement plans and the boards that govern them.

The MOSERS Board of Trustees has formally adopted written governance policies to ensure that processes are in place to monitor whether or not the organization is achieving its mission. These governance policies recognize that we, as trustees, have a fiduciary responsibility to the members and beneficiaries of the system. As fiduciaries, we have the legal obligation to conserve and manage your pension fund.

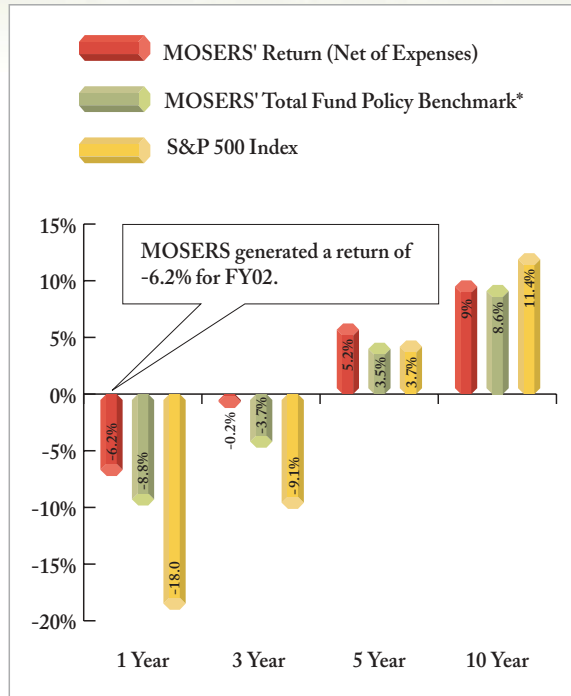
Our duties include preserving the long-term value of the fund, maximizing total return by assuming reasonable and responsible levels of risk, and acting in the exclusive interest of the members of the system. The board policy of preserving system assets and maximizing the long-term growth of those assets through diversification will continue to be our primary focus as we move into the next fiscal year.

On behalf of the board, I would like to thank the staff at MOSERS for continuing to maintain a high level of commitment and service to our plan participants. Please review this report and, if you have questions about any of the information presented, give us a call. After all, serving you is what we're here to do.

Sincerely,

Representative Bill Skaggs
Chairperson

Investment Performance



Investment Performance

The portfolio’s investment return relative to specific benchmarks is one means of evaluating the fund’s investment performance. The graph to the left, illustrates MOSERS’ portfolio return relative to our policy benchmark, and the S&P 500 Index – a commonly used benchmark of U.S. company stocks.

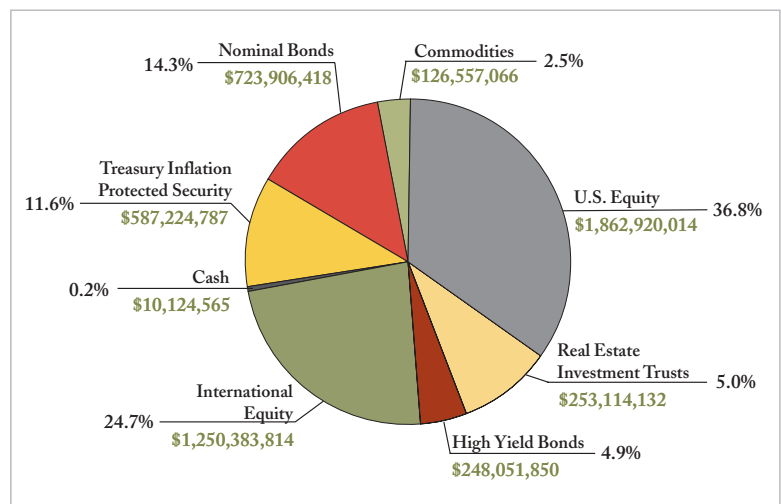
Your retirement system generated a return of -6.2%, net of expenses, for FY02. On a relative basis, the fund outperformed the policy benchmark by 2.6%, and outperformed the S&P 500 by 12%.

* The policy benchmark provides an indication of the returns that could be achieved (excluding transaction cost) by a portfolio invested passively in the broad market with percentage weights allocated to each asset class in MOSERS’ policy asset allocation.

Diversification of Plan Assets

The foundation of the system’s strength and stability rests upon the diversification of plan assets. Just as building a house with one support beam would not be sound, investing all assets in one particular company or investment would not be prudent. As you will note from the pie chart to the right, MOSERS’ investment program is widely diversified through a variety of asset classes with numerous holdings in each category. By diversifying the holdings, or “avoiding placing all of our eggs in one basket,” the fund is able to minimize the overall risk of the portfolio while striving to reach its return objectives.

Asset Allocation



Guiding Forces Shaping MOSERS' Investment Decisions

There are three fundamental principles which comprise MOSERS' investment philosophy and guide asset allocation and investment decisions.

Preserving the Long-Term Value of the Fund

MOSERS' approach to investing is unique when compared to an individual investor. As an institutional investor with an infinite time horizon, MOSERS must select a mix of assets that will allow for payment of benefits to retirees today and well into the future. MOSERS' long-term time horizon enables the system to take on more aggressive strategies that will contribute to the future growth of the plan assets.

Maximizing Total Return While Minimizing Risk

The fund seeks to gain the highest level of return for a given level of risk. Risk is defined as "volatility," or the range of returns the fund may experience over a given period of time. The greater the anticipated return, the greater the volatility one must generally tolerate in order to achieve that return.

As an investor with dollars that will not be needed for many decades, short-term volatility is not as significant a concern to MOSERS as it might be for an individual investor. MOSERS does, however, seek to minimize risk through proper diversification of plan assets. This is achieved through finding an appropriate mix of assets that possess varying characteristics which help reduce the overall volatility of the fund.

Acting Exclusively in the Members' Interests

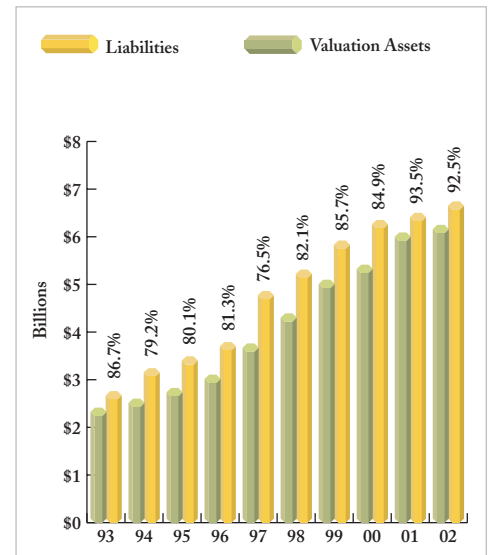
The board, staff, and external investment consultant all work together to ensure that every action taken serves the long-term interests of the members and the system.

Funding the Retirement System

Your retirement benefits are funded by contributions from the state of Missouri. In order to ensure your benefits are available to you, MOSERS is constantly evaluating the plans' assets (green bar) relative to the value of future obligations (yellow bar).

According to MOSERS' actuary, Gabriel, Roeder, Smith & Company, the plan is strong and sound per their annual review.

Combined Funding Ratios



MOSERS' funding ratio for June 30, 2002, is 92.5%. A funding ratio over 80% is considered good.

There were no benefit increases enacted in FY02.

Legislation

On July 11, 2002, HB 1455 was signed into law. This legislation contained minor clarifications to the Missouri State Employees' Plan (MSEP), the Missouri State Employees' Plan 2000 (MSEP 2000), the Administrative Law Judges and Legal Advisors' Plan (ALJLAP), and the Judicial Plan.

These changes were designed to enable MOSERS to more effectively administer these plans as well as ease some of the administrative burden associated with members and their beneficiaries applying for and receiving benefits. There were no benefit increases enacted in FY02.

The Statements of Plan Net Assets is a summary of what MOSERS owns and what it owes as of June 30, 2002.

Financial Statements

The Statements of Changes in Plan Net Assets summarizes the flows of money in and out of the fund throughout the year.

Summary Comparative Statements of Plan Net Assets

	As of June 30, 2002	As of June 30, 2001	Percentage Change
Total assets	6,376,857,882	6,742,156,395	(5.42)
Total liabilities	1,314,575,236	1,275,216,713	3.09
Net assets	\$ 5,062,282,646	\$ 5,466,939,682	(7.40)%

Summary Comparative Statements of Changes in Plan Net Assets

	Year Ended June 30, 2002	Year Ended June 30, 2001	Percentage Change
Total additions	(113,571,787)	128,977,714	(188.06)
Total deductions	291,085,249	239,464,885	21.56
Net decrease	(404,657,036)	(110,487,171)	266.25
Net assets beginning of year	5,466,939,682	5,577,426,853	(1.98)
Net assets end of year	\$ 5,062,282,646	\$ 5,466,939,682	(7.40)%

Member Snap Shot

	MSEP*	ALJLAP	Judicial Plan
2002 Active Members			
Average age	43.4	48.8	52.9
Average years of service	9.8	9.9	11
Average annual salary	\$30,253	\$82,405	\$102,216
2002 Retired Members			
Average age	69.7	74.3	75.3
Average annual benefit	\$11,933	\$34,746	\$42,943
Total Membership			
Active	92,375	102	838
Terminated-Vested	58,616	58	392
Retired	12,257	19	63
	21,502	25	383

* Includes general employees, legislators, and statewide elected officials in both the MSEP and MSEP 2000.

MSEP* Average Monthly Benefit Amounts

Members Retiring During FY02

Yrs. Credited Service	Avg. Monthly Benefit	Avg. Final Avg. Pay	No. of Retirees
<5	\$ 94	\$ 1,339	8
5-10	254	2,207	258
10-15	426	2,185	316
15-20	651	2,415	266
20-25	977	2,567	279
25-30	1,443	3,040	389
30+	1,859	3,279	268
All Members	\$ 956	\$ 2,629	1,784

* Includes general employees, legislators, and statewide elected officials in both the MSEP and MSEP 2000.

Outstanding Achievement in Popular Annual Financial Reporting



The Government Finance Officers Association of the United States and Canada (GFOA) presented an Award for Outstanding Achievement in Popular Annual Financial Reporting to MOSERS for its summary annual report for the fiscal year ended June 30, 2001.

This prestigious national award recognizes popular reports for creativity, presentation, understandability, and reader appeal and is valid for a period of one year. We believe the current summary annual report continues to meet these program standards and we are submitting it to GFOA for evaluation.

This summary annual report is derived from the information contained in MOSERS' *Comprehensive Annual Financial Report* (CAFR) but does not include all funds administered by MOSERS nor certain other information required to be in conformity with Generally Accepted Accounting Principles (GAAP). MOSERS' CAFR is produced in conformity with GAAP. Contact MOSERS to request a copy of the CAFR, or explore it on our web site.

Alternative formats available upon request.

To request an alternative format, please contact MOSERS at (573) 632-6100 or (800) 827-1063.

MOSERS is an equal opportunity employer.

Contact Information

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