

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



REFLECTIONS OF THE PAST



Summary Annual Financial Report
Fiscal Year Ended June 30, 2006



OUR MISSION

To exceed customer expectations by providing outstanding benefit services through professional plan administration and sound investment practices.

REFLECTIONS OF THE PAST

A snapshot is a photograph taken in an instant that tells a story about a time and place. It reflects a distinct memory of a specific moment that can be passed down to future generations. Perhaps the most important reason to reflect on our past is that it allows us to frame a clear vision of the future. At MOSERS, that vision is focused on adding value by pursuing excellence in all that we do. Our success in achieving this vision will enable our stakeholders to reflect on the past with confidence that their future benefits are secure.

Gary Findlay
Executive Director

MESSAGE FROM THE BOARD CHAIR

October 17, 2006

Dear Members:

On behalf of the board of trustees, I am pleased to present the *MOSERS Summary Annual Financial Report* for the fiscal year ended June 30, 2006. This report provides information on the financial status of your retirement system while also highlighting changes that occurred during the year.

First and foremost, I am pleased to report that your retirement system remains well funded and your promised benefits are secure. The MOSERS fund generated a return of 11.5% (net of expenses) for the year placing MOSERS' investment return in the top 25% of all public pension funds with assets in excess of \$1 billion as reported by the Independent Consultant Cooperative. This resulted in over \$200 million in excess of the return that would have been generated by the 8.5% return rate assumed for funding purposes. This type of performance makes your fund more secure while also reducing future costs to the taxpayers.

*Your retirement system
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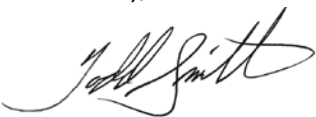
In keeping with this year's annual report theme, "Reflections of the Past," I'm pleased to report that for the sixth straight year MOSERS' investments have generated returns in excess of our benchmark and have done so with less volatility. The incremental reward from these results over six years has been an additional \$1.1 billion in MOSERS' coffers.

In an effort to further ensure that the system is employing best practices, this year we had a comprehensive fiduciary audit conducted by Independent Fiduciary Services – a firm of individuals who have substantial experience with and expertise in matters associated with the public employee retirement industry. I'm pleased to report that their in-depth review did not identify any significant operational deficiencies or major fiduciary concerns. We are, however, considering their suggestions and recommendations for fine tuning our current practices as part of our ongoing efforts to improve the ways in which we manage risk and deliver customer service.

The board experienced some turnover this past year. On behalf of the board, staff and membership, I wish to express our collective thanks to John Pelzer, Gubernatorial Appointee, for his contributions to the system.

In closing, you can be assured that the MOSERS staff continues to provide the expertise and professionalism required for excellence in our retirement system, and I would like to thank them for continuing to maintain a high level of commitment to serving our membership. We look forward to meeting your future needs. If you have any questions regarding this report or any other aspect of MOSERS, please contact us at MOSERS, P.O. Box 209, Jefferson City, MO 65102, or by calling 1-800-827-1063.

Sincerely,



Representative Todd Smith, Chair
Board of Trustees

FINANCIAL STATEMENTS

SUMMARY COMPARATIVE STATEMENTS OF PLAN NET ASSETS

	As of June 30, 2006	As of June 30, 2005	Amount of Change	Percentage Change
Cash and short-term investments	\$ 688,443,267	\$ 560,860,102	\$ 127,583,165	22.75%
Receivables	196,389,135	574,826,045	(378,436,910)	(65.84)
Investments	6,399,798,514	5,954,341,320	445,457,194	7.48
Invested securities lending collateral	1,152,399,706	1,099,841,751	52,557,955	4.78
Capital assets	3,275,118	3,456,840	(181,722)	(5.26)
Other assets	53,673	43,815	9,858	22.50
Total assets	8,440,359,413	8,193,369,873	246,989,540	3.01
Administrative expense payables	1,949,676	2,063,202	(113,526)	(5.50)
Investment purchase payables	224,570,235	588,670,755	(364,100,520)	(61.85)
Securities lending collateral	1,152,189,688	1,099,608,477	52,581,211	4.78
Other liabilities	20,183,196	23,459,828	(3,276,632)	(13.97)
Total liabilities	1,398,892,795	1,713,802,262	(314,909,467)	(18.37)
Net assets	\$7,041,466,618	\$6,479,567,611	\$ 561,899,007	8.67

The Statements of Plan Net Assets are summaries of what MOSERS owns and what it owes as of the end of the fiscal year.

SUMMARY COMPARATIVE STATEMENTS OF CHANGES IN PLAN NET ASSETS

	Year Ended June 30, 2006	Year Ended June 30, 2005	Amount of Change	Percentage Change
Contributions	\$ 252,868,692	\$ 221,653,366	\$ 31,215,326	14.08%
Investment income				
Investing activities	730,783,761	731,556,657	(772,896)	(0.11)
Investment income				
Securities lending activities	3,676,741	3,251,139	425,602	13.09
Miscellaneous income	505,597	1,244,302	(738,705)	(59.37)
Total additions	987,834,791	957,705,464	30,129,327	3.15
Benefits	419,261,150	386,576,891	32,684,259	8.45
Contribution refunds	1,341	0	1,341	100.00
Service transfers	133,866	199,201	(65,335)	(32.80)
Administrative expenses	6,539,427	6,292,548	246,879	3.92
Total deductions	425,935,784	393,068,640	32,867,144	8.36
Net increase (decrease)	561,899,007	564,636,824	(2,737,817)	(0.48)
Net assets beginning of year	6,479,567,611	5,914,930,787	564,636,824	9.55
Net assets end of year	\$7,041,466,618	\$6,479,567,611	\$561,899,007	8.67

The Statements of Changes in Plan Net Assets summarize the flow of money in and out of the fund throughout the fiscal year.

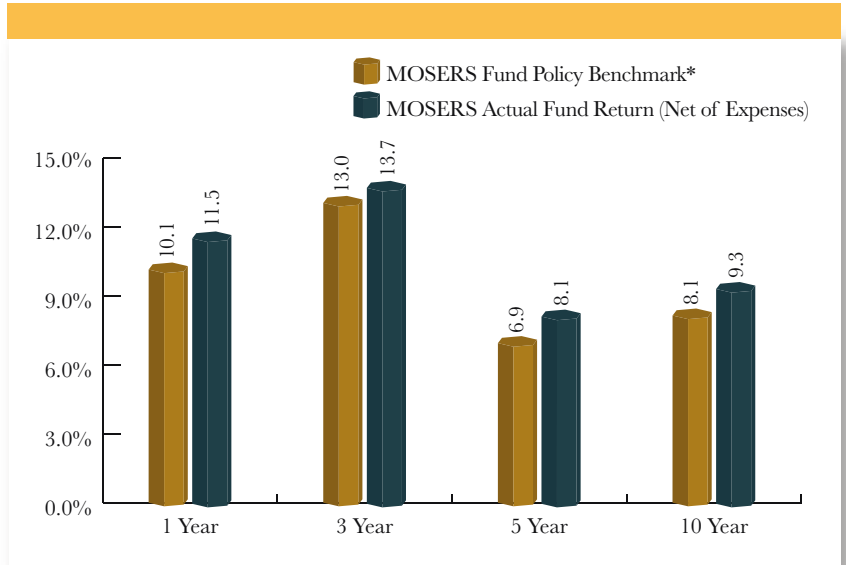
INVESTMENT PERFORMANCE

INVESTMENT RETURN

The actual investment return relative to specific benchmarks is one means of evaluating the fund's investment performance. The bar chart to the right illustrates MOSERS' actual fund return relative to our policy benchmark.

The total fund generated a return of 11.5%, net of expenses, in FY06. On a relative basis, the fund outperformed the policy benchmark by 1.4%.

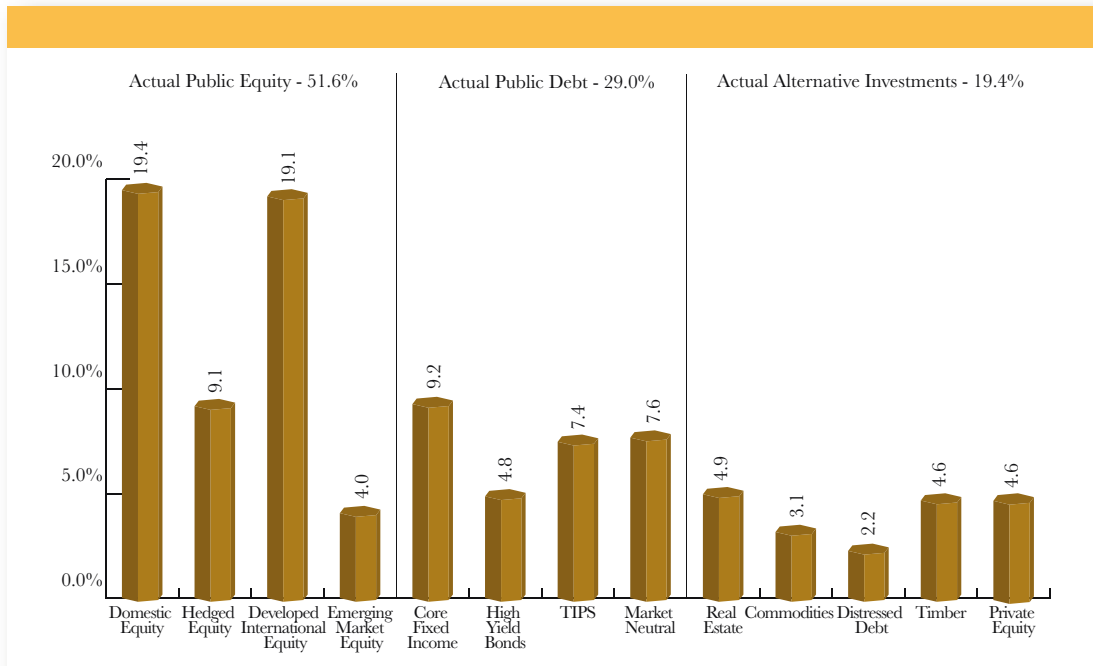
For the sixth straight year, MOSERS' investments generated returns in excess of the benchmark which has resulted in an additional \$1.1 billion for the fund.



* The policy benchmark provides an indication of the returns that could be achieved (excluding transaction costs) 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 NET ASSETS

The foundation of the system's strength and stability rests upon the diversification of plan assets. MOSERS never knows what the future will hold from the investment markets. As a result, the portfolio is structured to control risk under a variety of economic outcomes. Through the diversification of system assets, MOSERS is better able to minimize the overall risk of the portfolio while striving to reach its return objectives. As you will note from the bar graph below, MOSERS' investment program is widely diversified among a variety of asset classes with numerous holdings in each category.



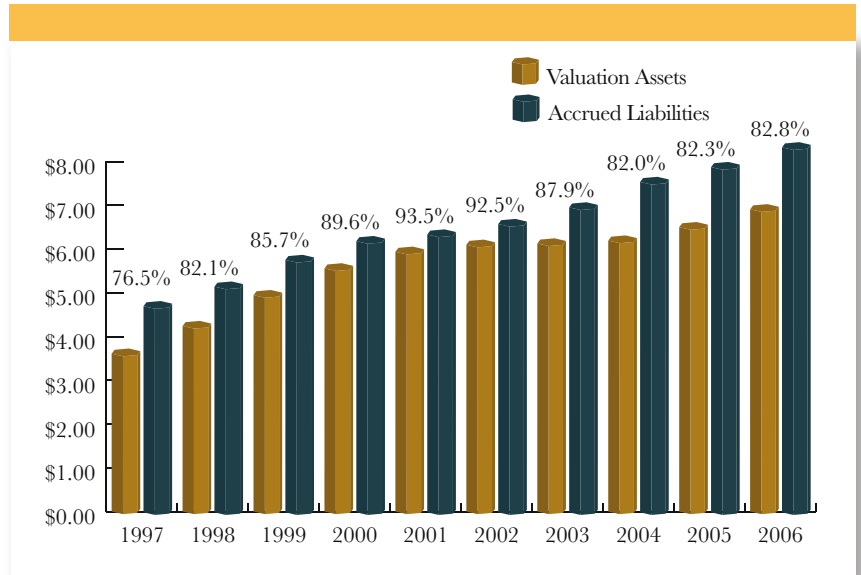
MOSERS' investment portfolio is widely diversified to control risk under a variety of economic outcomes which may play out over time.

ACTUARIAL SUMMARY

FUNDING THE RETIREMENT PLAN

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 plan's assets (gold bar) relative to the value of the liabilities (blue bar). The percentages shown in the bar chart above indicate the extent to which the plan is funded for a given year.

MOSERS was 82.8% funded at the end of FY06. Being over 80% funded is considered good.



MEMBER SNAPSHOT

June 30, 2006 Actuarial Valuations	MSEP*	Judicial Plan
Active Members		
Average age	44.8	54.8
Average years of service	10.6	12.5
Average annual salary	\$32,615	\$102,209
Retired Members		
Average age	69.1	76.1
Average annual benefit	\$13,810	\$48,763
Total Membership		
Active	55,493	394
Terminated-Vested	15,764	65
Retired	27,052	398

* Includes members in both the MSEP and MSEP 2000.

MEMBERS RETIRING DURING THE FISCAL YEAR ENDED JUNE 30, 2006*

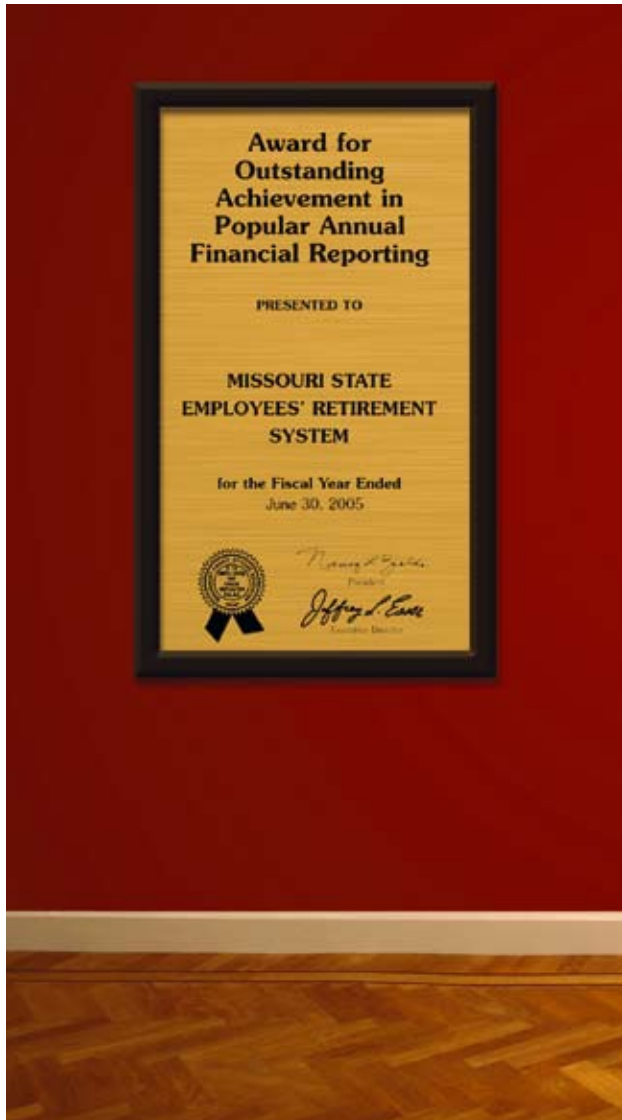
Years Credited Service	Average Monthly Benefit	Average Final Average Salary	Number of Retirees
<5	\$ 426	\$3,520	3
5-10	280	2,385	367
10-15	438	2,336	323
15-20	708	2,722	305
20-25	1,038	2,750	306
25-30	1,565	3,313	362
30+	1,836	3,410	163
All members	899	2,770	1,829

* Includes members in both the MSEP and MSEP 2000.

OUTSTANDING ACHIEVEMENT

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, 2005.

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 the GFOA for evaluation.



This *Summary Annual Financial 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 website at www.mosers.org.

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Alternative formats available upon request.
To request an alternative format, please contact MOSERS
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MOSERS is an equal opportunity employer.



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