Revisiting Our Roots

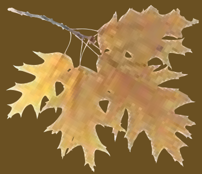
In 1956, an ambitious and enterprising group of state employees discussed the possibility of starting a retirement plan and requested their colleagues donate 50 cents if they were interested in participating. The proceeds of that fundraising effort were used to retain an actuarial firm to draft legislation that culminated in the creation of the Missouri State Employees' Retirement System (MOSERS), which today provides retirement, life insurance, and long-term disability coverage to nearly 100,000 active, retired, and terminated-vested members.

MOSERS was established in 1957 under an act of the 69th General Assembly (House Bill 188); however, funds were not appropriated for the system's operation until 1958. During this interim period, various state departments loaned MOSERS furniture and supplies and subsidized the salaries of the system's employees until the legislature convened and appropriated operating funds the following year.

The retirement system was initially established to provide only retirement and disability benefits for state employees not covered under other retirement plans. Members contributed 4% of their compensation with the state matching that amount and were entitled to receive a life income annuity (with no options) based on 0.83% of the 5-year average compensation ($7,500 maximum) times the number of years of creditable service. Members could retire only at age 65 or age 60 with 20 years of service and the consent of the employing agency or, if disabled, with 15 years of service.

The retirement system became noncontributory in 1972, and under the Missouri State Employees' Plan 2000 (a new retirement plan that became effective in July 2000 which resolved many internal benefit equity issues), general employees can receive a benefit of 1.7% times their three-year highest average compensation times the number of years of creditable service.

Today, employees enjoy a wide array of benefit options as well as expanded retirement eligibilities that now include "Rule of 80." Along this journey, a permanent cost-of-living adjustment (COLA) was enacted that enables retirees to receive COLAs throughout their lifetimes.



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Management's Responsibility for Financial Reporting

MOSERS
1957 2007
50 YEARS
A Strong Foundation Protects Your Future

Missouri State Employees' Retirement System

Mailing Address
PO Box 209 • Jefferson City, MO 65102-0209

Building Location
907 Wildwood Drive • Jefferson City, MO

October 16, 2007

Management has prepared the basic financial statements of the Missouri State Employees' Retirement System (MOSERS) and is responsible for the integrity and fairness of the information presented. Some amounts included in the financial statements may be based on estimates and judgments. These estimates and judgments were made utilizing the best business practices available. The accounting policies followed in the preparation of these basic financial statements conform with U.S. generally accepted accounting principles. Financial information presented throughout the annual report is consistent with the basic financial statements.

Ultimate responsibility for the basic financial statements and annual report rests with the board of trustees. The executive director and the rest of MOSERS' staff assist the board in its responsibilities. Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets safeguarded, and proper records maintained. These controls include standards in hiring and training of employees, the establishment of an organizational structure, and the communications of policies and guidelines throughout the organization. These internal controls are reviewed by internal audit programs. All internal audit reports are submitted to the board of trustees.

The system's external auditors, Williams-Keepers LLC, have conducted an independent audit of the basic financial statements in accordance with U.S. generally accepted auditing standards. This audit is described in their Independent Auditors' Report on page 20. Management has provided the external auditors with full and unrestricted access to MOSERS' staff to discuss their audit and related findings as to the integrity of the plan's financial reporting and the adequacy of internal controls for the preparation of financial statements.

Gary Findlay
Executive Director

Gary Irwin
Chief Finance Officer

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Independent Auditor's Report

WILLIAMS KEEPERS LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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OFFICE (573) 442-6171 FAX (573) 777-7800

3220 West Edgewood, Suite E, Jefferson City, MO 65109
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The Board of Trustees
Missouri State Employees' Retirement System

We have audited the accompanying basic financial statements of the Missouri State Employees' Retirement System (MOSERS), a component unit of the state of Missouri, as of and for the year ended June 30, 2007, as listed in the accompanying table of contents. We have also audited the financial statements of MOSERS' internal service fund as of and for the year ended June 30, 2007, as displayed in MOSERS' basic financial statements. These financial statements are the responsibility of MOSERS' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MOSERS, as well as MOSERS' internal service fund, as of June 30, 2007, and the respective changes in financial position and cashflows, where applicable, for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and the schedules of funding progress and employer contributions as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information for the years ended June 30, 2007 and 2006. However, we did not audit the information and express no opinion on it. Limited procedures were applied by other auditors to the required supplementary information for the years ended June 30, 2005, 2004, 2003, and 2002.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The additional financial information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of MOSERS. Such information has been subjected to the auditing procedures applied in the audits 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.

The *Introductory, Investment, Actuarial, and Statistical Sections* have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Williams Keepers LLC

October 15, 2007

Management Discussion and Analysis

Required Supplementary Information

The basic financial statements contained in this section of the *Comprehensive Annual Financial Report* consist of:

The ***Statements of Plan Net Assets*** which report the pension trust funds assets, liabilities, and resulted net assets where Assets – Liabilities = Net Assets available at the end of the fiscal year. It can be thought of as a snapshot of the financial position of the pension trust funds of MOSERS at that specific point in time.

The ***Statements of Changes in Plan Net Assets*** which summarize the pension fund financial transactions that have occurred during the fiscal year where Additions – Deductions = Net Change in Net Assets. It supports the change that has occurred to the prior year's net asset value on the *Statements of Plan Net Assets*.

The ***Balance Sheet*** of the internal service fund is similar to the *Statements of Plan Net Assets* in that it also is a snapshot of the financial position of the internal service fund where Assets = Liabilities + Net Assets.

The ***Statement of Revenues, Expenses, and Changes in Net Assets*** of the internal service fund is similar to the *Statement of Changes in Plan Net Assets* in that it also reports the financial activity that occurred over the period of the fiscal year where Revenues – Expenses = Net Revenue and supports the change to the prior year's net assets.

The ***Statement of Cash Flows*** of the internal service fund reports the financial transactions for the fiscal year of the internal service fund on a cash basis. It is similar to the *Statement of Revenues, Expenses, and Changes in Net Assets*; however, the focus of this statement is on the change to cash balances with accrued income and accrued expense items eliminated.

The ***Notes to the Financial Statements*** are an integral part of the above financial statements and include additional information not readily evident in the statements themselves.

This *Required Supplementary Management Discussion and Analysis* information and the required supplementary information and other schedules following the *Notes to the Financial Statements* provide historical and detailed information considered useful in evaluating the condition of the plans administered by MOSERS.

Pages 22-25 contain summary comparative statements of MOSERS' pension trust funds and internal service fund and provide additional analysis of the changes noted on those schedules.

Pension Trust Funds

MOSERS' overall financial condition improved during the fiscal year ended June 30, 2007. Pension funds net assets increased by $1,087,707,739 during the fiscal year ended June 30, 2007, primarily as result of the investment earnings of the funds. The investments of the pension trust funds generated an 18.7% return for the year. The funded status of the pension plans increased by 1.5% for the MSEP and 2.3% for the Judicial Plan.

The internal service funds net assets increased by $27,191. The goal of the internal service fund is to maintain the fund at a level that enables it to meet its obligations of contracting the premiums for the life and long-term disability benefits for state employees at a reasonable cost and maintaining the membership data necessary to track the premiums due from the state and its employees and payable to the insurance carrier.

The following schedules present comparative summary financial statements of the pension trust funds and internal service fund for FY07 and FY06. Following each schedule is a brief summary of the significant changes noted in those schedules.

Pension Trust Funds

Summary Comparative Statements of Plan Net Assets

	As of June 30, 2007	As of June 30, 2006	Amount of Change	Percentage Change
Cash and short-term investments	$ 559,151,957	$ 688,443,267	$(129,291,310)	(18.78)%
Receivables	266,136,960	196,389,135	69,747,825	35.52
Investments	7,591,560,532	6,399,798,514	1,191,762,018	18.62
Invested securities lending collateral	899,055,356	1,152,399,706	(253,344,350)	(21.98)
Capital assets	3,309,904	3,275,118	34,786	1.06
Other assets	40,139	53,673	(13,534)	(25.22)
Total assets	9,319,254,848	8,440,359,413	878,895,435	10.41
Administrative expense payables	1,691,875	1,949,676	(257,801)	(13.22)
Investment purchase payables	262,775,085	224,570,235	38,204,850	17.01
Securities lending collateral	899,444,368	1,152,189,688	(252,745,320)	(21.94)
Other liabilities	26,169,163	20,183,196	5,985,967	29.66
Total liabilities	1,190,080,491	1,398,892,795	(208,812,304)	(14.93)
Net assets	$8,129,174,357	$7,041,466,618	$1,087,707,739	15.45%

Summary Comparable Statements of Plan Net Assets Analysis

The decrease in cash and short-term investments is primarily attributable to normal fluctuations in the short-term investments. For the year ended June 30, 2007, the month-end balance of short-term investments ranged from a low of $464,488,536 in April 2007, to a high of $701,244,317 in January 2007, with an average balance of $573,896,995 for the year.

The increase in receivables is attributable to normal fluctuations in investment sales receivables during the year. For the year ended June 30, 2007, the month-end balance of investment sales receivables ranged from a low of $117,461,012 in November 2006, to a high of $372,414,859 in March 2007, with an average investment sales receivable balance of $279,368,190 for the year.

The increase in the fair value of investments is primarily attributable to the generally favorable market conditions experienced during FY07 as evidenced by MOSERS' total investment return for the year of 18.7%. Detailed information regarding MOSERS' investment portfolio is included in the *Investment Section* of this report.

The decrease in security lending collateral is primarily attributable to a reduction in the lendable securities as MOSERS increased its exposure to other alternative investments. Likewise, the investment of the collateral decreased.

The increase in capital assets was primarily due to the expansion of the investment department and purchase of a generator and other equipment for MOSERS' disaster recovery plan.

The decrease in other assets is primarily due to the fluctuation in the amount maintained in prepaid postage. For the year ended June 30, 2007, the month-end balance of prepaid postage ranged from a low of $40,139 in June 2007, to a high of $119,666 in November 2006, with an average month-end balance in prepaid postage of $69,620.

The decrease in administrative expense payables is primarily attributable to the normal fluctuation in the investment fees payable. During the year, the month-end balance of investment manager fees payable ranged from a low of $1,310,638 in June 2007, to a high of $2,354,044 in July 2006, with an average month-end balance of $1,653,451 for the year.

The increase in investment purchases payable is due to normal fluctuations in the amount of security purchases pending settlement at month-end. For the year ended June 30, 2007, the month-end balances of the investment purchase payables ranged from a low of $131,637,927 in December 2006, to a high of $287,052,353 in July 2006, with an average balance of $214,406,852 for the year.

The increase in other liabilities is primarily attributable to the adjustment in the amount due for the investment manager incentive fees during the year. The amount represents the portion of the incentive fee calculated as earned through June 30, 2007, to be paid in the future subject to the investment managers' attainment of certain long-term performance measures.

Summary Comparative Statements of Changes in Plan Net Assets

	Year Ended June 30, 2007	Year Ended June 30, 2006	Amount of Change	Percentage Change
Contributions	$ 266,868,077	$ 252,868,692	$ 13,999,385	5.54%
Investment income				
Investing activities	1,292,070,457	730,783,761	561,286,696	76.81
Investment income				
Securities lending activities	2,859,293	3,676,741	(817,448)	(22.23)
Miscellaneous income	547,064	505,597	41,467	8.20
Total additions	1,562,344,891	987,834,791	574,510,100	58.16
Benefits	467,836,275	419,261,150	48,575,125	11.59
Contribution refunds	0	1,341	(1,341)	(100.00)
Service transfers and refunds	51,980	133,866	(81,886)	(61.17)
Administrative expenses	6,748,897	6,539,427	209,470	3.20
Total deductions	474,637,152	425,935,784	48,701,368	11.43
Net increase (decrease)	1,087,707,739	561,899,007	525,808,732	93.58
Net assets beginning of year	7,041,466,618	6,479,567,611	561,899,007	8.67
Net assets end of year	$8,129,174,357	$7,041,466,618	$1,087,707,739	15.45%

Summary Comparable Statements of Changes in Plan Net Assets Analysis

The increase in contributions received is primarily attributable to an increase in the contribution rate for the general employees group from 12.59% to 12.78% and a 4% cost-of-living adjustment on state payroll.

The increase in investment income in FY07 over FY06 is attributable to generally favorable market conditions experienced by the investments of the fund. The decrease in security lending income was primarily attributable to a reduction in lendable securities as MOSERS increased its exposure to other alternative investments. Additional information regarding the investments and security lending activity can be found in the *Investment Section* of this report.

Benefit payments increased due to changes in benefit rolls for the year. Detailed schedules of changes can be found on pages 112-117 of the *Actuarial Section* of this report.

Service transfers decreased primarily due to normal fluctuations in the amount of transfers processed, which are dependent on the number of members electing to transfer their service and the cost of the service transferred.

Internal Service Fund
Summary Comparative Balance Sheets

	As of June 30, 2007	As of June 30, 2006	Amount of Change	Percentage Change
Cash	$ 3,080	$ 0	$ 3,080	100.00%
Premiums receivable	983,424	972,669	10,755	1.11
Investments	2,384,797	2,051,203	333,594	16.26
Total assets	3,371,301	3,023,872	347,429	11.49
Premiums payable	2,586,372	2,410,331	176,041	7.30
Other liabilities	387,167	242,970	144,197	59.35
Total liabilities	2,973,539	2,653,301	320,238	12.07
Unrestricted net assets	397,762	370,571	27,191	7.34
Total liabilities and net assets	$3,371,301	$3,023,872	$347,429	11.49%

Summary Comparative Balance Sheets Analysis

Cash increased due to the receipt of a late direct deposit that was not invested at fiscal year end.

The increase in premiums receivable is attributable to normal fluctuations in the month-end balance of premiums receivable during the year. For the year ended June 30, 2007, the month-end balance of premiums receivable ranged from a low of $950,316 in December 2006, to a high of $983,424 in June 2007, with an average premiums receivable balance of $965,365 for the year.

The increase in investments is attributable to normal fluctuations in the month-end balance of investments during the year. For the year ended June 30, 2007, the month-end balance of investments ranged from a low of $1,972,459 in July 2006, to a high of $4,226,092 in December 2006, with an average investment balance of $2,319,820 for the year.

The increase in premiums payables is attributable to normal fluctuations in the month-end balances of premiums payable for the year, similar to the fluctuations of the premiums receivable.

Other liabilities increased primarily as a result of the reimbursements due to the pension trust funds for the internal service fund's portion of shared expenses.

Summary Comparative Statements of Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30, 2007	Year Ended June 30, 2006	Amount of Change	Percentage Change
Premium receipts	$27,101,931	$26,415,236	$686,695	2.60%
Miscellaneous income	436,502	436,501	1	0.00
Total operating revenue	27,538,433	26,851,737	686,696	2.56
Premium disbursements	27,063,815	26,379,919	683,896	2.59
Premium refunds	38,116	35,317	2,799	7.93
Administrative expenses	527,040	487,699	39,341	8.07
Total operating expenses	27,628,971	26,902,935	726,036	2.70
Net operating income (loss)	(90,538)	(51,198)	(39,340)	76.84
Investment income	117,729	85,124	32,605	38.30
Net revenues over expenses	27,191	33,926	(6,735)	(19.85)
Net assets beginning of year	370,571	336,645	33,926	10.08
Net assets end of year	$ 397,762	$ 370,571	$ 27,191	7.34%

Summary Comparative Statements of Revenues, Expenses, and Changes in Net Assets Analysis

Premium receipts and disbursements increased due to an increase in the overall state payroll and normal fluctuations in the amount of optional life insurance coverage selected by state employees.

Refunds increased slightly as a result of normal fluctuations in the amount of premium refunds issued to correct processing errors.

Administrative expenses increased primarily due to an increase in salary and fringes of $25,310.

Investment income increased primarily due to an overall increase in the 90-day treasury bill rates during the fiscal year.

Summary Comparative Statements of Cash Flows

	Year Ended June 30, 2007	Year Ended June 30, 2006	Amount of Change	Percentage Change
Cash flows from operating activities	$221,403	$21,465	$199,938	931.46%
Cash flows from noncapital financing activities	(2,459)	2,162	(4,621)	(213.74)
Cash flows from investing activities	(215,864)	(23,627)	(192,237)	(813.63)
Net change in cash	3,080	0	3,080	
Cash balances beginning of year	0	0	0	
Cash balances end of year	$ 3,080	$ 0	$ 3,080	

Summary Comparative Statements of Cash Flows Analysis

The increase in cash flows from operating activities is primarily attributable to an increase in cash payments received from employer and members over that of fiscal year 2006.

The decrease in cash flows from noncapital financing activities is primarily attributable to an increase in the amount of cash held at the bank at June 30, 2007, due to a late receipt of an employer deposit.

The decrease in cash flows from investing activities is primarily attributable to a decrease in the cash flows from net purchase and maturities of overnight repurchase agreements of $224,842, plus an increase in the investment income received of $32,605.

Statements of Plan Net Assets

Pension Trust Funds - As of June 30, 2007

	MSEP	Judicial Plan	Total
Assets			
Cash and short-term investments	$ 554,248,289	$4,903,668	$ 559,151,957
Receivables			
State contributions	11,275,755	996,972	12,272,727
Investment income	7,667,535	67,838	7,735,373
Investment sales	243,590,692	2,155,149	245,745,841
Other	379,660	3,359	383,019
Total receivables	262,913,642	3,223,318	266,136,960
Investments at fair value			
U.S. treasury securities	621,741,955	5,500,812	627,242,767
Corporate bonds	367,084,395	3,247,750	370,332,145
Convertible bonds	3,744,081	33,125	3,777,206
Government bonds & gov't mortgage-backed securities	212,099,235	1,876,531	213,975,766
Real estate equity	727,598	6,437	734,035
Common stock	949,688,733	8,402,296	958,091,029
Preferred stock	11,811,778	104,504	11,916,282
Limited partnerships	3,595,504,899	31,810,944	3,627,315,843
Bank loans	85,529,328	756,714	86,286,042
Collateralized mortgage obligations	10,171,702	89,993	10,261,695
Foreign currency	118,026,265	1,044,228	119,070,493
International equities	1,492,068,845	13,200,960	1,505,269,805
U.S. dollar-denominated international corporate bonds	56,785,023	502,401	57,287,424
Total investments	7,524,983,837	66,576,695	7,591,560,532
Securities lending collateral	891,170,793	7,884,563	899,055,356
Capital assets			
Land	264,942	2,344	267,286
Building and building improvements	3,390,794	30,000	3,420,794
Furniture, fixtures, and equipment	1,746,551	15,452	1,762,003
Total capital assets	5,402,287	47,796	5,450,083
Accumulated depreciation	(2,121,410)	(18,769)	(2,140,179)
Net capital assets	3,280,877	29,027	3,309,904
Prepaid expenses and other	39,787	352	40,139
Total assets	9,236,637,225	82,617,623	9,319,254,848
Liabilities			
Administrative expense payables	1,677,038	14,837	1,691,875
Investment purchases payables	260,470,592	2,304,493	262,775,085
Securities lending collateral	891,556,394	7,887,974	899,444,368
Investment incentive fees payable	25,575,591	226,278	25,801,869
Employee vacation and overtime liability	364,073	3,221	367,294
Total liabilities	1,179,643,688	10,436,803	1,190,080,491
Net assets held in trust for pension benefits	$8,056,993,537	$72,180,820	$8,129,174,357

(A schedule of funding progress for each plan is presented on page 45.)

See accompanying *Notes to the Financial Statements*.

Statements of Changes in Plan Net Assets

Pension Trust Funds -Year Ended June 30, 2007

	MSEP	Judicial Plan	Total
Additions			
Contributions			
State contributions	$ 239,488,751	$23,745,467	$ 263,234,218
Member purchases of service credit	3,460,923	0	3,460,923
Service transfer contributions	172,936	0	172,936
Total contributions	243,122,610	23,745,467	266,868,077
Investment income			
From investing activities			
Net appreciation in fair value of investments	972,838,344	8,607,110	981,445,454
Interest	359,794,296	3,183,251	362,977,547
Dividends	10,575,703	93,568	10,669,271
Other	22,159,582	196,055	22,355,637
Total investing activity income	1,365,367,925	12,079,984	1,377,447,909
Investing activity expenses:			
Management fees	(80,676,808)	(713,782)	(81,390,590)
Custody fees	(676,131)	(5,982)	(682,113)
Consultant fees	(792,180)	(7,009)	(799,189)
Performance measurement fees	(357,028)	(3,159)	(360,187)
Internal investment activity expenses	(2,126,558)	(18,815)	(2,145,373)
Total investing activity expenses	(84,628,705)	(748,747)	(85,377,452)
Net income from investing activities	1,280,739,220	11,331,237	1,292,070,457
From securities lending activities			
Securities lending income	55,914,997	494,703	56,409,700
Securities lending expenses			
Borrower rebates	(52,449,770)	(464,045)	(52,913,815)
Management fees	(631,009)	(5,583)	(636,592)
Total securities lending activities expenses	(53,080,779)	(469,628)	(53,550,407)
Net income from securities lending activities	2,834,218	25,075	2,859,293
Total net investment income	1,283,573,438	11,356,312	1,294,929,750
Miscellaneous income	542,266	4,798	547,064
Total additions	1,527,238,314	35,106,577	1,562,344,891
Deductions			
Benefits	395,568,727	20,595,504	416,164,231
BackDROP and lump sum benefits	51,672,044	0	51,672,044
Service transfer payments	51,980	0	51,980
Administrative expenses	6,689,710	59,187	6,748,897
Total deductions	453,982,461	20,654,691	474,637,152
Net increase	1,073,255,853	14,451,886	1,087,707,739
Net assets held in trust for pension benefits			
Beginning of year	6,983,737,684	57,728,934	7,041,466,618
End of year	$8,056,993,537	$72,180,820	$8,129,174,357

See accompanying *Notes to the Financial Statements*.

Balance Sheet

Internal Service Fund - As of June 30, 2007

Assets	
Cash	$ 3,080
Premiums receivable	983,424
Investments at fair value	2,384,797
Total assets	$3,371,301

Liabilities and net assets	
Liabilities	
Premiums payable	$2,586,372
Other	387,167
Total liabilities	2,973,539
Unrestricted net assets	397,762
Total liabilities and net assets	$3,371,301

See accompanying *Notes to the Financial Statements*.

Statement of Revenues, Expenses, and Changes in Plan Net Assets

Internal Service Fund - Year Ended June 30, 2007

Operating revenues	
Premium receipts	$27,101,931
Miscellaneous income	436,502
Total operating revenues	27,538,433
Operating expenses	
Premium disbursements	27,063,815
Premium refunds	38,116
Administrative expenses	527,040
Total operating expenses	27,628,971
Operating revenues under operating expenses	(90,538)
Nonoperating revenues	
Investment income	117,729
Net revenues over expenses	27,191
Net assets beginning of year	370,571
Net assets end of year	$ 397,762

See accompanying *Notes to the Financial Statements*.

Statement of Cash Flows

Internal Service Fund - Year Ended June 30, 2007

Cash flows from operating activities	
Cash received from employer and members	$27,525,153
Miscellaneous income	14
Premium payments to outside carriers	(26,623,499)
Refunds of premiums to members	(38,116)
Cash payments to employees for services	(370,061)
Cash payments to other suppliers of goods and services	(272,088)
Net cash provided by operating activities	221,403
Cash flows from noncapital financing activities	
Implicit repayment of prior years checks outstanding net of deposits	(2,459)
Net cash used in noncapital financing activities	(2,459)
Cash flows from investing activities	
Purchase of investment securities	(559,611,438)
Proceeds from sale and maturities of investment securities	559,277,845
Cash received from investment income	117,729
Net cash used in investing activities	(215,864)
Net increase in cash	3,080
Cash balances beginning of year	0
Cash balances end of year	$ 3,080
Reconciliation of operating revenues under operating expenses to net cash provided by operating activities	
Operating revenues under operating expenses	$ (90,538)
Adjustments to reconcile operating revenues under operating expenses to net cash provided by operating activities	
Change in assets and liabilities:	
Decease in operational accounts receivable	(13,266)
Increase in operational accounts payable	325,207
Total adjustments	311,941
Net cash provided by operating activities	$ 221,403

See accompanying *Notes to the Financial Statements*.

Notes to the Financial Statements

Year Ended June 30, 2007

(1) PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION

Missouri State Employees' Plan (MSEP)

The MSEP is a single-employer, public employee retirement plan with two benefit structures known as the MSEP (closed plan) and MSEP 2000 (new plan), which are administered by the Missouri State Employees' Retirement System (MOSERS) in accordance with Sections 104.010 and 104.312 to 104.1215 of the Revised Statutes of Missouri (RSMo). As established under Section 104.320, RSMo, MOSERS 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 104.1215, RSMo 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 104.1215, RSMo.

Responsibility for the operation and administration of the system is vested in 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 hired before July 2000, who were not covered under another state-sponsored retirement plan are eligible for membership in the MSEP (closed plan). All full-time state employees hired after July 2000 are eligible for membership in the MSEP 2000 (new plan). MOSERS participates as an employer in the MSEP.

As of the June 30, 2007 valuation, membership in the MSEP consisted of the following:

Retirees and beneficiaries currently receiving benefits		28,692
Terminated employees entitled to, but not yet receiving benefits		16,518
Active		
Vested	37,067	
Nonvested	17,296	54,363
Total membership		99,573

The MSEP provides retirement, survivor, and disability benefits.

MSEP (closed plan)

General state employees are fully vested for benefits upon receiving 5 years of credited service. Under the MSEP (closed plan), general employees may retire with full benefits upon the earliest of attaining:

- Age 65 and active with 4 years of service;
- Age 65 with 5 years of service;
- Age 60 with 15 years of service; or
- Age 48 with age and service equaling 80 or more "Rule of 80."

General employees may retire early at 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% multiplied by the final average pay multiplied by years of credited service.

For members hired prior to August 28, 1997, cost-of-living adjustments (COLAs) are provided annually based on 80% of the change in the consumer price index (CPI) with a minimum rate of 4% and maximum rate of 5% until the cumulative amount of COLAs equals 65% of the original benefit. Thereafter, the 4% minimum rate is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%.

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 5, but less than 10 years of service, be less than age 60, and have a benefit present value of less than $10,000.

Contributions are determined through annual actuarial valuations. Administration of the MSEP is financed through contributions to this plan from the state of Missouri and investment earnings.

MSEP 2000 (new plan)

General state employees are fully vested for benefits upon receiving 5 years of credited service. Under the MSEP 2000 (new plan), general employees may retire with full benefits upon the earliest of attaining:

- Age 62 with 5 years of service; or
- Age 48 with age and service equaling 80 or more "Rule of 80."

General employees may retire early at age 57 with at least 5 years of service with reduced benefits.

The base benefit in the general employee plan is equal to 1.7% multiplied by final average pay multiplied by years of credited service. For those retiring under "Rule of 80," an additional temporary benefit equivalent to 0.8% multiplied by final average pay multiplied by years of credited service is payable until age 62.

COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%.

Contributions are determined through annual actuarial valuations. Administration of the MSEP 2000 is financed through contributions to this plan from the state of Missouri and investment earnings.

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 upon request.

For a more detailed summary of benefits for general employees and a description of benefits available to legislators and elected officials under the MSEP (closed plan) and the MSEP 2000 (new plan), refer to the Summary of Plan Provisions contained in the *Actuarial Section* of this report.

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 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 and commissioners of the supreme court or the court of appeals, judges of the circuit court, probate court, magistrate court, court of common pleas, court of criminal corrections, a justice of the peace, or a commissioner or deputy commissioner of the circuit court appointed after February 29, 1972, commissioner of the juvenile division of the circuit court appointed pursuant to Section 211.023, RSMo, commissioner of the drug court pursuant to Section 478.466, RSMo, or a commissioner of the family court are eligible for membership in the Judicial Plan.

As of the June 30, 2007 valuation, membership in the Judicial Plan consisted of the following:

Retirees and beneficiaries currently receiving benefits		437
Terminated employees entitled to, but not yet receiving benefits		60
Active		
Vested	400	
Nonvested	0	400
Total membership		897

The Judicial Plan provides retirement, survivor, and disability benefits. Members are immediately eligible for benefits.

Under the Judicial Plan, members may retire with full benefits upon the earliest of attaining:

- Age 62 with 12 years of service;
- Age 60 with 15 years of service; or
- Age 55 with 20 years of service.

Employees may retire early at age 62 with less than 12 years of service or age 60 with less than 15 years of service with a reduced benefit that is based upon years of service relative to 12 or 15 years.

In the Judicial Plan, the base benefit for members with 12 or more years of service is equivalent to 50% of compensation on the highest court served.

For members hired prior to August 28, 1997, COLAs are provided annually based on 80% of the change in the CPI with a minimum rate of 4% and maximum rate of 5% until the cumulative amount of COLAs equals 65% of the original benefit. Thereafter, the 4% minimum rate is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%.

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 5, but less than 10 years of service, be less than age 60, and have a benefit present value of less than $10,000.

Funding of the Judicial Plan on an actuarial basis began on July 1, 1998. Contributions are determined through annual actuarial valuations. The state of Missouri is required to make all contributions to the Judicial Plan. Administration of the Judicial Plan is financed through contributions to this plan from the state of Missouri and investment earnings.

For a more detailed summary of benefits for members of the Judicial Plan, refer to the Summary of Plan Provisions contained in the *Actuarial Section* of this report.

Schedule of Funded Status and Funding Progress

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL Percentage of Covered Payroll ((b-a)/c)
MSEP	6/30/2007	$7,377,289,283	$8,500,428,641	$1,123,139,358	86.8%	$1,846,643,330	60.8%
Judges	6/30/2007	61,903,516	326,666,373	264,762,857	19.0	40,846,581	648.2

Multi-year trend information regarding whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits can be found in the required supplementary information following the *Notes to the Financial Statements*.

Additional information as of the June 30, 2007 actuarial valuation follows:

	MSEP	**Judicial Plan**
Valuation date	6/30/2007	6/30/2007
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Percent	Level Percent
Remaining amortization period	30 years open	30 years open
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return	8.5%	8.5%
Projected salary increases	4.0-6.7%	4.0-5.6%
COLAs*	4%	4%
Price inflation	3.5%	3.5%

*On a compound basis, 4% for the first 12 years, 3.1% for the 13th year, and 2.8% per year thereafter.

Missouri State Insured Defined Benefit Insurance Plan

The Missouri State Insured Defined Benefit 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 in an amount equal to one times annual salary while actively employed (with a $15,000 minimum) to:

- Eligible members of the MSEP and MSEP 2000 (except employees of the Missouri Department of Conservation and certain state colleges and universities).
- Members of the Judicial Plan and certain members of the Public School Retirement System.

The plan also provides duty-related death benefits, optional life insurance for active employees and retirees who are eligible for basic coverage, and a long-term disability plan for certain eligible members.

For a more detailed description of insurance benefits, refer to the Summary of Plan Provisions-Life Insurance Plans in the *Actuarial Section* of this report.

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 Insured Defined Benefit Insurance Plan is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as an internal service fund. Administration of the Missouri State Insured Defined Benefit Insurance Plan is financed through contributions to this plan from the state of Missouri.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

Basis of Accounting

The financial statements of the MSEP, the Judicial Plan, and the Missouri State Insured Defined Benefit Insurance Plan were prepared using the accrual basis of accounting.

Contributions are due to MOSERS when employee services have been performed and paid. Contributions are recognized as revenues when due pursuant to statutory requirements. Benefits and refunds are recognized when due and payable 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.

Method Used to Value Investments

Section 104.440, RSMo allows the board of trustees to invest the trust fund assets in accordance with the prudent person rule. Investments of the pension trust funds and the internal service fund are reported at fair value.

The schedule on page 41 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 limited partnership investments are based on valuations of the underlying companies of the limited partnerships as reported by the general partner. Fair value of the commingled funds are determined based on the underlying asset values. The remaining assets are primarily valued by the investment custodian using the last trade price information supplied by various pricing data vendors.

Cash

The board has no formal policy specific to custodial credit risk. Custodial credit risk for cash deposits and investments is the risk that in the event of a bank failure, the system and plans' deposits may not be returned to them. The system mitigates custodial credit risk for deposits and investments by requiring the bank to pledge securities from an acceptable list in an amount over the Federal Deposit Insurance Corporation (FDIC) insured amount of at least equal in market value to 100% of the aggregate amount of the deposits. These securities are required to be delivered to a third-party institution mutually agreed upon by the bank and MOSERS. The deposits are held in one financial institution with a balance of up to $100,000 insured by the FDIC.

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. Negative book balances are reflected in the liabilities section of the balance sheet of the internal service fund and included in the cash and short-term investments on the *Statements of Plan Net Assets* of the pension trust funds. The table below is a schedule of the aggregate book and bank balances of all cash accounts. In addition to the FDIC insurance coverage on the accounts of MOSERS, the Central Trust Bank pledged the following securities to MOSERS on June 30, 2007, as collateral for overnight repurchase agreements:

- $800,000 Federal Home Loan Bank Discount Note Maturity Date 08/22/2007
- $438,200 Small Business Association Pool #505410 Maturity Date 04/25/2014
- $930,570 Small Business Association Pool #507926 Maturity date 03/25/2018
- $1,466,739 Small Business Association Pool #507285 Maturity Date 05/25/2019
- $440,673 Small Business Association Pool #504845 Maturity Date 02/25/2025

	Cash Balances	
	Book	**Bank/Investment Custodian**
Pension Trust Funds	$20,088,742	$29,007,301
Internal Service Fund	3,080	7,689

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to MOSERS. As of June 30, 2007, MOSERS' fixed income assets that are not government guaranteed represented 77% of the fixed income portfolio. In preparing this report, credit risk associated with all fixed income holdings including collateral for repurchase agreements and securities lending collateral has been included. The tables above summarize MOSERS' fixed income portfolio exposure levels and credit qualities.

As a matter of practice, there are no overarching limitations for credit risk exposures within the overall fixed income portfolio. Each individual portfolio within fixed income is managed in accordance with operational guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and average credit quality. A quality rating of CC or lower is not permissible in any of the guidelines except in those circumstances of downgrades subsequent to purchase, in which case the investment manager has been given permission to hold the security usually due to mitigating circumstances such as a very short maturity or a much higher rating from one of the other ratings agencies.

Average Credit Quality and Exposure Levels of Nongovernment Guaranteed Securities

Fixed Income Security Type	Market Value June 30, 2007	Percent of All Fixed Income Assets	Weighted Average Credit Quality	Ratings Dispersion Requiring Further Disclosure
Mortgages	$ 87,979,357	3%	Agency	See below
Agencies	13,734,787	0	Agency	None
Collateralized mortgage obligations	29,769,253	1	Agency	See below
Asset-backed securities	413,638,049	15	AAA	See below
Corporate bonds	1,037,122,637	37	A	See below
Bank loans	86,952,752	3	BB	See below
Commercial paper	325,827,741	12	Tier 2	See below
Preferred stock	31,350,960	1	AAA	See below
Pooled investments	149,347,238	5	Not rated	None
Total nongov't guaranteed securities	$2,175,722,774	77		
Total fixed incomes securities	$2,819,475,516			

Ratings Dispersion Detail – Market Value

Credit Rating Level	Collateralized Mortgage Obligations	Asset-Backed Securities	Corporate Bonds	Commercial Paper	Preferred Stock	Mortgages	Bank Loans
Agency	$21,385,117	$ 3,220,043				$84,708,092	
AAA	8,384,136	405,939,045	$ 63,454,202		$30,624,995	3,271,265	
AA		4,224,877	481,395,402				
A		254,084	268,088,426				
BBB			42,333,907		717,600		$ 1,016,664
BB			52,588,496				24,172,266
B			92,442,527				41,633,019
CCC			31,814,873		8,365		9,979,185
Tier 1				$ 9,231,740			
Tier 2				316,596,001			
Not rated			5,004,804				10,151,618
Total	$29,769,253	$413,638,049	$1,037,122,637	$325,827,741	$31,350,960	$87,979,357	$86,952,752

Credit risk for derivative instruments held by the system results from counterparty risk assumed by MOSERS. This is essentially the risk that the counterparty to a MOSERS' transaction will be unable to meet its obligation. Information regarding MOSERS' credit risk related to derivatives is found under the derivatives disclosures on pages 39-40 of these notes.

Policies related to credit risk pertaining to MOSERS' securities lending program is found under the securities lending disclosures found on page 40 of these notes.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single-issuer. There is no single-issuer exposure within the MOSERS' portfolio that comprises 5% or more of the overall portfolio. Therefore, there is no concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed by using the effective duration or option adjusted methodology. It is widely used in the management of fixed income portfolios by quantifying the risk of interest rate changes. This methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. Operational guidelines specify the degree of interest rate risk taken within the system's fixed income portfolios, with the exception of one portfolio in which credit risk is the predominant factor and is also controlled by specific guidelines. It is believed that the reporting of effective duration found in the tables below quantifies to the fullest extent possible the interest rate risk of the system's fixed income assets. Floating rate assets that are structurally complex and contain inappropriate coupon adjustment mechanisms are expressly forbidden by the guidelines and are not present in any of the portfolios.

Effective Duration of Fixed Income Assets by Security Type

Fixed Income Security Type	Market Value June 30, 2007	Percent of All Fixed Income Assets	Weighted Average Effective Duration (Years)	Interest Rate Risk Requiring Future Disclosure
U.S. Treasuries	$ 634,620,734	23%	4.9	See below
Government guaranteed mortgages	9,132,008	0	2.1	None
Mortgages	87,979,357	3	3.6	None
Agencies	13,734,787	0	0.3	None
Collateralized mortgage obligations	29,769,253	1	3.5	None
Asset-backed securities	413,638,049	15	1.1	None
Corporate bonds	1,037,122,637	37	1.2	None
Bank loans	86,952,752	3	2.6	None
Commercial paper	325,827,741	12	0.1	None
Preferred stock	31,350,960	1	0.1	None
Pooled investments	149,347,238	5	0.1	None
	$2,819,475,516	100%	1.9	

Effective Duration Analysis of U.S. Treasuries

Fixed Income Security Type	Market Value June 30, 2007	Average Effective Duration of the Security Type	Contribution to Effective Duration
1 to 10 year maturities	$393,205,805	2.3	1.4
Long-coupon treasuries	210,438,448	7.9	2.6
Long-stripped treasuries	30,976,481	17.3	0.8
	$634,620,734		4.9

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. MOSERS' currency risk exposure, or exchange rate risk, primarily resides within MOSERS' international equity investment holdings. MOSERS' implementation policy allows MOSERS' external managers to decide what action to take regarding their respective portfolio's foreign currency exposures using currency forward contracts. MOSERS' exposure to foreign currency risk in U.S. dollars as of June 30, 2007, is highlighted in the table below.

Currency Exposures by Asset Class

Currency	Cash & Cash Equivalents	Equities	Fixed Income	Alternatives	Total
Argentine Peso	$ 2,956				$ 2,956
Australian Dollar		$ 18,745,323			18,745,323
Brazilian Real	92,117	26,821,648			26,913,765
Chilean Peso	9				9
Czech Koruna	15				15
Danish Krone		5,321,249			5,321,249
Egyptian Pound	297	10			307
Euro	6,936,025	369,007,236	$16,712,459	$73,084,762	465,740,482
Hong Kong Dollar	48,094	84,334,072			84,382,166
Hungarian Forint		879,556			879,556
Indian Rupee	523,022	3,730,860			4,253,882
Indonesian Rupiah	(32,720)	1,210,625			1,177,905
Israeli New Shekel	1	1,717,347			1,717,348
Japanese Yen	171,806,077	308,167,298			479,973,375
Malaysian Ringgit	1,646	17,827,089			17,828,735
Mexican Peso	53	23,494,789			23,494,842
Norwegian Krone		26,603,859			26,603,859
Peruvian Nuevo Sol		6,169			6,169
Philippine Peso	1,225	5,445,840			5,447,065
Polish Zloty	1	3,457,575			3,457,576
Russian Ruble		2,265,259			2,265,259
Singapore Dollar	245,628	81,009,486			81,255,114
South African Rand	3	5,148,236			5,148,239
South Korean Won	(63,288)	56,180,090	4,324,265		60,441,067
Sri Lanka Rupee		2,936			2,936
Swedish Krona	(130,981)	43,752,315			43,621,334
Swiss Franc	2,526,433	79,119,204			81,645,637
Taiwan Dollar	596,545	39,898,206			40,494,751
Thai Baht	(42,222)	16,427,975			16,385,753
Turkish Lira	2	2,153,150			2,153,152
British Pound	(51,513,380)	268,661,324	5,197,186		222,345,130
Venezuelan Bolivar	107,248				107,248
Maltese Lira		20,576			20,576
Colombian Peso	164				164
Total	$131,104,970	$1,491,409,302	$26,233,910	$73,084,762	$1,721,832,944

Futures Contracts

Futures Contract	2007 Expiration Date	Long/ Short	Notional/ Fair Value	Exposure
U.S. 5-year Treasury Notes	September	Short	$ (5,203,906)	$ (15,625)
U.S. 2-year Treasury Notes	September	Short	(15,894,938)	(23,156)
U.S. 10-year Treasury Notes	September	Long	9,407,578	44,500
Topix Index	September	Long	120,877,367	550,055
SPI 200 Index	September	Short	(16,242,491)	(1,115)
FTSE 100 Index	September	Short	(49,809,886)	(359,618)
DJ Euro Stoxx 50	September	Short	(58,782,149)	(391,563)
SPI 200 Index	September	Long	2,529,568	667
FTSE 100 Index	September	Long	7,990,891	59,320
Topix Index	September	Long	5,605,490	57,035
DJ Euro Stoxx 50	September	Long	9,573,441	73,692
Total			$10,050,965	$ (5,808)

Swaps

Type	MOSERS Pays	MOSERS Receives	Maturity Date	Notional Value	Exposure	Counterparty
S&P 500 total return to LIBOR	LIBOR	S&P 500 total return	10/31/07	$ 297,475,354	$(1,316,458)	Goldman Sachs
S&P 100 total return to LIBOR	LIBOR plus 3.25 bps	S&P 100 total return	04/30/08	409,113,761	(1,804,993)	Barclays
S&P 500 total return to LIBOR	LIBOR	S&P 500 total return	10/31/07	75,409,837	(342,408)	Goldman Sachs
Russell 2000 to LIBOR	LIBOR minus 67 bps	Russell 2000 total return	04/30/08	15,027,258	(51,159)	Goldman Sachs
S&P 100 Total return to LIBOR	LIBOR plus 3.25 bps	S&P 100 total return	04/30/08	125,822,610	(544,231)	Barclays
S&P 100 Total return to LIBOR	LIBOR plus 3 bps	S&P 100 total return	03/31/08	8,192,390	(202,330)	Goldman Sachs
Interest rate swap	LIBOR	Fixed 5.255%	02/02/12	8,611,727	77,812	JP Morgan
Interest rate swap	LIBOR	Fixed 5.345%	02/02/17	9,300,000	(37,107)	Barclays
Interest rate swap	LIBOR	Fixed 5.172%	05/02/17	4,100,000	(16,359)	Lehman
Interest rate swap	LIBOR	Fixed 5.32%	06/04/17	1,000,000	(3,990)	Barclays
Interest rate swap	LIBOR	Fixed 5.35%	07/30/09	37,400,000	0	JP Morgan
Interest rate swap	LIBOR	Fixed 5.813%	07/03/37	2,500,000	0	Lehman
Interest rate swap	LIBOR	Fixed 5.48%	07/03/12	15,100,000	0	Barclays
Interest rate swap	LIBOR	Fixed 5.801%	07/03/27	3,500,000	0	JP Morgan
Lehman U.S. Agency Index to LIBOR	LIBOR	Lehman U.S. Agency Index	04/30/08	18,184,005	(80,616)	Lehman
Lehman U.S. MBS Index to LIBOR	LIBOR minus 3 bps	Lehman U.S. MBS Index	06/30/08	31,060,000	0	Lehman
Lehman U.S. MBS Index to LIBOR	LIBOR	Lehman U.S. MBS Index	09/28/07	130,248,942	(577,437)	Lehman
Credit Default Swap	Fixed 2.75%	CDX N. American HY Index	06/20/12	(50,042,014)	1,295,692	Lehman
GSCI Excess Return	Fixed 14 bps	GSCI Excess Return	04/30/08	24,997,219	688,366	Merrill Lynch
GSCI Excess Return	GSCI Excess Return	Fixed 3 bps	04/30/08	(26,418,050)	(709,025)	Lehman
GSCI Total Return	T-Bills + 8 bps	GSCI Total Return Index	11/30/07	186,451,986	5,013,169	AIG Int'l
Total				$1,327,035,025	$ 1,388,926	

Derivatives

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include futures contracts, swap contracts, options contracts, and forward foreign currency exchange. While the board has no formal policy specific to derivatives, MOSERS' investment implementation program, through its external managers, holds investments in futures contracts, swap contracts, and forward foreign currency exchange. MOSERS enters into these certain derivative instruments primarily to enhance the performance and reduce the volatility of its portfolio. It enters into swaps and futures contracts to gain or hedge exposure to certain markets and to manage interest rate risk and forward foreign exchange contracts primarily to hedge foreign currency exposure. The tables above summarize the various contracts in the portfolio as of June 30, 2007. The notional values associated with these derivative instruments are generally not recorded on the financial statements; however, the amounts for the exposure (unrealized gains/losses) on these instruments are recorded. Interest risks associated with these investments are reported on the tables on page 36. MOSERS does not anticipate additional significant market risk from the swap arrangements.

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. Investments in limited partnerships and commingled funds may include derivatives that are not shown in the derivative totals.

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 are likely in declining interest rate environments, 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. Details regarding interest rate risks for these investments are included under the interest rate risk disclosures on page 36.

Securities Lending Program

The board of trustees' investment policy permits the pension trust funds to participate in a securities lending program. Fixed income, international equity, and domestic equity 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% of market value for domestic loans and 105% of market value for international loans. MOSERS does not have the authority to pledge or sell collateral securities, without borrower default. Securities on loan at fiscal year end for cash collateral and on loan for noncash collateral are presented in the schedule on page 41. On June 30, 2007, MOSERS had no credit risk exposure to borrowers because the collateral amounts received exceeded amounts out on loan.

As of June 30, 2007, Credit Suisse/First Boston, New York Branch (CSFB), served as the agent for the fixed income, domestic equity, and international equity securities lending programs. In this capacity, MOSERS reduces credit risk by allowing CSFB to lend these securities to a diverse group of dealers on behalf of MOSERS. Indemnification against dealer default is provided by CSFB, an "AA-rated" bank. With each of MOSERS' securities lending programs, a majority of loans are open loans and can be terminated on demand by either MOSERS or the borrower. Net income from the three lending programs is split on an 85/15 basis between MOSERS and CSFB respectively.

Daily monitoring of securities that are on loan ensure proper collateralization levels and mitigate counterparty risk. Cash collateral from all three programs is commingled and invested in a separately managed short-term investment fund for MOSERS. This cash collateral fund is managed by CSFB. On June 30, 2007, the cash collateral fund had a market value of $899,055,356 and a weighted average maturity of 31 days. For all of the securities lending operational services, the custodian is paid an annual fee, which is netted out against MOSERS' earnings in the securities lending programs managed by CSFB.

Limited Partnerships

Many of MOSERS' alternative investments are organized in the form of limited partnerships. In these partnerships, the manager is the general partner and the limited partners are the investors. As of June 30, 2007, MOSERS had contracts with 41 limited partnerships across various types of alternative investments. These partnerships collectively represent 47.44% of the total fund. A schedule of limited partnerships is presented on page 42.

Investments as of June 30, 2007

Type of Investment	Pension Trust Funds Investments at Cost Value	Pension Trust Funds Investments at Fair Value	Internal Service Fund Investments at Cost Value	Internal Service Fund Investments at Fair Value
Common stocks				
Out on loan	$ 183,218,428	$ 216,605,009		
Not on securities loan	645,194,475	741,486,020		
Total	828,412,903	958,091,029		
International equities				
Out on loan	65,603,724	101,534,489		
Not on securities loan	882,494,445	1,403,735,316		
Total	948,098,169	1,505,269,805		
International Corporate bonds				
Out on loan	1,007,700	980,100		
Not on securities loan	53,670,204	56,307,324		
Total	54,677,904	57,287,424		
Preferred stocks	9,198,564	11,916,282		
Treasury bonds, notes and bills				
Out on loan	600,998,109	600,043,087		
Not on securities loan	27,325,265	27,199,680		
Total	628,323,374	627,242,767		
Government bonds and gov't mortgage-backed securities	216,053,929	213,975,766		
Corporate bonds				
Out on loan	22,191,246	20,911,400		
Not on securities loan	1,044,898,185	1,046,906,823		
Total	1,067,089,431	1,067,818,223		
Convertible bonds	3,256,081	3,777,206		
Repurchase agreements	600,979	600,979	$2,384,797	$2,384,797
Short-term investment funds	722,843,355	722,843,355		
Collateralized mortgage obligations	10,332,344	10,261,695		
Real estate equity holdings	734,035	734,035		
Foreign currencies	120,535,889	119,070,493		
Limited partnerships	2,591,840,877	3,627,315,843		
Bank loans	85,081,653	86,286,042		
Total investments				
Out on loan	873,019,207	940,074,085		
Not on securities loan	6,414,060,280	8,072,416,859	2,384,797	2,384,797
Total	$7,287,079,487	$9,012,490,944	$2,384,797	$2,384,797

Reconciliation to investments on *Statements of Plan Net Assets*

Total from above	$9,012,490,944
Less short-term investments	
Repurchase agreements	(600,979)
Short-term investment funds	(521,274,355)
Less invested securities lending collateral	
Short-term investment funds	(201,569,000)
Corporate bonds	(697,486,078)
Investments on *Statement of Plan Net Assets*	$7,591,560,532

Limited Partnerships

Partnership Name	Style	Investments at Fair Value as of June 30, 2007
Blackstone Real Estate Partners IV	Active real estate	$81,527,354
Blackstone Real Estate Partners V	Active real estate	92,429,570
Blackstone Real Estate Partners VI	Active real estate	32,165,596
OCM Real Estate Opportunites Fund III	Active real estate	80,658,687
RH Fund 7	Activist equity	81,285,873
Stinson Capital Partners	Activist equity	40,308,972
Bridgepoint Europe III A	Corporate buyout	13,501,755
Catterton Partners V	Corporate buyout	24,192,041
Catterton Partners VI	Corporate buyout	8,871,910
JLL Partners Fund V	Corporate buyout	15,266,818
OCM/GFI Power Opportunities Fund II	Corporate buyout	9,481,916
Silver Lake Partners II	Corporate buyout	27,036,051
The Veritas Capital Fund III	Corporate buyout	6,064,855
Alinda Infrastructure Fund I	Corporate buyout	8,692,177
Parish Capital Buyout Fund I	Corporate buyout - fund-of-funds	11,548,616
Parish Capital Buyout Fund II	Corporate buyout - fund-of-funds	6,590,942
Parish Opportunity Fund	Private equity co-investment	21,250,000
TCW Energy Fund XD-NL	Private equity co-investment	40,810,739
TCW Energy Partners I	Private equity co-investment	10,095,991
B IV Capital Partners	Distressed debt	39,816,037
Blackstone Distressed Securities Fund	Distressed debt	58,648,636
MHR Institutional Partners II	Distressed debt	88,026,417
MHR Institutional Partners III	Distressed debt	20,341,305
OCM Opportunities Fund IV B	Distressed debt	13,323,828
CVI Global Value Fund A	Distressed real estate and debt	43,400,000
OCM European Credit	European loans	59,583,343
Onyx Partnership	Emerging markets	193,423,580
Merit Energy Partners F-II	Energy - oil & gas	3,396,851
Blackstone Hedged Equity Fund	Long/short	420,368,617
Freeman Fair Value Fund	Long/short	49,615,026
AQR Absolute Return Institutional Fund	Market neutral	191,620,875
BGI Global Market Neutral Fund	Market neutral	232,787,408
Blackstone Topaz Fund	Market neutral	332,567,093
Diamond Ridge	Market neutral	140,761,329
Jade Ridge	Market neutral	445,216,889
Newport Pioneer	Market neutral	370,419,510
Silver Creek Special Opportunities Fund I	Special situations - fund-of-funds	56,191,742
Silver Creek Special Opportunities Fund II	Special situations - fund-of-funds	35,897,982
Campbell Group	Timberland	50,000,000
Global Timber Investors 7	Timberland	56,292,515
Wildwood Timberlands	Timberland	113,836,997
Total		$3,627,315,843

Capital Assets

Office building, furniture, fixtures, and equipment costing $250 or more when acquired are capitalized at cost. 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 life of the related assets according to the following schedule:

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

The following is a schedule of the capital asset account balances as of June 30, 2006, and June 30, 2007, and changes to those account balances during the year ended June 30, 2007.

Capital Asset Account

Capital Assets	Land	Building and Building Improvements	Furniture, Fixtures, and Equipment	Total Capital Assets
Balances June 30, 2006	$267,286	$3,364,425	$1,619,650	$5,251,361
Additions	0	56,369	222,449	278,818
Deletions	0	0	(80,096)	(80,096)
Balances June 30, 2007	267,286	3,420,794	1,762,003	5,450,083
Accumulated depreciation				
Balances June 30, 2006	0	654,358	1,321,885	1,976,243
Depreciation expense	0	86,393	156,083	242,476
Deletions	0	0	(78,540)	(78,540)
Balances June 30, 2007	0	740,751	1,399,428	2,140,179
Net capital assets June 30, 2007	$267,286	$ 2,680,043	$ 362,575	$3,309,904

(3) CONTRIBUTIONS AND RESERVES

The MSEP 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 an open 30-year period. Costs of administering the plans are financed from the contributions to the pension trust funds and investment earnings.

(4) OTHER POST EMPLOYMENT 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

Members, who retire 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, 2007, 15,872 retirees were eligible and participating in the program. This insured defined benefit coverage is financed on a percent of payroll (.13%) and is purchased as a group policy through competitive bids. The cost for year ended June 30, 2007, was $1,786,799. Premiums are contributed 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 insured defined benefit insurance coverage in the same amount of coverage they were receiving through the DOLIR. As of June 30, 2007, 436 retirees were eligible and participating in the program. The coverage of this closed group 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 ($51,331 for the year ended June 30, 2006). 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.

Long-Term Disability Insurance

MOSERS also provides for long-term disability coverage for eligible members. Membership generally includes those active members of MOSERS' retirement plans that do not have other disability coverage or are not yet eligible to receive normal (unreduced) retirement benefits. As of June 30, 2007, 41,034 members were eligible and covered under the program. This insured defined benefit coverage is financed on a percentage of covered payroll (.55%) and is purchased as group policy through competitive bids and is currently administered through The Standard Insurance Company. The cost for the year ended June 30, 2007, was $8,054,084. Premiums are contributed by the state as provided for by Section 104.515, RSMo.

(5) PLAN TERMINATION

MOSERS and its related plans are administered in accordance with Missouri statutes. Plans can only be terminated by an amendment to these statutes by the Missouri legislature.

On April 26, 2005, Governor Matt Blunt signed into law Senate Bill 202 that terminated the Administrative Law Judges and Legal Advisors' Plan (ALJLAP) for new hires only. Under this legislation, individuals who assume a position after April 26, 2005, who would have otherwise been covered by the ALJLAP will instead participate in the MSEP or the MSEP 2000, depending on when they initially became state employees. For fiscal years 2005 and after, all liabilities and assets of the ALJLAP were transferred and combined with the MSEP. Membership totals for ALJLAP members are reflected as combined with the MSEP in all relevant sections of this report.

(6) CONTINGENCIES

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

Required Supplementary Information

Schedules of Funding Progress

Pension Trust Funds - Last Six Years

MSEP

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL Percentage of Covered Payroll ((b-a)/c)
6/30/2002	$6,033,133,598	$6,294,272,275	$ 261,138,677	95.9%	$1,773,283,484	14.7%
6/30/2003	6,057,329,072	6,662,291,406	604,962,334	90.9	1,739,895,364	34.8
6/30/2004	6,118,214,495	7,230,010,928	1,111,796,433	84.6	1,737,454,454	64.0
6/30/2005	6,435,344,102	7,578,028,017	1,142,683,915	84.9	1,806,600,560	63.3
6/30/2006	6,836,567,188	8,013,205,414	1,176,638,226	85.3	1,777,277,138	66.2
6/30/2007	7,377,289,283	8,500,428,641	1,123,139,358	86.8	1,846,643,330	60.8

ALJLAP*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL Percentage of Covered Payroll ((b-a)/c)
6/30/2002	$15,172,619	$18,175,342	$3,002,723	83.5%	$4,779,504	62.8%
6/30/2003	15,626,461	19,946,487	4,320,026	78.3	4,657,896	92.7
6/30/2004	16,238,804	20,384,213	4,145,409	79.7	4,655,340	89.0

*Assets and liabilities of the ALJLAP were transferred to the MSEP during FY05.

Judicial Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL Percentage of Covered Payroll ((b-a)/c)
6/30/2002	$29,651,113	$256,115,452	$226,464,339	11.6%	$40,068,744	565.2%
6/30/2003	34,566,516	267,049,857	232,483,341	12.9	40,052,952	580.4
6/30/2004	39,120,142	280,397,464	241,277,322	14.0	39,878,499	605.0
6/30/2005	44,223,509	292,303,886	248,080,377	15.1	40,016,098	620.0
6/30/2006	51,652,867	309,002,752	257,349,885	16.7	40,270,535	639.1
6/30/2007	61,903,516	326,666,373	264,762,857	19.0	40,846,581	648.2

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

Required Supplementary Information

Schedules of Employer Contributions

Pension Trust Funds - Last Six Years

MSEP

	Annual Required Contribution		
Year Ended June 30	**Percent**	**Dollar Amount**	**Percentage Contributed**
2002	11.59%	$209,515,026	100%
2003	8.81	156,576,150	100
2004	9.35	164,691,836	100
2005	10.64	194,524,059	100
2006	12.59	226,338,183	100
2007	12.78	239,488,751	100

ALJLAP

	Annual Required Contribution		
Year Ended June 30	**Percent**	**Dollar Amount**	**Percentage Contributed**
2002	22.32%	$1,072,562	100%
2003	20.02	951,023	100
2004	20.12	945,950	100
2005	22.13	1,124,924	100
2006*	21.79	895,012	100

* The ALJLAP was transitioned to the MSEP in FY05. 2006 is the last year for separate ALJLAP contributions; future contributions will be included in the MSEP rate.

Judicial Plan

	Annual Required Contribution		
Year Ended June 30	**Percent**	**Dollar Amount**	**Percentage Contributed**
2002	55.30%	$22,088,485	100%
2003	52.12	20,802,140	100
2004	51.68	20,636,314	100
2005	54.51	21,852,985	100
2006	55.76	22,401,569	100
2007	58.48	23,745,467	100

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

Required Supplementary Information

Notes to the Schedules of Required Supplementary Information

Pension Trust Funds - Last Six Years

Actuarial Methods and Assumptions for Valuations Performed June 30, 2007

The entry-age actuarial cost method of valuation is used in determining liabilities and normal cost. Differences in the past between assumed experience and actual 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. An open 30-year amortization period was used for the June 30, 2007, valuations. The actuarial value of assets is based on a method that fully recognizes expected investment returns and averages unanticipated market return over a 5-year period. However, at their meeting on September 15, 2005, the MOSERS board considered the extreme volatility in the markets during the last 5 years and the statutory funding objective to employ methods, which establish contribution rates that are likely to remain level from one period to another. As a result, the board elected to set the actuarial value of assets to market value as of June 30, 2005. Consequently, all remaining unrecognized investment gains or losses that would have otherwise been recognized over a period of years were fully recognized as of June 30, 2005. No change was made to the asset valuation method for future years, so it is anticipated that future investment gains or losses above or below the assumed investment return of 8.5% will continue to be recognized over discrete 5-year periods. The investment return rate assumption used is 8.5% per year, compounded annually (net of investment expenses). The price inflation assumption used is 3.5% per year. Projected salary increase assumptions are based on 4% per year for wage inflation plus an additional 0% to 2.7% per year for the MSEP and 0% to 1.6% per year for the Judicial Plan (depending on age, attributable to seniority, and/or merit increases). The assumption used for annual post-retirement benefit increases is 4% (on a compound basis) for approximately the first 12 years, 3.1% for the 13th year, and 2.8% per year thereafter or 2.8% per year, depending upon the date of hire and benefit election.

Factors That Have Significantly Affected Trends

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.

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

2001

The actuarial valuations as of June 30, 2001, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2003.

	Amount	Percent of Payroll
MSEP		
Change in assumptions	$(41,844,928)	(2.38)%
Release of asset funding margin	(15,647,893)	(.89)
Change in asset valuation method	(3,868,019)	(.22)
Plan experience	12,483,151	.71
ALJLAP		
Change in assumptions	(105,339)	(2.26)
Change in amortization of UAAL	(88,559)	(1.90)
Change in asset valuation method	(4,195)	(.09)
Plan experience	49,873	1.07
Judicial Plan		
Change in assumptions	(1,133,552)	(2.93)
Change in asset valuation method	(197,308)	(.51)
Plan experience	441,041	1.14

2002

The actuarial valuations as of June 30, 2002, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2004.

	Amount	Percent of Payroll
MSEP		
Recognizing state pay freeze FY03	$(6,206,492)	(.35)%
Plan experience	15,782,223	.89
ALJLAP		
Recognizing state pay freeze FY03	(20,074)	(.42)
Plan experience	23,420	.49
Judicial Plan		
Recognizing state pay freeze FY03	(208,357)	(.52)
Plan experience	32,055	.08

2003

The actuarial valuations as of June 30, 2003, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2005.

	Amount	Percent of Payroll
MSEP		
Reduction in projected across-the-board pay increases to 1.67% for the fiscal year ending June 30, 2005	$(6,089,634)	(.35)%
Plan experience	28,543,284	1.64
ALJLAP		
Recognizing state pay freeze for annual salaries above $40,000	(18,632)	(.40)
Plan experience	112,255	2.41
Judicial Plan		
Recognizing state pay freeze for annual salaries above $40,000	(224,297)	(.56)
Plan experience	1,357,795	3.39

2004

The actuarial valuations as of June 30, 2004, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2006.

	Amount	Percent of Payroll
MSEP		
Change in assumptions	$ 8,166,036	.47%
Experience and nonrecurring items	25,714,326	1.48
ALJLAP		
Change in assumptions	466	.01
Experience and nonrecurring items	(16,294)	(.35)
Judicial Plan		
Change in assumptions	(15,951)	(.04)
Experience and nonrecurring items	514,433	1.29

2005

The actuarial valuations as of June 30, 2005, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2007.

	Amount	Percent of Payroll
MSEP		
Mark-to-market asset valuation method adjustment	$(10,116,963)	(.56)%
Recognition of state pay freeze on across-the-board increases for FY06	(3,793,861)	(.21)
Experience and nonrecurring items including the addition of the assets and liabilities from the ALJLAP	17,162,705	.95
Judicial Plan		
Mark-to-market asset valuation method adjustment	28,011	.07
Recognition of state pay freeze on across-the-board increases or FY06	(136,055)	(.34)
Change in amortization factor to reflect the state pay freeze for fiscal year ending June 30, 2006	556,224	1.39
Experience and nonrecurring items	640,258	1.60

2006

The actuarial valuations as of June 30, 2006, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2008.

	Amount	Percent of Payroll
MSEP		
Change to an open 30-year amortization period	$(1,244,094)	(.07)%
Experience and nonrecurring items	2,310,460	.13
Judicial Plan		
Change to an open 30-year amortization period	(265,786)	(.66)
Experience and nonrecurring items	334,245	.83

2007

The actuarial valuations as of June 30, 2007, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2009.

	Amount	Percent of Payroll
MSEP		
Change in assumptions or methods	$ (369,329)	(0.02)%
Experience and nonrecurring items	(5,355,266)	(0.29)
Judicial Plan		
Change in assumptions or methods	(273,672)	(0.67)
Experience and nonrecurring items	853,694	2.09

Schedule of Investment Expenses

Pension Trust Funds - Year Ended June 30, 2007

	MSEP	Judicial Plan	Total
Investing activity			
Investment management and administration fees			
Aetos Capital Management - alpha pool	$1,784,205	$15,786	$1,799,991
Alinda Capital Partners - private equity	309,702	2,740	312,442
Americap Advisors domestic all-cap	148,243	1,312	149,555
AQR Capital Management - alpha pool	6,878,571	60,858	6,939,429
Barclays Global Investors - alpha pool	2,240,245	19,820	2,260,065
BlackRock Financial Management L.P. - high yield	1,163,782	10,296	1,174,078
BlackRock Financial Management L.P. - MBS/ABS	199,509	1,765	201,274
Blackstone - private debt	2,122,373	18,778	2,141,151
Blackstone BREP V - real estate	852,836	7,545	860,381
Blackstone - hedged equity	3,930,021	34,771	3,964,792
Blackstone Alternative Asset Management - alpha pool	4,251,560	37,615	4,289,175
Blackstone - real estate	3,140,257	27,783	3,168,040
Blakeney - emerging markets	15,610,032	138,104	15,748,136
Blum Capital Stinson - private equity	1,444,912	12,784	1,457,696
Bridgewater Associates, Inc. - alpha pool	3,004,039	26,578	3,030,617
Bridgepoint Capital - private equity	475,631	4,208	479,839
Bush O'Donnell - real estate	74,342	658	75,000
Capital Guardian Trust - domestic all-cap	89,493	792	90,285
Catterton Partners - private equity	741,534	6,561	748,095
CVI Global Value Fund - real estate	1,168,771	10,341	1,179,112
DDJ Capital Management - private debt	1,361,552	12,046	1,373,598
DG Capital Management - domestic equity	7,340	65	7,405
Freeman Associates Investment Management - hedged equity	205,206	1,816	207,022
Global Forest Partners - timber	199,226	1,763	200,989
GMO - emerging markets	1,410,857	12,482	1,423,339
Hoisington Investment Management Co. - U.S. Treasuries	90,432	800	91,232
JLL Partners V -	803,984	7,113	811,097
Legg Mason - domestic all-cap	(1,907,101)	(16,873)	(1,923,974)
Legg Mason Value Trust - domestic equity	144,339	1,277	145,616
Leuthold Weeden Capital Management - domestic equity	449,349	3,976	453,325
Mastholm Investment Managers - int'l developed	985,770	8,722	994,492
MHR Institutional Partners - private debt	7,581,997	67,081	7,649,078
MOSERS Inc. - alpha pool	56	0	56
NISA Investment Advisors, LLC - commodities	651,382	5,763	657,145
NISA Investment Advisors, LLC - fixed income	212,041	1,876	213,917
NISA Investment Advisors, LLC - beta program domestic equity	206,006	1,823	207,829
NISA Investment Advisors, LLC - beta program hedged equity	31,503	279	31,782
NISA Investment Advisors, LLC - beta program fixed income	80,551	713	81,264
Oaktree Capital Management European Credit - high yield	179,716	1,590	181,306
Oaktree Capital Management - real estate	5,691,566	50,356	5,741,922
Oaktree Capital Management - private debt	2,297,162	20,324	2,317,486
Oaktree Capital Management GFI Power - private equity	443,104	3,920	447,024
Pacific Alternative Asset Management Co. - alpha pool	4,435,966	39,247	4,475,213
Parish Capital - private equity	636,178	5,629	641,807
Relational Investors, LLC. - private equity	660,509	5,844	666,353
Resource Management Service - timber	628,041	5,557	633,598
Silchester International Investors - int'l developed	2,643,815	23,391	2,667,206
Silver Lake Partners - private equity	64,426	570	64,996
Trust Company of the West Energy Fund - real estate	409,129	3,620	412,749
Veritas Capital- private equity	299,813	2,653	302,466
Wayzata Investment Partners - private debt	142,835	1,264	144,099
Total investment management fees	80,676,808	713,782	81,390,590

Continued on page 50

Schedule of Investment Expenses

Pension Trust Funds - Year Ended June 30, 2007

Continued from page 49

	MSEP	Judicial Plan	Total
Other investment fees			
Investment consultant fees			
Summit Strategies Group	770,179	6,814	776,993
TimberLink Consulting	22,001	195	22,196
Investment custodial fees			
Mellon Bank	676,131	5,982	682,113
Performance measurement fees			
Mellon Bank	357,028	3,159	360,187
Internal investment activity expenses	2,126,558	18,815	2,145,373
Total investing activity expenses	84,628,705	748,747	85,377,452
Securities lending activity			
Securities lending borrower rebates	52,449,770	464,045	52,913,815
Securities lending management fees	0	0	0
Mellon Bank	134,231	1,188	135,419
Credit Suisse First Boston	496,778	4,395	501,173
Total securities lending activity expenses	53,080,779	469,628	53,550,407
Total investment expenses	$137,709,484	$1,218,375	$138,927,859

See accompanying *Independent Auditors' Report*.

Schedule of Internal Investment Activity Expenses

Pension Trust Funds - Year Ended June 30, 2007

	MSEP	Judicial Plan	Total
Personnel services			
Salaries	$1,227,216	$10,859	$1,238,075
Employee fringe benefits	346,506	3,066	349,572
Total personnel services	1,573,722	13,925	1,587,647
Professional services			
Attorney services	112,522	996	113,518
Consulting services	116,913	1,034	117,947
Total professional services	229,435	2,030	231,465
Communications			
Telephone	2,647	23	2,670
Total communications	2,647	23	2,670
Building and grounds			
Utilities	215	2	217
Total building and grounds	215	2	217
Equipment			
Maintenance	119	1	120
Total equipment	119	1	120
Travel and meetings			
Staff travel and meetings	80,392	711	81,103
Total travel and meetings	80,392	711	81,103
General			
Educational materials	2,962	26	2,988
Office supplies	2,858	25	2,883
Subscriptions and dues	231,674	2,050	233,724
Advertising	2,499	22	2,521
Miscellaneous	35	0	35
Total general	240,028	2,123	242,151
Total administrative expenses	$2,126,558	$18,815	$2,145,373

See accompanying *Independent Auditors' Report*.

Schedule of Administrative Expenses

Pension Trust Funds - Year Ended June 30, 2007

	MSEP	Judicial Plan	Total
Personnel services			
Salaries	$3,066,779	$27,133	$3,093,912
Employee fringe benefits	1,152,627	10,198	1,162,825
Total personnel services	4,219,406	37,331	4,256,737
Professional services			
Actuarial services	187,479	1,659	189,138
Attorney services	107,464	951	108,415
Auditing services	36,676	324	37,000
Banking services	23,597	209	23,806
Consulting services	91,483	809	92,292
Total professional services	446,699	3,952	450,651
Communications			
Postage and mailing	252,744	2,236	254,980
Telephone	69,539	615	70,154
Printing	151,406	1,340	152,746
Total communications	473,689	4,191	477,880
Building and grounds			
Depreciation	85,635	758	86,393
Utilities	62,194	550	62,744
Maintenance	46,133	408	46,541
Total building and grounds	193,962	1,716	195,678
Equipment			
Depreciation	154,714	1,369	156,083
Maintenance	291,408	2,578	293,986
Rental	134,015	1,186	135,201
Gain on sale of equipment	(5,089)	(45)	(5,134)
Total equipment	575,048	5,088	580,136
Travel and meetings			
Board travel and meetings	30,617	271	30,888
Staff travel and meetings	200,784	1,776	202,560
Vehicle maintenance and operation	6,639	59	6,698
Total travel and meetings	238,040	2,106	240,146
General			
Educational materials	15,641	138	15,779
Office supplies	171,695	1,519	173,214
Subscriptions and dues	166,479	1,473	167,952
Insurance	116,138	1,028	117,166
Advertising	8,474	75	8,549
Miscellaneous	64,439	570	65,009
Total general	542,866	4,803	547,669
Total administrative expenses	$6,689,710	$59,187	$6,748,897

See accompanying *Independent Auditors' Report*.

Schedule of Administrative Expenses

Internal Service Fund - Year Ended June 30, 2007

Personnel services	
Salaries	$298,474
Employee fringe benefits	104,204
Total personnel services	402,678
Professional services	
Attorney services	665
Auditing services	2,549
Banking services	646
Total professional services	3,860
Communications	
Postage and mailing	987
Telephone	5,018
Total communications	6,005
Building and grounds	
Building use charge	8,639
Utilities	4,338
Maintenance	3,207
Total building and grounds	16,184
Equipment	
Equipment use charge	15,820
Maintenance	20,053
Rental	9,315
Total equipment	45,188
Travel and meetings	
Board travel and meetings	2,128
Staff travel and meetings	19,544
Vehicle maintenance and operation	461
Total travel and meetings	22,133
General	
Educational materials	1,293
Office supplies	12,131
Subscriptions and dues	4,253
Insurance	8,073
Advertising	763
Miscellaneous	4,479
Total general	30,992
Total administrative expenses	$527,040

See accompanying *Independent Auditors' Report*.

Schedule of Professional/Consultant Fees

Year Ended June 30, 2007

		Pension Trust Funds			Internal Service Fund
Professional/Consultant	**Nature of Service**	**MSEP**	**Judicial Plan**	**Total**	**MO State Insurance Plan**
Operation administrative expenses					
Central Bank	Banking	$ 23,597	$ 209	$ 23,806	$ 646
Charlesworth & Associates	Risk management consulting	7,171	63	7,234	0
Claire West Consulting	Governmental pension consulting	11,565	102	11,667	0
Fishnet Security	Enterprise security assessment	47,183	418	47,601	0
Gabriel, Roeder, Smith & Co.	Actuarial	187,479	1,659	189,138	0
Gamble & Schlemeier, LTD	Governmental pension consulting	9,912	88	10,000	0
Hubber & Associates	Information technology consulting	15,652	138	15,790	0
Thompson Coburn LLP	Legal counsel	107,464	951	108,415	665
Williams Keepers LLC	Financial audit	36,676	324	37,000	2,549
Operation administrative expenses subtotal		446,699	3,952	450,651	3,860
Internal investment administrative expenses					
CT Corporation	Legal services	544	5	549	0
Independent Fiduciary Services, Inc.	Fiduciary performance review	96,050	850	96,900	0
KPMG of Taiwan	Tax services	2,277	20	2,297	0
Perkins Coie	Legal counsel (credit)	29,341	260	29,601	0
Thompson Coburn LLP	Legal counsel	81,995	725	82,720	0
Timberlink		19,228	170	19,398	0
Internal investment administrative expenses subtotal		229,435	2,030	231,465	0
Total professional/consultant fees		$676,134	$5,982	$682,116	$3,860

See accompanying *Independent Auditors' Report*.
Information on investment management and consulting fees can be found in the *Schedule of Investment Expenses* on page 49-50.

Investment Summary

Pension Trust Funds - Year Ended June 30, 2007

Type of Investment	June 30, 2006 Cost Value	June 30, 2006 Fair Value	Purchases and Capital Additions at Cost	Sales and Redemptions at Cost	June 30, 2007 Cost Value	June 30, 2007 Fair Value	Percent of Total Fair Value
Fixed income							
Treasury bonds, notes, and bills	$ 701,430,087	$ 718,158,174	$ 142,125,054	$ (215,231,767)	$ 628,323,374	$ 627,242,767	8%
Government bonds and gov't mortgage-backed securities	222,544,305	219,911,924	346,717,027	(353,207,403)	216,053,929	213,975,766	3
Corporate bonds	502,765,787	494,927,167	102,200,837	(235,752,282)	369,214,342	370,332,145	5
Convertible bonds	7,103,792	7,383,417	938,991	(4,786,701)	3,256,082	3,777,206	0
Collateralized mortgage obligations	10,475,662	10,184,835	15,237,671	(15,380,989)	10,332,344	10,261,695	0
International corporate bonds	41,559,952	40,570,429	28,946,263	(15,828,311)	54,677,904	57,287,424	0
Bank loans	0	0	99,758,589	(14,676,936)	85,081,653	86,286,042	1
Total fixed income	1,485,879,585	1,491,135,946	735,924,432	(854,864,389)	1,366,939,628	1,369,163,045	17
Common stock	728,299,273	809,269,933	562,019,619	(461,905,989)	828,412,903	958,091,029	13
Preferred stock	8,406,115	8,543,288	6,926,479	(6,134,030)	9,198,564	11,916,282	0
International investments							
International equities	843,152,292	1,225,696,067	226,836,766	(121,890,889)	948,098,169	1,505,269,805	20
Foreign currency	98,384,743	97,654,292	1,144,885,096	(1,122,733,950)	120,535,889	119,070,493	2
Total international investments	941,537,035	1,323,350,359	1,371,721,862	(1,244,624,839)	1,068,634,058	1,624,340,298	22
Real estate							
Equity holdings	734,035	734,035	0	0	734,035	734,035	0
REITs	65,854,040	111,541,494	6,086,843	(71,940,883)	0	0	0
Total real estate	66,588,075	112,275,529	6,086,843	(71,940,883)	734,035	734,035	0
Limited partnerships	2,141,155,569	2,655,223,459	695,609,757	(244,924,450)	2,591,840,876	3,627,315,843	48
Investments (per *Statement of Plan Net Assets* page 26)	5,371,865,652	6,399,798,514	3,378,288,992	(2,884,394,580)	5,865,760,064	7,591,560,532	100%
Short-term investments							
Short-term investment funds	665,241,678	665,241,678	756,581,183	(900,548,506)	521,274,355	521,274,355	
Repurchase agreements	578,835	578,835	146,098,328	(146,076,184)	600,979	600,979	
Total short-term investments	665,820,513	665,820,513	902,679,511	(1,046,624,690)	521,875,334	521,875,334	
Invested securities lending collateral							
Corporate bonds	912,763,965	912,973,984	286,561,046	(501,449,922)	697,875,089	697,486,078	
Short-term investment funds	239,425,723	239,425,723	29,842,873,432	(29,880,730,155)	201,569,000	201,569,000	
Total invested securities lending collateral*	1,152,189,688	1,152,399,707	30,129,434,478	(30,382,180,077)	899,444,089	899,055,078	
Total investments	$7,189,875,853	$8,218,018,734	$34,410,402,981	$(34,313,199,347)	$7,287,079,487	$9,012,490,944	

* Securities lending collateral on page 26 includes $278 in uninvested cash.

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.

Investment Summary

Internal Service Fund - Year Ended June 30, 2007

	June 30, 2006				June 30, 2007		
Type of Investment	**Cost Value**	**Fair Value**	**Purchases and Capital Additions at Cost**	**Sales and Redemptions at Cost**	**Cost Value**	**Fair Value**	**Percent of Total Fair Value**
Repurchase agreements	$2,051,203	$2,051,203	$559,611,439	$(559,277,845)	$2,384,797	$2,384,797	100%

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.