MOTIVATION

Retirement is not just an event; it is an achievement, a milestone and a new beginning. Though ideas about retirement continue to change, the big picture stays the same. MOSERS remains well funded and focused on keeping promised benefits secure.

Focus on the timeless value of retirement

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

WILLIAMS KEEPERS LLC
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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, 2010, as listed in the accompanying table of contents. We have also audited the financial statements of MOSERS' internal service funds as of and for the year ended June 30, 2010, 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 funds, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management 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, 2010, 2009, 2008, 2007, and 2006. However, we did not audit the information and express no opinion on it.

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 21, 2010

American Institute of Certified Public Accountants
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MANAGEMENT DISCUSSION AND ANALYSIS

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 resulting net assets where Assets – Liabilities = Net Assets available at the end of the fiscal year. It is a snapshot of the financial position of the pension trust funds at that specific point in time.

The ***Statements of Changes in Plan Net Assets*** which summarize the pension trust funds' 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 funds is similar to the *Statements of Plan Net Assets* in that it is also a snapshot of the financial position of the internal service funds where Net Assets + Liabilities = Assets.

The ***Statements of Revenues, Expenses, and Changes in Net Assets*** of the internal service funds is similar to the *Statements of Changes in Plan Net Assets* in that it also reports a summary of 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 ***Statements of Cash Flows*** of the internal service funds reports the financial transactions of the fiscal year of the internal service funds on a cash basis. It is similar to the *Statements 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 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.

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

Pages 23-26 contain summary comparative statements of MOSERS' pension trust funds and internal service funds and provide additional analysis of the changes noted on those schedules.

MOSERS' overall pension fund financial condition improved during the fiscal year ended June 30, 2010. Pension fund net assets increased by $577,170,985 during the fiscal year, primarily as result of an increase in investment values and their associated income. The investments of the pension trust funds generated a 14.3% return for the year, up from the prior year's return of -19.1%. The MSEP plan experienced a decrease in its funded status from 83% to 80.4% and the Judicial Plan experienced an increase in its funded status from 22% to 23.3%. The temporary change in the valuation asset market corridor adopted by the MOSERS Board of Trustees in 2009 goes to +/- 25% through June 30, 2010. This was done to reflect the unusual market condition experienced over the last two fiscal years. The corridor is scheduled to return to +/- 20% in FY11.

The internal service funds net assets increased by $252,165. The goals of the internal service funds are to maintain the funds at a level that enables it to meet its obligations of contracting the premiums for the life and long-term disability insurance benefits for state employees; maintain the membership data necessary to track the premiums due from the state and its employees and payable to the insurance carrier; manage the state employees deferred compensation program; and collect and remit the state and employee contributions to the deferred compensation plan administrator.

The following schedules present summary comparative financial statements of the pension trust funds and internal service funds for FY10 and FY09. For each schedule there is a brief summary of the significant changes noted in those schedules.

Pension Trust Funds

Summary Comparative Statements of Plan Net Assets Analysis

The largest components of the net assets of the pension trust funds are the investments, cash and short-term investments, and securities lending collateral.

The increase in the fair value of investments is primarily attributable to the favorable market conditions experienced during FY10, as evidenced by an increase in MOSERS' total investment return from -19.1% last year to 14.3% this year. During the fiscal year ended June 30, 2010, MOSERS was properly positioned to take advantage of the market rebound that occurred during the first three quarters of the fiscal year and provided significant downside protection during the last quarter. Detailed information regarding MOSERS' investment portfolio is included in the *Investment Section* of this report.

The decrease in securities lending collateral is primarily attributable to MOSERS' decision to reduce the size of the lending portfolio in an effort to reduce the risk exposure in this area. Lending margins were also narrower during the fiscal year making it less attractive to loan securities. As of the fiscal year-end, approximately 35% of the collateral received has been invested in asset-backed and corporate bonds. The value of the invested collateral has declined below the level of the liability MOSERS has incurred from the securities lending program. If all the loans were terminated on June 30, 2010, MOSERS would have had to make up the $9.7 million difference between the invested collateral of $192.6 million and the collateral liability of $202.3 million.

Cash and short-term investments were up slightly, partly as a result of increased investing activity during the year.

Summary Comparative Statements of Plan Net Assets
Pension Trust Funds

	As of June 30, 2010	As of June 30, 2009	Amount of Change	Percentage Change
Cash and short-term investments	$ 630,869,896	$ 624,390,801	$ 6,479,095	1.04%
Receivables	45,578,213	50,537,236	(4,959,023)	(9.81)
Investments	6,199,292,141	5,644,811,509	554,480,632	9.82
Invested securities lending collateral	192,640,173	385,276,913	(192,636,740)	(50.00)
Capital assets	3,190,347	3,313,056	(122,709)	(3.70)
Other assets	50,312	85,515	(35,203)	(41.17)
Total assets	7,071,621,082	6,708,415,030	363,206,052	5.41
Administrative expense payables	2,204,046	1,606,040	598,006	37.23
Investment purchase payables	23,438,954	23,837,745	(398,791)	(1.67)
Investment income payables	25,586,275	0	25,586,275	100.00
Securities lending collateral	202,323,418	441,487,337	(239,163,919)	(54.17)
Other liabilities	11,891,157	12,477,661	(586,504)	(4.70)
Total liabilities	265,443,850	479,408,783	(213,964,933)	(44.63)
Net assets	$6,806,177,232	$ 6,229,006,247	$ 577,170,985	9.27

Summary Comparative Statements of Changes in Plan Net Assets Analysis

The slight decrease in contributions received is primarily attributable to a decrease in state payroll for the year.

The increase in investment income in FY10 over FY09 is attributable to the generally favorable market conditions experienced by the investments of the fund. The decrease in securities lending income is primarily attributed to a decrease in demand for lendable securities and an intentional effort to reduce MOSERS' risk exposure in the securities lending arena. Additional information regarding the investments and securities lending activity can be found in the *Investment Section* of this report.

The total benefit payments increase is due to a net increase in the number of benefit recipients plus cost-of-living adjustments provided to existing benefit recipients. Detailed schedules of these changes can be found on pages 112-117 of the *Actuarial Section* of this report.

Service transfers are dependent on the number of members electing to transfer their service out of MOSERS and the cost of that service transferred. Refunds are dependent on the number of members MOSERS is able to locate who have contributions remaining in the system. During FY10, there were 69 members electing to transfer their service out of MOSERS and one member was located who had contributions remaining in the system.

Internal Service Funds

Summary Comparative Balance Sheets Analysis

The decrease in premiums receivable is attributable to normal fluctuations in the month end balance of life and long-term disability insurance premiums receivable during the year, which are dependent on the number of members participating and amount of their coverage.

The accounts receivable-other increase is due to increased receipts received in conjunction with the revenue sharing arrangement with the deferred compensation plan administrator. To cover the administration costs of the program, each quarter MOSERS receives a flat amount of $25,000 plus, beginning in 2009, 0.07% annualized of the ING Stable Income Fund. The fourth quarter ING Stable Income Fund revenue sharing payment of $129,521 remained receivable at fiscal year-end.

The increase in investments is attributable to normal fluctuations in the investment in overnight repurchase agreements of the funds held pending transmission to the life and long-term disability insurance company and to the deferred compensation administrator.

The increase in premiums payable 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 increase in reimbursements due to the pension trust funds for the internal service fund's portion of shared expenses which had not been transferred at year-end.

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

Premium receipts and premium disbursements increased slightly due to normal fluctuations in the amount of optional life insurance coverage selected by state employees.

The decrease in deferred compensation receipts and disbursements is primarily attributable to a decreased number in the workforce contributing to the plan as well as the discontinuation of the employer incentive match in March 2010.

Miscellaneous income increased as a result of higher receipts from the revenue sharing arrangement with the deferred compensation plan administrator.

Premium refunds decreased slightly as a result of a decrease in the amount of payroll processing errors by state entities.

Administrative expenses decreased primarily as a result of expenses for improvements made in 2009 to the state's deferred compensation plan that were implemented prior to 2010.

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

Summary Comparative Statements of Changes in Plan Net Assets

Pension Trust Funds

	Year Ended June 30, 2010	Year Ended June 30, 2009	Amount of Change	Percentage Change
Contributions	$ 281,842,348	$ 283,094,964	$ (1,252,616)	(0.44)%
Investment income (loss) - investing activities	868,603,852	(1,530,053,487)	2,398,657,339	156.77
Investment income - securities lending activities	1,204,378	5,829,390	(4,625,012)	(79.34)
Miscellaneous income	647,275	625,564	21,711	3.47
Total additions (reductions)	1,152,297,853	(1,240,503,569)	2,392,801,422	192.89
Benefits	567,514,834	534,698,643	32,816,191	6.14
Service transfers and refunds	466,076	0	466,076	100.00
Administrative expenses	7,145,958	7,162,956	(16,998)	(0.24)
Total deductions	575,126,868	541,861,599	33,265,269	6.14
Net increase (decrease)	577,170,985	(1,782,365,168)	2,359,536,153	132.38
Net assets beginning of year	6,229,006,247	8,011,371,415	(1,782,365,168)	(22.25)
Net assets end of year	$6,806,177,232	$ 6,229,006,247	$ 577,170,985	9.27

Summary Comparative Balance Sheets

Internal Service Funds

	As of June 30, 2010	As of June 30, 2009	Amount of Change	Percentage Change
Cash	$ 8	$ 0	$ 8	100.00%
Premiums receivable	1,013,226	1,033,692	(20,466)	(1.98)
Accounts receivable - other	129,521	124,488	5,033	4.04
Investments	3,103,073	2,642,046	461,027	17.45
Total assets	4,245,828	3,800,226	445,602	11.73
Premiums payable	2,999,451	2,878,996	120,455	4.18
Deferred compensation contributions payable	55,327	0	55,327	100.00
Other liabilities	406,780	389,125	17,655	4.54
Total liabilities	3,461,558	3,268,121	193,437	5.92
Unrestricted net assets	784,270	532,105	252,165	47.39
Total liabilities and net assets	$4,245,828	$3,800,226	$445,602	11.73

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

Internal Service Funds

	Year Ended June 30, 2010	Year Ended June 30, 2009	Amount of Change	Percentage Change
Premium receipts	$29,098,799	$ 28,990,057	$ 108,742	0.38%
Deferred compensation receipts	69,143,267	75,661,047	(6,517,780)	(8.61)
Miscellaneous income	1,039,369	1,027,380	11,989	1.17
Total operating revenue	99,281,435	105,678,484	(6,397,049)	(6.05)
Premium disbursements	29,077,825	28,968,981	108,844	0.38
Deferred compensation disbursements	69,143,267	75,683,218	(6,539,951)	(8.64)
Premium refunds	20,974	21,076	(102)	(0.48)
Administrative expenses	797,020	819,581	(22,561)	(2.75)
Total operating expenses	99,039,086	105,492,856	(6,453,770)	(6.12)
Net operating income	242,349	185,628	56,721	30.56
Investment income	9,816	20,755	(10,939)	(52.71)
Net revenues over expenses	252,165	206,383	45,782	22.18
Net assets beginning of year	532,105	325,722	206,383	63.36
Net assets end of year	$ 784,270	$ 532,105	$ 252,165	47.39

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 employers and members over that of FY09.

The decrease in cash flows from noncapital financing activities is primarily attributable to a decrease in the amount of life and long-term disability premium refund checks that remained outstanding at year-end.

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 $162,975 and a decrease in the investment income received of $10,939.

Request for Information

This financial report is designed to provide a general overview of the system's finances for all those with interest in the system. Questions concerning any of the information provided in this report or request for additional information should be addressed to MOSERS at P.O. Box 209, Jefferson City, MO 65102.

Summary Comparative Statements of Cash Flows

Internal Service Funds

	Year Ended June 30, 2010	Year Ended June 30, 2009	Amount of Change	Percentage Change
Cash flows from operating activities	$ 452,171	$ 274,449	$ 177,722	64.76%
Cash flows from noncapital financing activities	(952)	2,810	(3,762)	(133.88)
Cash flows from investing activities	(451,211)	(277,297)	(173,914)	62.72
Net change in cash	8	(38)	46	
Cash balances beginning of year	0	38	(38)	
Cash balances end of year	$ 8	$ 0	$ 8	

Basic Financial Statements

STATEMENTS OF PLAN NET ASSETS

PENSION TRUST FUNDS – AS OF JUNE 30, 2010

	MSEP	Judicial Plan	Total
Assets			
Cash and short-term investments	$ 623,682,400	$ 7,187,496	$ 630,869,896
Receivables			
State contributions	9,713,222	1,134,742	10,847,964
Investment sales	33,939,188	391,125	34,330,313
Other	395,380	4,556	399,936
Total receivables	44,047,790	1,530,423	45,578,213
Investments at fair value			
U.S. treasury securities	829,231,688	9,556,305	838,787,993
Corporate bonds	122,030,335	1,406,313	123,436,648
Convertible bonds	3,195,889	36,830	3,232,719
Government bonds & gov't mortgage-backed securities	37,326,911	430,166	37,757,077
Common stock	830,134,113	9,566,705	839,700,818
Preferred stock	7,871,437	90,713	7,962,150
Limited partnerships	3,282,145,346	37,824,391	3,319,969,737
Bank loans	86,274,717	994,255	87,268,972
Collateralized mortgage obligations	105,110,684	1,211,326	106,322,010
Foreign currency	4,004,587	46,150	4,050,737
International equities	808,709,811	9,319,805	818,029,616
U.S. dollar-denominated international corporate bonds	12,628,134	145,530	12,773,664
Total investments	6,128,663,652	70,628,489	6,199,292,141
Invested securities lending collateral	190,445,425	2,194,748	192,640,173
Capital assets			
Land	264,241	3,045	267,286
Building and building improvements	3,512,405	40,478	3,552,883
Furniture, fixtures, and equipment	1,804,429	20,795	1,825,224
Total capital assets	5,581,075	64,318	5,645,393
Accumulated depreciation	(2,427,076)	(27,970)	(2,455,046)
Net capital assets	3,153,999	36,348	3,190,347
Prepaid expenses and other	49,739	573	50,312
Total assets	6,990,043,005	81,578,077	7,071,621,082
Liabilities			
Administrative expense payables	2,178,935	25,111	2,204,046
Investment purchases payables	23,171,914	267,040	23,438,954
Securities lending collateral	200,018,349	2,305,069	202,323,418
Investment incentive fees payable	11,236,944	129,498	11,366,442
Investment income payable	25,294,771	291,504	25,586,275
Employee vacation and overtime liability	518,737	5,978	524,715
Total liabilities	262,419,650	3,024,200	265,443,850
Net assets held in trust for pension benefits	$6,727,623,355	$78,553,877	$6,806,177,232

See accompanying *Notes to the Financial Statements*.

Basic Financial Statements

STATEMENTS OF CHANGES IN PLAN NET ASSETS

PENSION TRUST FUNDS – YEAR ENDED JUNE 30, 2010

	MSEP	Judicial Plan	Total
Additions			
Contributions			
State contributions	$ 251,226,187	$27,029,198	$ 278,255,385
Member purchases of service credit	3,576,954	0	3,576,954
Service transfer contributions	10,009	0	10,009
Total contributions	254,813,150	27,029,198	281,842,348
Investment income			
From investing activities:			
Net appreciation in fair value of investments	877,590,620	10,113,608	887,704,228
Interest	46,301,472	533,591	46,835,063
Dividends	4,338,432	49,997	4,388,429
Other	18,933,591	218,196	19,151,787
Total investing activity income	947,164,115	10,915,392	958,079,507
Investing activity expenses:			
Management fees	(83,202,060)	(958,845)	(84,160,905)
Custody fees	(467,132)	(5,383)	(472,515)
Consultant fees	(838,841)	(9,667)	(848,508)
Performance measurement fees	(348,939)	(4,021)	(352,960)
Internal investment activity expenses	(3,599,288)	(41,479)	(3,640,767)
Total investing activity expenses	(88,456,260)	(1,019,395)	(89,475,655)
Net income from investing activities	858,707,855	9,895,997	868,603,852
From securities lending activities:			
Securities lending income	1,020,031	11,755	1,031,786
Securities lending expenses:			
Borrower rebates	526,125	6,063	532,188
Management fees	(355,499)	(4,097)	(359,596)
Total securities lending activities expenses	170,626	1,966	172,592
Net income from securities lending activities	1,190,657	13,721	1,204,378
Total net investment income	859,898,512	9,909,718	869,808,230
Miscellaneous income	639,901	7,374	647,275
Total additions	1,115,351,563	36,946,290	1,152,297,853
Deductions			
Benefits	486,632,411	24,230,545	510,862,956
BackDROP & lump sum benefits	56,651,878	0	56,651,878
Service transfer payments	462,970	0	462,970
Contribution refunds	3,106	0	3,106
Administrative expenses	7,064,544	81,414	7,145,958
Total deductions	550,814,909	24,311,959	575,126,868
Net increase	564,536,654	12,634,331	577,170,985
Net assets held in trust for pension benefits:			
Beginning of year	6,163,086,701	65,919,546	6,229,006,247
End of year	$6,727,623,355	$78,553,877	$6,806,177,232

See accompanying *Notes to the Financial Statements*.

Basic Financial Statements

BALANCE SHEETS

INTERNAL SERVICE FUNDS – AS OF JUNE 30, 2010

	Life & LTD	Deferred Compensation	Total
Assets			
Cash	$ 0	$ 8	$ 8
Premiums receivable	1,013,226	0	1,013,226
Accounts receivable other	0	129,521	129,521
Due to/(due from)	(624,624)	624,624	0
Investments at fair value	3,047,746	55,327	3,103,073
Total assets	$3,436,348	$809,480	$4,245,828
Liabilities and net assets			
Liabilities			
Premiums payable	$2,999,451	$ 0	$2,999,451
Deferred compensation contributions payable	0	55,327	55,327
Checks outstanding net of deposits	1,858	0	1,858
Other	404,922	0	404,922
Total liabilities	3,406,231	55,327	3,461,558
Unrestricted net assets	30,117	754,153	784,270
Total liabilities and net assets	$3,436,348	$809,480	$4,245,828

See accompanying *Notes to the Financial Statements*.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN PLAN NET ASSETS

INTERNAL SERVICE FUNDS – YEAR ENDED JUNE 30, 2010

	Life & LTD	Deferred Compensation	Total
Operating revenues			
Premium receipts	$29,098,799	$ 0	$29,098,799
Deferred compensation receipts	0	69,143,267	69,143,267
Miscellaneous income	436,488	602,881	1,039,369
Total operating revenues	29,535,287	69,746,148	99,281,435
Operating expenses			
Premium disbursements	29,077,825	0	29,077,825
Deferred compensation disbursements	0	69,143,267	69,143,267
Premium refunds	20,974	0	20,974
Administrative expenses	619,916	177,104	797,020
Total operating expenses	29,718,715	69,320,371	99,039,086
Operating revenues over (under) operating expenses	(183,428)	425,777	242,349
Non-operating revenues			
Investment income	9,759	57	9,816
Net revenues over (under) expenses	(173,669)	425,834	252,165
Net assets beginning of year	203,786	328,319	532,105
Net assets end of year	$ 30,117	$ 754,153	$ 784,270

See accompanying *Notes to the Financial Statements*.

Basic Financial Statements

STATEMENTS OF CASH FLOWS

INTERNAL SERVICE FUNDS – YEAR ENDED JUNE 30, 2010

	Life & LTD	Deferred Compensation	Total
Cash flows from operating activities			
Cash received from employer and members	$ 29,872,759	$ 69,424,109	$ 99,296,868
Payments to outside carriers	(28,958,347)	(69,130,434)	(98,088,781)
Refunds of premiums to members	(20,974)	0	(20,974)
Cash payments to employees for services	(216,856)	(136,033)	(352,889)
Cash payments to other suppliers of goods and services	(237,194)	(144,859)	(382,053)
Net cash provided by operating activities	439,388	12,783	452,171
Cash flows from noncapital financing activities			
Implicit funding of checks outstanding net of deposits	1,858	0	1,858
Implicit repayment of prior years checks outstanding net of deposits	(2,810)	0	(2,810)
Net cash used in noncapital financing activities	(952)	0	(952)
Cash flows from investing activities			
Purchase of investment securities	(655,323,693)	(7,468,206)	(662,791,899)
Proceeds from sale and maturities of investment securities	654,875,498	7,455,374	662,330,872
Cash received from investment income	9,759	57	9,816
Net cash used by investing activities	(438,436)	(12,775)	(451,211)
Net increase in cash	0	8	8
Cash balances beginning of year	0	0	0
Cash balances end of year	$ 0	$ 8	$ 8
Reconciliation of operating revenues over (under) operating expenses to net cash provided by operating activities			
Operating revenues over (under) operating expenses	$ (183,428)	$ 425,777	$ 242,349
Adjustments to reconcile operating revenues over (under) operating expenses to net cash provided by operating activities			
Change in assets and liabilities:			
(Increase) decrease in operational accounts receivable	483,754	(468,321)	15,433
Increase in operational accounts payable	139,062	55,327	194,389
Total adjustments	622,816	(412,994)	209,822
Net cash provided by operating activities	$ 439,388	$ 12,783	$ 452,171

See accompanying *Notes to the Financial Statements*.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

(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, 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.

Prospective Plan Changes

On July 19, 2010, Governor Jay Nixon signed into law House Bill No. 1, that created new tier defined benefit plans for members of the Missouri State Employees' Retirement System (MOSERS) and the MoDOT and Patrol Employees' Retirement System (MPERS) hired on or after January 1, 2011.

The new tier for MOSERS members (MSEP 2011) will include all new employees first hired on or after January 1, 2011, as members of the MSEP 2000.

Highlights of this change include:

- Changes in normal retirement eligibility for most classifications designed to coincide with the current ultimate minimum eligibility age of 67 for unreduced social security benefits for those born after 1959.
- "Rule of 80" will be increased to a "Rule of 90" and the corresponding minimum eligibility age will be increased from age 48 to age 55.
- The age for early retirement for general employees will be increased from age 57 to age 62 (option available with a reduction).
- Five-year vesting will be increased to ten-year vesting for general employees.
- Member contributions for all classifications equivalent to 4% of pay on a pretax basis; 4% interest will be credited to member accounts at the end of the fiscal year based on the beginning fiscal year balance.
- Elimination of subsidized service purchases for all employee classifications. This will include elimination of subsidized purchases of military and other full-time nonfederal governmental service.
- Elimination of the portability provision that was enacted in the MSEP 2000 Plan.
- Elimination of the BackDROP provision that was enacted in 2002.

The MSEP 2011 does not impact employees currently or previously employed by the state (current members of MOSERS).

Responsibility for the operation and administration of the system is vested in the MOSERS Board of Trustees. Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the 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). Full-time state employees hired after July 2000 and before January 2011 are eligible for membership in the MSEP 2000. Employees hired on or after January 2011 will be eligible for membership in the MSEP 2011 tier of the MSEP 2000. MOSERS participates as an employer in the MSEP.

As of the June 30, 2010 valuation, membership in the MSEP consisted of the following:

Retirees and beneficiaries currently receiving benefits		33,251
Terminated employees entitled to, but not yet receiving benefits		17,399
Active		
Vested	37,020	
Nonvested	16,458	53,478
Total membership		104,128

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 percentage increase in the average consumer price index (CPI) from one year to the next, 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 percentage increase in the average CPI from one year to the next, 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

General state employees are fully vested for benefits upon receiving 5 years of credited service. Under the MSEP 2000, 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 percentage increase in the average CPI from one year to the next, 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, 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 the MOSERS Board of Trustees. Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the Judicial Plan is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

Judges 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, justices of the peace, or commissioners or deputy commissioners of the circuit court appointed after February 29, 1972, commissioners of the juvenile division of the circuit court appointed pursuant to Section 211.023, RSMo, commissioners of the drug court pursuant to Section 478.466, RSMo, or commissioners of the family court are eligible for membership in the Judicial Plan.

As of the June 30, 2010 valuation, membership in the Judicial Plan consisted of the following:

Retirees and beneficiaries currently receiving benefits		465
Terminated employees entitled to, but not yet receiving benefits		42
Active		
Vested	402	
Nonvested	0	402
Total membership		909

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 percentage increase in the average CPI from one year to the next, 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 percentage increase in the average CPI from one year to the next, 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.

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*.

Schedule of Funded Status

	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	6/30/2010	$ 7,923,377,393	$ 9,853,155,445	$ 1,929,778,052	80.4%	$ 1,945,095,321	99.2%
Judges	6/30/2010	88,976,738	382,012,773	293,036,035	23.3	46,112,730	635.5

	MSEP	Judicial Plan
Valuation date	6/30/2010	6/30/2010
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 +/- 25% market corridor	5-year smoothed market +/- 25% market corridor
Actuarial assumptions:		
Investment rate of return	8.5%	8.5%
Projected salary increases	4%	4%
COLAs	2.56%*	2.56%**
Price inflation	3.2%	3.2%

* *On a compound basis, 4% for the first 12 years, 3.1% for the 13th year, and 2.56% per year thereafter.*

** *On a compound basis, 4% for the first 12 years, 3.06% for the 13th year, and 2.56% 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), and 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.

State of Missouri's Deferred Compensation Plan

The state of Missouri's Deferred Compensation Plan is accounted for as an internal service fund and is administered by MOSERS.

Effective September 1, 2007, legislation transferred responsibility for the administration of the state of Missouri's Deferred Compensation Plan from the State of Missouri's Deferred Compensation Commission to the MOSERS Board of Trustees. The commission was dissolved upon transfer. In order to assist in the transition, two deferred compensation commissioners (the chair of the commission and one House appointed member) remained for a period of time as ex-officio members on the MOSERS board for issues related to the deferred compensation program. This change was initiated by a legislative member of the commission based on the belief that plan participants would benefit from MOSERS' investment and administrative expertise in monitoring the program.

The plan administration of individual accounts and the investment products available are handled by outside providers and paid from charges to the participants and revenue sharing arrangements. Investment of deferred compensation funds are managed by participants who choose from available options. MOSERS' role is to provide investment options to the participants. MOSERS participates in the revenue sharing arrangement with the plan administrator to cover MOSERS' administrative costs and a portion of participant fees for administrative costs.

Revenue Sharing

	Employee Charges	Revenue Sharing	Total
ING	$ 2,072,815	$ 1,251,300	$ 3,324,115
MOSERS	0	602,881	602,881
Total	$ 2,072,815	$ 1,854,181	$ 3,926,996

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

Basis of Accounting

The financial statements of the MSEP, the Judicial Plan, the Missouri State Insured Defined Benefit Insurance Plan and state of Missouri's Deferred Compensation 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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at June 30, 2010. Actual results could differ from those estimates.

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 funds are reported on the basis of fair market value. The schedule on page 42 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 funds. 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. Certain limited partnerships reflect values on a quarter lag basis due to the nature of those investments and the time it takes to value them. 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

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 board adopted the following policy on June 18, 2009:

The executive director shall require that banks managing demand deposit accounts for any retirement plan associated with MOSERS (MOSERS' defined benefit plan and the deferred compensation plan/state incentive compensation plan) to hold, at minimum, collateral security in either MOSERS' name or the state of Missouri Deferred Compensation Plan and in an amount equal to or more than the amount on deposit that exceeds the Federal Deposit Insurance Corporation

(FDIC) insured amount. The types of collateral security shall be included on a list maintained by the State Treasurer's office in accordance with Section 30.270 RSMo, but in no case may a bank pledge collateral that does not specifically allow MOSERS to release the collateral or pledge collateral that represents securities of the pledging banks.

Cash balances represent both demand deposit accounts held at the bank and investment cash on deposit with the investment custodian. To maximize investment income, the float caused by outstanding checks is invested in an overnight sweep account, 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. Funds held in the sweep account are not covered by Federal Deposit Insurance Corporation (FDIC) insurance. Effective July 1, 2009, the Repurchase Agreement was amended to remove the bank's right to substitute other appropriate securities under this agreement. Central Trust Bank pledged the following securities to MOSERS on June 30, 2010, as collateral for overnight repurchase agreements:

- $2,215,218 Small Business Administration Pool #508605 – maturity date - 07/25/2016 – fair value - $1,347,406
- $1,000,000 Small Business Administration Pool #507920 – maturity date - 01/25/2019 – fair value - $517,078
- $2,000,000 Small Business Administration Pool #508037 – maturity date - 02/25/2019 – fair value - $1,154,780
- $1,631,538 Small Business Administration Pool #521629 – maturity date - 07/25/2019 – fair value - $1,546,881
- $2,000,000 Small Business Administration Pool #508579 – maturity date - 10/25/2020 – fair value - $1,670,171

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, 2010, MOSERS' fixed income assets that are not government guaranteed represented 56% 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 on the following page summarize MOSERS' fixed income portfolio average credit quality and exposure levels.

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. MOSERS is notified by the investment manager when an investment with a quality credit rating of CC or lower is purchased and in those circumstances of downgrades subsequent to purchase. In those cases, the investment manager may be 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, but may include situations in which the investment manager believes that worst case recovery values exceed market pricing.

Credit risk for derivative instruments held by the system results from counterparty risk assumed by MOSERS. This is essentially the

Aggregate Book and Bank Balances

	Cash Balances	
	Book	Bank/Investment Custodian
Pension Trust Funds - investment custodian	$34,271,330	$34,271,330
Pension Trust Funds - demand deposits	(10,434,927)	4,026
Internal Service Fund - insurance plan demand deposits	(1,858)	64
Internal Service Fund - deferred compensation plan demand deposits	8	8

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 page 39- 41 of these notes.

Policies related to credit risk pertaining to MOSERS' securities lending program are found under the securities lending disclosures 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. Within the investment policy, operational guidelines specify the degree of interest rate risk taken within the system's fixed income portfolios, with the exception of some portfolios in which credit risk is the predominant factor and is also controlled by specific guidelines.

Average Credit Quality and Exposure Levels of Nongovernment Guaranteed Securities

Fixed Income Security Type	Market Value June 30, 2010	Percent of all Fixed Income Assets	Weighted Average Credit Quality	Ratings Dispersion Requiring Further Disclosure
Mortgages	$ 306,008	0.0%	Agency	None
Collateralized mortgage obligations	114,558,889	5.6	CCC+	See table below
Asset-backed securities	79,638,370	3.9	BBB+	See table below
Corporate bonds	240,360,288	11.9	BBB	See table below
Bank loans	88,623,498	4.4	B	See table below
Bank deposits	200,049,667	9.9	FDIC insured	None
Repurchase agreements	300,002,667	14.8	Not rated	None
Pooled investments	118,507,779	5.8	AAA	See table below
Total nongov't guaranteed securities	$1,142,047,166	56.3%		
Total fixed income securities	$2,027,743,574			

Ratings Dispersion Detail - Market Value

Credit Rating Level	Collateralized Mortgage Obligations	Asset-Backed Securities	Corporate Bonds	Bank Loans	Pooled Investments
Agency	$ 4,613,348				
AAA		$ 35,193,524	$ 31,944,197		$ 118,263,490
AA	723,776	67,248	16,758,130		
A	3,359,981	816,392	96,517,241		
BBB		18,548,012		$ 473,133	
BB	566,266	1,792,553	18,678,424	33,360,254	
B	12,941,334	13,850,419	47,738,811	39,455,553	
CCC	55,439,623	7,283,158	16,667,495	7,826,977	
CC	29,698,280	1,134,080	23,547		
C				1,218,768	
D	7,216,281	952,984			
Not rated			12,032,443	6,288,813	244,289
	$114,558,889	$79,638,370	$240,360,288	$88,623,498	$118,507,779

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.

MOSERS invests in mortgage-backed securities and securities where the issuer has the right to call the securities, which are reported at fair value in the *Statements of Plan Net Assets* of the pension trust funds. As a result, these securities are sensitive to prepayments, which are likely in declining interest rate environments. MOSERS invests in these securities to diversify the portfolio and increase the return while minimizing the extent of risk. This prepayment risk is incorporated in the effective duration calculation used in the interest rate risk analysis.

As of fiscal year-end, MOSERS was invested in two structured bonds (inverse variable-rate notes) in which the coupon on the bonds varies inversely with the one month London Inter-Bank Offer Rate (LIBOR). As interest rates increase, the coupon rate declines. As of June 30, 2010, the notes had a fair value of $1,530,325 and an average coupon of 6.26%. Manager guidelines are very specific as to the use of structurally complex securities and do not allow for coupon changes based off of inappropriate indices or that change disproportionately to the rate changes experienced in traditional interest rate markets.

Repurchase Agreements

Repurchase agreements (repos) are basically a secured loan with the collateral held at a custodian bank. Typical collateral for repos include treasury securities, agency securities, mortgage-backed securities, investment grade corporate bonds, commercial paper, and common stock. Repos are typically done for an overnight term; however, they can be done for a longer term. MOSERS enters into repo transactions to earn interest on short-term funds.

Effective Duration of Fixed Income Assets by Security Type

Fixed Income Security Type	Market Value June 30, 2010	Percent of all Fixed Income Assets	Weighted Average Effective Duration (Years)	Interest Rate Risk Requiring Further Disclosure
U.S. treasuries	$ 845,665,076	41.7%	4.6	see table below
Gov't guaranteed mortgages	31,332	0.0	3.0	none
Mortgages	306,008	0.0	1.6	none
Collateralized mortgage obligation	114,558,889	5.6	0.1	none
Asset-backed securities	79,638,370	3.9	0.0	none
Corporate bonds	240,360,288	11.9	1.1	none
Bank loans	88,623,498	4.4	0.2	none
Bank deposits	200,049,667	9.9	0.0	none
Repurchase agreements	340,002,667	16.8	0.0	none
Pooled investments	118,507,779	5.8	0.0	none
	$2,027,743,574	100.0%	2.1	

Effective Duration Analysis of U.S. Treasuries

	Market Value June 30, 2010	Average Effective Duration of the Security Type	Contribution to Effective Duration
Less than 1 year to maturity	$ 76,902,813	0.0	0.0
1- to 10-year maturities	443,691,088	2.4	1.2
Long coupon treasuries	280,591,275	7.7	2.6
Long stripped treasuries	44,479,899	14.5	0.8
	$845,665,075		4.6

Repurchase Agreements by Collateral Type

Collateral Type	Market Value June 30, 2010	Market Value of Repurchase Agreement June 30, 2010	Percent Over Collateralized
U.S. treasuries	$ 44,207,359	$ 40,000,000	10.5%
Common stock	324,000,085	300,002,667	8.0
	$368,207,444	$340,002,667	8.3

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 exposures, or exchange rate risk, primarily reside within MOSERS' international equity investment holdings. MOSERS' implementation policy is to allow 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, 2010, is shown in the table below.

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, the 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. MOSERS enters into swaps and futures contracts to gain or hedge exposure to certain markets

Currency Exposures by Asset Class

Currency	Cash & Cash Equivalents	Equities	Fixed Income	Alternatives	Total
Australian Dollar		$ 6,866,850			$ 6,866,850
Brazilian Real	$ 360,684	13,586,036			13,946,720
Canadian Dollar	2,271	2,974,004			2,976,275
Chilean Peso		113,746	$ 43,867		157,613
Czech Koruna		2,433,838			2,433,838
Danish Krone		4,924,072			4,924,072
Egyptian Pound	1,841	2,312,498			2,314,339
Euro	94,853	155,617,621	7,647,392	$99,752,915	263,112,781
Hong Kong Dollar	491,976	47,915,393			48,407,369
Hungarian Forint	35,200	2,414,009			2,449,209
Indian Rupee	117,107	7,254,302			7,371,409
Indonesian Rupiah		2,937,361			2,937,361
Israeli Shekel	3	20			23
Japanese Yen	2,339,755	337,140,539			339,480,294
Malaysian Ringgit	(1,497)	4,095,348			4,093,851
Mexican Peso	233	11,690,293			11,690,526
Norwegian Krone		1,766,624			1,766,624
Peruvian Nuevo Sol		74,862			74,862
Philippines Peso	(23,897)	647,787			623,890
Polish Zloty		1,608,352			1,608,352
Russian Ruble		303,015			303,015
Singapore Dollar		37,553,707			37,553,707
South African Rand	4	3,363,311			3,363,315
South Korean Won	54,833	34,438,802	2,009,992		36,503,627
Sri Lanka Rupee		2,516			2,516
Swedish Krona		13,846,101			13,846,101
Swiss Franc	77	68,751,576			68,751,653
Taiwan New Dollar	1,530	23,073,656			23,075,186
Thai Baht	410	21,635,622			21,636,032
Turkish Lira		11,727,412			11,727,412
United Kingdom Pound Sterling	21,869	100,079,166	2,748,593		102,849,628
Chinese Yuan Renminbi		53,230			53,230
Venezuela Boliviar	53,623				53,623
Moroccan Dirham	(727)	216,070			215,343
Ukraine Hryvana		56			56
Grand Total	$3,550,148	$921,417,795	$12,449,844	$99,752,915	$1,037,170,702

and to manage interest rate risk and foreign currency forward contracts primarily to hedge foreign currency exposure. The tables on the following page summarize the various contracts in the portfolio as of June 30, 2010. The notional values associated with these derivative instruments are generally not recorded on the financial statements; however, the amounts for the exposure on these instruments are recorded in the investments at fair value in the *Statements of Net Plan Assets* and the total changes in fair value for the year are included as investment income in the *Statements of Changes in Plan Net Assets*. For the year ending June 30, 2010, the change in fair value in the swap contracts resulted in $26.4 million of investment income. The change in fair value in the futures contracts resulted in $121.8 million of investment income and the change in fair value of the foreign exchange contracts resulted in a loss of $86,762 of investment income. The interest rate risk associated with the swaps and futures tables are included on the following page. 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 collateral posting procedures. MOSERS anticipates 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.

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 42.

On June 30, 2010, MOSERS had no credit risk exposure to borrowers because the collateral amounts received exceeded amounts out on loan.

As of June 30, 2010, Deutsche Bank AG, New York Branch, 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 Deutsche Bank to lend these securities to a diverse group of dealers on behalf of MOSERS. Indemnification against dealer default is provided by Deutsche Bank AG, a "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 Deutsche Bank, respectively.

Daily monitoring of securities that are on loan ensures proper collateralization levels and mitigates 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 Deutsche Bank. On June 30, 2010, the cash collateral fund had a market value of $192,640,173 and a weighted average maturity of 11 days. During the fiscal year, MOSERS experienced a decline in loaned securities. The value of invested collateral continues to be below the level of liabilities. If all loans were terminated at June 30, 2010, MOSERS would have needed to make up the $10 million difference between the invested collateral and the collateral liability. For all of the securities lending operational services, the custodian is paid an annual fee, which is netted against MOSERS' earnings in the securities lending programs managed by Deutsche Bank.

Futures Contracts

Futures Contract	2010 Expiration Date	Long/Short	Notional/Fair Value	Exposure
U.S. Ultra Bond	September	Long	$ 26,347,625	$ (137,313)
U.S. Long Treasury Bond	September	Long	11,475,000	(75,000)
U.S. 10-year Treasury Notes	September	Long	165,193,188	(17,656)
U.S. 2-year Treasury Notes	September	Long	180,970,859	34,703
S&P 500 Index	September	Long	216,047,970	1,830,915
S&P 400 Index	September	Long	55,380,000	280,800
Gold 100 Oz	August	Long	65,535,340	(184,100)
Total			$720,949,982	$1,732,349

Swap Contracts

MOSERS Receives	Maturity Date	Notional Value	Exposure	Index Counterparty	Counterparty Credit Rating*
S&P 500 Total Return	4/29/2011	$ 102,276,851	$ 5,649,818	Deutsche Bank	Aa3/A+
S&P 500 Total Return	7/30/2010	86,849,665	4,797,613	JP Morgan Chase	Aa3/A+
S&P 100 Consumer Staples Total Return	10/29/2010	61,070,828	4,806,599	Goldman Sachs	A1/A
S&P 100 Energy Total Return	10/29/2010	55,247,571	10,671,770	Goldman Sachs	A1/A
S&P 100 Health Care Total Return	10/29/2010	59,682,561	5,255,126	Goldman Sachs	A1/A
S&P 100 Technology Total Return	10/29/2010	61,099,274	10,079,908	Goldman Sachs	A1/A
MSCI EAFE Total Return	5/31/2011	50,164,091	615,569	Deutsche Bank	Aa3/A+
MSCI EASE Total Return	6/15/2011	81,107,923	3,892,077	JP Morgan Chase	Aa3/A+
MSCI EASE Total Return	5/25/2011	105,037,455	(5,037,455)	JP Morgan Chase	Aa3/A+
MSCI EASE Total Return	2/28/2011	99,297,418	956,448	JP Morgan Chase	Aa3/A+
Three Month LIBOR Quarterly	8/31/2010	34,256,303	(689,725)	Deutsche Bank	Aa3/A+
MSCI EASE Total Return	2/28/2011	30,769,397	296,375	JP Morgan Chase	Aa3/A+
Barclays Capital Aggregate	12/31/2010	35,143,001	0	Goldman Sachs	A1/A
Barclays Capital Aggregate	9/30/2010	12,188,177	(188,177)	JP Morgan Chase	Aa3/A+
Barclays Capital Aggregate	2/28/2011	10,958,230	(169,188)	JP Morgan Chase	Aa3/A+
Barclays Capital Aggregate	8/31/2010	68,050,656	(1,050,656)	Merrill Lynch	A2/A
Three Month LIBOR Quarterly	6/16/2014	10,000,000	12,128	Deutsche Bank	Aa3/A+
Three Month LIBOR Quarterly	12/10/2014	10,000,000	6,946	Deutsche Bank	Aa3/A+
S&P GSCIER Custom minus S&P GSCIER	3/11/2011	50,000,000	44,811	Merrill Lynch	A2/A
S&P GSCI Crude ER Custom minus S&P GSCI Crude ER	12/14/2010	20,000,000	23,486	Goldman Sachs	A1/A
S&P GSCITR Custom	3/31/2011	102,948,791	(326,578)	Merrill Lynch	A2/A
S&P GSCITR Custom	1/31/2011	47,569,167	(150,432)	Merrill Lynch	A2/A
Total		$1,193,717,359	$39,496,463		

** Ratings obtained from Moody's/Fitch*

Foreign Currency Forward Contracts at June 30, 2010

Pending receivable	$ 161,691,771
Pending payable	(161,856,849)
Foreign currency forward contract asset (liability)	$ (165,078)

Investments as of June 30, 2010

	Pension Trust Funds		Internal Service Funds	
	Investments at Cost Value	Investments at Fair Value	Investments at Cost Value	Investments at Fair Value
Common stocks				
Out on loan	$ 165,309,886	$ 175,651,611		
Not on loan	732,822,635	664,049,207		
Total	898,132,521	839,700,818		
International equities				
Out on loan	11,088,228	11,842,321		
Not on loan	520,367,488	806,187,295		
Total	531,455,716	818,029,616		
International corporate bonds				
Out on loan	300,000	309,375		
Not on loan	36,709,835	12,464,289		
Total	37,009,835	12,773,664		
Corporate bonds				
Out on loan	7,154,295	7,257,465		
Not on loan	194,876,578	183,839,701		
Total	202,030,873	191,097,166		
Preferred stocks	8,874,930	7,962,150		
Government bonds and gov't mortgage-backed securities	37,878,482	37,757,077		
Treasury bonds, notes and bills	761,998,628	838,787,993		
Convertible bonds	2,805,216	3,232,719		
Repurchase agreements	533,465	533,465	$3,103,073	$3,103,073
Short-term investment funds	731,479,682	731,479,682		
Collateralized mortgage obligations	104,982,613	106,322,010		
Foreign currencies	4,107,510	4,050,737		
Limited partnerships	2,665,806,798	3,319,969,737		
Bank loans	88,936,025	87,268,972		
Total investments				
Out on loan	183,852,409	195,060,772		
Not on loan	5,892,179,885	6,803,905,034	3,103,073	3,103,073
Total	$6,076,032,294	$6,998,965,806	$3,103,073	$3,103,073

Reconciliation to investments on *Statements of Net Assets*	
Total from above	$6,998,965,806
Less short-term investments	
Repurchase agreements	(533,465)
Short-term investment funds	(606,500,028)
Less invested securities lending collateral	
Short-term investment funds	(124,979,654)
Corporate bonds	(67,660,518)
Investments on *Statements of Plan Net Assets*	$6,199,292,141

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.

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, 2010, MOSERS had contracts with 70 limited partnerships across various types of alternative investments. These partnerships collectively represent 49% of the total fund. A schedule of limited partnerships is presented below.

Limited Partnerships

Partnership Name	Style	Investments at Fair Value as of June 30, 2010
Actis Emerging Markets III	Emerging markets	$ 17,228,839
African Development Partners I, LLC	Emerging markets	4,868,973
Alinda Infrastructure Fund I, LP	Corporate buyout	27,196,683
AQR Absolute Return Institutional Fund, LP	Multi-strategy	130,492,369
AQR DELTA Sapphire Fund, LP	Muti-strategy	109,375,918
Axiom Asia Private Capital Fund II, LP	Emerging markets	4,551,152
Bayview Opportunity Domestic, LP - high yield	Distressed real estate debt	86,316,494
Bayview Opportunity Domestic, LP - real estate	Distressed real estate debt	28,772,165
Blackstone Distressed Securities Fund, LP	Long/short - credit	2,945,894
Blackstone Hedged Equity Fund, LP	Long/short - fund-of-funds	213,201,711
Blackstone Real Estate Partners IV	Active real estate	37,907,527
Blackstone Real Estate Partners V	Active real estate	59,425,165
Blackstone Real Estate Partners VI	Active real estate	30,436,257
Blackstone Topaz Fund, LP	Multi-strategy - fund-of-funds	219,509,748
Blakeney Onyx, LP	Emerging markets	127,094,802
Brevan Howard, LP	Global macro	51,240,296
Bridgepoint Europe III A, LP	Corporate buyout	21,210,515
Bridgepoint Europe IV B, LP	Corporate buyout	6,438,717
Bridgewater Associates - Diamond Ridge Fund, LLC	Global macro	103,008,469
Campbell Timber Fund II-A, LP	Timberland	46,853,930
CarVal Investors CVI Global Value Fund A, LP - private debt	Distressed real estate debt	47,450,000
CarVal Investors CVI Global Value Fund A, LP - real estate	Distressed real estate debt	47,450,000
Catterton Partners V, LP	Corporate buyout	20,277,973
Catterton Partners VI, LP	Corporate buyout	20,690,163
Claren Road Credit Partners, LP	Long/short - credit	49,387,892
Davidson Kempner Institutional Partners, LP	Event driven	77,490,844
DDJ Capital Management - B IV Capital Partners, LP	Distressed debt	15,569,404
Diamondback Partners, LP	Long/short - equity	78,329,206
DRI Capital - LSRC	Intellectual property	40,334,852
DRI Capital - LSRC II	Intellectual property	981,362
Elliott International Ltd.	Multi-strategy	51,728,939
Eminence Fund, Ltd.	Long/short - equity	46,350,743
Eton Park Fund, LP	Multi-strategy	51,965,081
Farallon Capital Institutional Partners, LP	Multi-strategy	47,597,247
Fortress Mortgage Opportunities Fund Series 2	Distressed real estate debt	27,177,733
Garnet Sky Investors Company Ltd.	Timberland	73,664,855
Global Forest Partners GTI7 Institutional Investors Company Ltd.	Timberland	76,355,680
HBK Offshore Fund, Ltd.	Multi-strategy	32,713,780
JLL Partners Fund V, LP	Corporate buyout	24,908,769
JLL Partners Fund VI, LP	Corporate buyout	15,243,730
King Street Capital, LP	Credit driven	75,839,810
King Street Capital, Ltd.	Credit driven	3,929,513
Merit Energy Partners F-II, LP	Energy - oil & gas	7,289,830
MHR Institutional Partners IIA, LP	Distressed debt	39,258,336
MHR Institutional Partners III, LP	Distressed debt	34,768,627
Millennium Technology Value Partners II, LP	Direct secondaries	1,000,000
Moon Capital Global Equity Offshore Fund, Ltd.	Long/short - equity	799,740

Continued on page 44

Limited Partnerships continued from page 43

Partnership Name	Style	Investments at Fair Value as of June 30, 2010
New Mountain Partners III, LP	Corporate buyout	14,252,241
Oaktree European Credit Opportunities Fund, LP	European loans	67,234,710
OCM Opportunities Fund IVB, LP	Distressed debt	(28,587)
OCM Opportunities Fund VIIb, LP	Distressed debt	124,361,097
OCM Real Estate Opportunities Fund III, LP	Active real estate	34,344,646
OCM/GFI Power Opportunities Fund II, LP	Corporate buyout	11,345,602
PAAMCO - Newport Pioneer, LLC	Multi-strategy - fund-of-funds	221,456,458
Parish Capital Buyout Fund I, LP	Corporate buyout - fund-of-funds	15,902,162
Parish Capital Buyout Fund II, LP	Corporate buyout - fund-of-funds	13,751,478
Parish Opportunities Fund II, LP	Private equity co-investment	15,238,502
Perry Partners, LP	Multi-strategy	452,473
Resource Management Service - Wildwood Timberlands, LLC	Timberland	134,659,140
Silver Creek Special Opportunities Fund I, LP	Special situations - fund-of-funds	22,895,203
Silver Creek Special Opportunities Fund II, LP	Special situations - fund-of-funds	23,553,671
Silver Lake Partners II, LP	Corporate buyout	24,572,792
Silver Point Capital Fund, LP	Credit driven	52,518,693
TCW Energy Fund XIV, LP	Energy - mezzanine	31,459,345
TCW Energy Partners, LLC	Energy - diversified	37,152,477
The Veritas Capital Fund III, LP	Corporate buyout	32,860,838
TPG - Axon Partners (Offshore) Ltd.	Long/short - equity	43,650,337
Viking Global Equities III, Ltd.	Long/short - equity	60,209,719
Wellington Management - Spindrift Investors	Long/short - equity	1,477,678
Other	Miscellaneous	19,331
		$3,319,969,739

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 also 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, 2009, and June 30, 2010, and changes to those account balances during the year ended June 30, 2010.

Capital Asset Account

Capital Assets	Land	Building and Building Improvements	Furniture, Fixtures, and Equipment	Total Capital Assets
Balances June 30, 2009	$267,286	$3,549,468	$1,764,371	$5,581,125
Additions		3,415	87,463	90,878
Deletions			(26,610)	(26,610)
Balances June 30, 2010	267,286	3,552,883	1,825,224	5,645,393
Accumulated depreciation:				
Balances June 30, 2009		905,939	1,362,129	2,268,068
Depreciation expense		78,371	134,169	212,540
Deletions			(25,562)	(25,562)
Balances June 30, 2010		984,310	1,470,736	2,455,046
Net capital assets June 30, 2010	$267,286	$2,568,573	$ 354,488	$3,190,347

(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 Postemployment Benefits (OPEB)

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

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, 2010, 18,466 retirees were eligible and participating in the program. This insured defined benefit coverage is financed on a percent of payroll (.115%) and is purchased as a group policy through competitive bids and is currently administered through The Standard Insurance Company. The cost for year ended June 30, 2010, was $1,893,173. 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, 2010, 358 retirees were eligible and participating in the program. The coverage for 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 ($42,767 for the year ended June 30, 2010). 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 long-term disability coverage for eligible members. Membership generally includes those active members of MOSERS' retirement plans who do not have other disability coverage and are not yet eligible to receive normal (unreduced) retirement benefits. As of June 30, 2010, 37,281 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, 2010, was $8,255,720. Premiums are contributed by the state as provided for by Section 104.515, RSMo.

Postemployment Retiree Health Care
MOSERS participates in a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Missouri Consolidated Health Care Plan (MCHCP). The plan provides medical benefits to retirees of participating governmental entities. Retirees who had medical insurance coverage for six months immediately prior to termination or state-sponsored medical coverage since the effective date of the last enrollment period (or since first eligible), before they are eligible to retire, may continue coverage into retirement. MCHCP issues a publicly available financial report that includes financial statements and required supplementary information for the postemployment health care plan. The report may be obtained by writing to the MCHCP, 832 Weathered Rock Court, P.O. Box 104355, Jefferson City, MO 65110-4355 or by calling (800) 487-0771.

Plan funding requests are actuarially determined, approved by the MCHCP Board of Trustees, and subject to appropriation by the Missouri General Assembly. MOSERS contributed $191,341 in FY08, $236,191 in FY09, and $277,645 in FY10 in accordance with the state's funding policy toward the annual required contributions for postemployment retiree health care, which equaled MOSERS required contribution each year.

(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, Senate Bill 202 was enacted, which 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 combined with the MSEP in all relevant sections of this report.

(6) Commitments

As of June 30, 2010, MOSERS has $396,355,331 and €50,005,653 unfunded commitments in the alternative investments asset class.

(7) Contingencies

MOSERS is a defendant in three lawsuits and a plaintiff in one lawsuit that, in management's opinion, will not have a material effect on the financial statements.

The Internal Revenue Service (IRS) audited the tax qualified status of MOSERS. In a discussion draft dated August 9, 2007, the IRS raised two qualification issues but no further action has been taken by the IRS on those matters. MOSERS does not anticipate material liability for any taxes or penalties.

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)
6/30/2005	$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
6/30/2008	7,838,495,768	9,128,347,470	1,289,851,702	85.9	1,916,527,398	67.3
6/30/2009	7,876,079,342	9,494,806,715	1,618,727,373	83.0	2,002,402,087	80.8
6/30/2010	7,923,377,393	9,853,155,445	1,929,778,052	80.4	1,945,095,321	99.2

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)
6/30/2005	$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
6/30/2008	73,194,379	354,796,453	281,602,074	20.6	44,542,530	632.2
6/30/2009	81,337,881	369,106,841	287,768,960	22.0	45,505,512	632.4
6/30/2010	88,976,738	382,012,773	293,036,035	23.3	46,112,730	635.5

See *Notes to the Schedules of Required Supplementary Information*.
See accompanying *Independent Auditor's 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
2005	10.64%	$194,524,059	100%
2006	12.59	226,338,183	100
2007	12.78	239,488,751	100
2008	12.84	249,770,156	100
2009	12.53	252,105,008	100
2010	12.75	251,226,187	100

ALJLAP*

	Annual Required Contribution		
Year Ended June 30	Percent	Dollar Amount	Percentage Contributed
2005	22.13%	$1,124,924	100%
2006*	21.79	895,012	100

* *The ALJLAP was transitioned to the MSEP Plan in FY05. FY06 was the last year for separate ALJLAP contributions. Future contributions are included in the MSEP rate.*

Judicial Plan

	Annual Required Contribution		
Year Ended June 30	Percent	Dollar Amount	Percentage Contributed
2005	54.51%	$21,852,985	100%
2006	55.76	22,401,569	100
2007	58.48	23,745,467	100
2008	58.65	26,215,309	100
2009	60.07	27,725,882	100
2010	58.48	27,029,198	100

See *Notes to the Schedules of Required Supplementary Information*.
See accompanying *Independent Auditor's 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, 2010

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, 2010 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 in September 2005, the MOSERS board considered the extreme volatility in the markets. 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. In the September 2009 meeting, the MOSERS board, in light of the severely negative market conditions, adopted a temporary change to the market corridor limit of the valuation assets from +/- 20% to +/- 30% for the June 30, 2009 valuation. The limit was decreased to +/- 25% for the June 30, 2010 valuation and is scheduled to return to +/- 20% thereafter. The investment return rate assumption used is 8.5% per year, compounded annually (net of investment expenses). The price inflation assumption used is 3.2% per year. Projected salary increase assumptions are based on 0% the first year, to reflect the state's pay freeze, and 4% per year thereafter for wage inflation plus an additional .3% to 3.5% 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 2.56% per year thereafter or 2.56% per year, depending upon the date of hire and benefit election.

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		
Recognition of state pay freeze for annual salaries above $40,000	(18,632)	(.40)
Plan experience	112,255	2.41
Judicial Plan		
Recognition of 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 ALJ plan	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 for 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)	(0.07)%
Experience and nonrecurring items	2,310,460	.13
Judicial Plan		
Change to an open 30-year amortization period	(265,786)	(0.66)
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 benefit assumptions or methods	$ (369,329)	(0.02)%
Experience and nonrecurring items	(5,355,266)	(0.29)
Judicial Plan		
Change in benefit assumptions or methods	(273,672)	(0.67)
Experience and nonrecurring items	853,694	2.09

2008 The actuarial valuations as of June 30, 2008, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2010.

	Amount	Percent of Payroll
MSEP		
Change in benefit assumptions or methods	$4,791,318	0.25%
Experience and nonrecurring items	(574,958)	(0.03)
Judicial Plan		
Change in benefit assumptions or methods	(547,873)	(1.23)
Experience and nonrecurring items	(160,353)	(0.36)

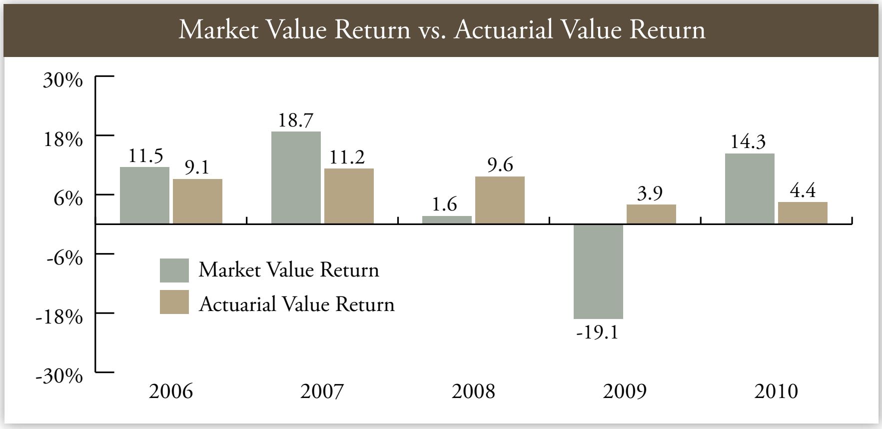
2009 The actuarial valuations as of June 30, 2009, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2011.

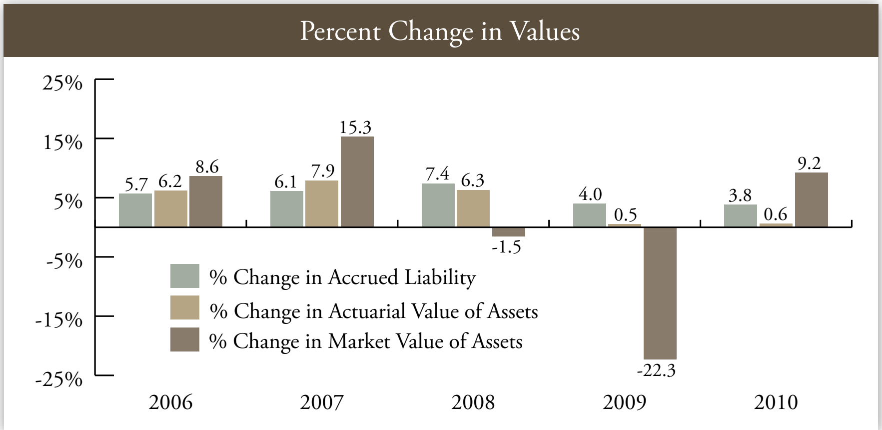
	Amount	Percent of Payroll
MSEP		
State of Missouri general pay freeze	$ (4,405,285)	(0.22)%
Experience and nonrecurring items	55,466,538	2.77
Change in valuation asset corridor from +/-20% to +/-30%	(29,835,791)	(1.49)
Judicial Plan		
State of Missouri general pay freeze	350,392	0.77
Experience and nonrecurring items	496,010	1.09
Change in valuation asset corridor from +/-20% to +/-30%	(141,067)	(0.31)

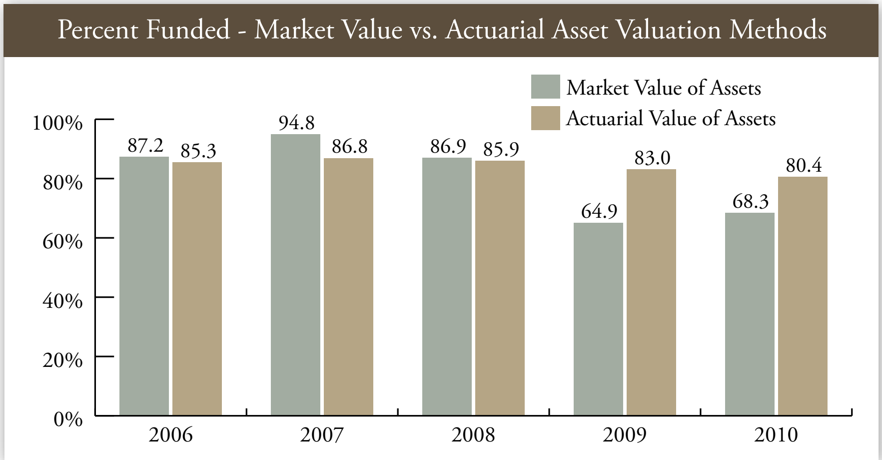
2010 The actuarial valuations as of June 30, 2010, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2012.

	Amount	Percent of Payroll
MSEP		
State of Missouri general pay freeze	$ (2,528,624)	(0.13)%
Addition of new tier of benefits effective January 1, 2011	(17,311,348)	(0.89)
Experience and nonrecurring items	25,480,749	1.31
Change in methodology of contributions timing between valuation and year of application	(2,528,624)	(0.13)
Judicial Plan		
State of Missouri general pay freeze	(308,955)	(0.67)
Addition of new tier of benefits effective January 1, 2011	(493,406)	(1.07)
Experience and nonrecurring items	438,071	0.95
Change in methodology of contributions timing between valuation and year of application	(894,587)	(1.94)

Actuarial Asset Value Smoothing







The financing objective of the vast majority of public retirement plans is to establish contribution rates and collect contributions which remain relatively level as a percent of active member payroll over decades of time. This concept is sometimes referred to as attempting to achieve intergenerational equity, meaning that future generations will not be expected to pay more or less (in inflation adjusted terms) than the present generation contributes to support the plan.

Some critics of smoothing the actuarial value of assets suggest that pension plans are not providing “transparency” in connection with operations. Actual practice suggests otherwise. The *Statements of Plan Net Assets* and *Changes in Plan Net Assets* in this section are prepared on the basis of market values. Beyond that, all information related to asset values and results of investment activity in the *Investment Section* of this report is prepared on the basis of market values. This is required by the accounting and reporting standards established by the Governmental Accounting Standards Board and by the Government Finance Officers Association’s *Guidelines for the Preparation of a Comprehensive Annual Financial Report*. Both organizations have been long standing proponents of transparency in governmental accounting and reporting – public retirement plans commonly subscribe to the dictates of both.

Many public retirement plans have begun to emphasize use of asset classes that, by their nature, tend to be somewhat volatile in market value. This is being done with the objective of increasing long-term investment returns, thus providing increased benefit security for plan participants and lower contribution rates for taxpayers than would otherwise be the case. With market value accounting for contribution rate determination purposes, we could achieve more level contribution rates by employing lower volatility asset classes but the level contribution rate would be much higher than is the case with the higher return expectations we have as the result of taking on asset volatility risk.

For those of us attempting to operate with a long-term time horizon, with contribution rate stability as a key objective, asset smoothing for actuarial purposes is simply a tool. Asset smoothing for actuarial purposes is a practical solution to responsibly achieving intergenerational equity, giving recognition to the fact that market cycles do not coincide with financial reporting periods. The use of the “market related” value established through smoothing simply makes more sense for determining contribution rates than using market value. The bar charts above further illustrate the impact of smoothing volatility in actuarial computations.

Additional Financial Information

SCHEDULES OF INVESTMENT EXPENSES

PENSION TRUST FUNDS – YEAR ENDED JUNE 30, 2010

	MSEP	Judicial Plan	Total
Investing activity			
Investment management and administration fees			
Actis Emerging Markets 3 - private equity	$ 983,211	$ 11,331	$ 994,542
African Development Partners I, LLC - private equity	713,614	8,224	721,838
Alinda Infrastructure Fund I, LP - private equity	246,825	2,844	249,669
AQR Absolute Return Institutional Fund, LP - alpha pool	1,158,336	13,349	1,171,685
AQR DELTA Sapphire Fund, LP - alpha pool	808,435	9,317	817,752
Axiom Asia Private Capital Fund II, LP - private equity	408,804	4,711	413,515
Baillie Gifford EAFE Plus - international equity	85,607	987	86,594
Barclays Global Investors Global Market Neutral Fund - alpha pool	(202,862)	(2,338)	(205,200)
Bayview Opportunity Domestic, LP - high yield	3,328,853	38,363	3,367,216
Bayview Opportunity Domestic, LP - credit opportunities	2,928,380	33,748	2,962,128
Bayview Opportunity Domestic, LP - real estate	2,085,744	24,037	2,109,781
BlackRock Financial Management Bank Loans - high yield	674,473	7,773	682,246
BlackRock Financial Management High Yield - high yield	275,036	3,170	278,206
BlackRock Financial Management Mortgage Opportunity - high yield	262,726	3,028	265,754
Blackstone Distressed Securities Fund, LP - alpha pool	33,493	386	33,879
Blackstone Real Estate Partners V - real estate	1,069,052	12,320	1,081,372
Blackstone Real Estate Partners VI - real estate	1,100,644	12,684	1,113,328
Blackstone Hedged Equity Fund, LP - domestic equity	2,337,275	26,935	2,364,210
Blackstone Topaz Fund, LP - alpha pool	2,088,780	24,072	2,112,852
Blackstone Real Estate Partners IV - real estate	821,165	9,463	830,628
Blakeney Onyx, LP - emerging markets	2,095,555	24,150	2,119,705
Brevan Howard, LP - alpha pool	737,561	8,500	746,061
Bridgewater Associates Diamond Ridge Fund, LLC - alpha pool	2,767,514	31,894	2,799,408
Bridgepoint Europe III A, LP - private equity	150,607	1,736	152,343
Bridgepoint Europe IV B, LP - private equity	665,580	7,670	673,250
Campbell Timber Fund II-A, LP - timber	486,766	5,610	492,376
Catterton Partners V, LP - private equity	1,252,313	14,432	1,266,745
Catterton Partners VI, LP - private equity	474,474	5,468	479,942
CarVal Investors CVI Global Value Fund A, LP - real estate	868,737	10,012	878,749
CarVal Investors CVI Global Value Fund A, LP - private debt	868,737	10,012	878,749
Davidson Kempner Institutional Partners, LP - alpha pool	3,183,251	36,685	3,219,936
DDJ Capital Management B IV Capital Partners, LP - private debt	(1,080,119)	(12,448)	(1,092,567)
Diamondback Partners, LP - alpha pool	247,152	2,848	250,000
DRI Capital LSRC - private equity	337,912	3,894	341,806
DRI Capital LSRC II - private equity	43,061	496	43,557
Elliott International, Ltd. - alpha pool	190,114	2,191	192,305
Eminence Fund, Ltd. - domestic equity	1,485,576	17,120	1,502,696
Eton Park Fund, LP - alpha pool	1,491,058	17,183	1,508,241
Farallon Capital Institutional Partners, LP - alpha pool	2,170,782	25,017	2,195,799
Garnet Sky Investors Co., Ltd. - timber	537,645	6,196	543,841
Global Forest Partners GTI7 Institutional Investors Co. Ltd. - timber	559,736	6,451	566,187
Grantham, May and Van Otterloo & Co., LLC - emerging markets	1,071,445	12,348	1,083,793
Harvest Fund Advisors - real estate	333,027	3,838	336,865
HBK Offshore Fund, Ltd. - alpha pool	966,208	11,135	977,343
Highside Offshore, Ltd. - alpha pool	204,539	2,357	206,896
JLL Partners V, LP - private equity	828,615	9,549	838,164
JLL Partners VI, LP - private equity	2,413,557	27,815	2,441,372
King Street Capital, Ltd. - alpha pool	1,982,231	22,844	2,005,075
Legg Mason Opportunity Trust - domestic equity	642,937	7,409	650,346
Legg Mason Value Trust - domestic equity	308,482	3,555	312,037

Continued on page 54

Schedule of Investment Expenses continued from page 53

	MSEP	Judicial Plan	Total
Leuthold Weeden Capital Management - domestic equity	410,792	4,734	415,526
Mastholm Investment Managers - int'l developed	442,359	5,098	447,457
Merit Energy Partners F-II, LP - real estate	89,220	1,028	90,248
MHR Institutional Partners IIA, LP - private debt	(630,184)	(7,262)	(637,446)
MHR Institutional Partners III, LP - private debt	1,163,403	13,407	1,176,810
Morant Wright Investment Management - int'l developed equity	718,544	8,281	726,825
MOSERS Inc. - alpha pool	62	1	63
New Mountain Partners III, LP - private equity	702,280	8,093	710,373
Nippon Value Investors - int'l developed equity	812,278	9,361	821,639
NISA Investment Advisors, LLC - commodities	732,385	8,440	740,825
NISA Investment Advisors, LLC - beta program emerging markets	16,355	188	16,543
NISA Investment Advisors, LLC - beta program domestic equity	559,366	6,446	565,812
NISA Investment Advisors, LLC - beta program fixed income	492,234	5,673	497,907
NISA Investment Advisors, LLC - beta program international equity	202,286	2,331	204,617
OCM Real Estate Opportunities Fund III, LP - real estate	682,767	7,868	690,635
OCM Opportunities Fund IVB, LP - private debt	(97,709)	(1,126)	(98,835)
OCM/GFI Power Opportunities Fund II, LP - private equity	726,868	8,377	735,245
OCM Opportunities Fund VIIb, LP - private debt	7,603,980	87,630	7,691,610
PAAMCO - Newport Pioneer, LLC - alpha pool	962,575	11,093	973,668
Parish Capital Buyout Fund I, LP - private equity	400,104	4,609	404,713
Parish Capital Buyout Fund II, LP - private equity	383,079	4,415	387,494
Parish Opportunities Fund II, LP - private equity	185,364	2,136	187,500
Resource Management Service Wildwood Timberlands, LLC - timber	5,199,321	59,918	5,259,239
Silchester International Investors - int'l developed equity	2,187,960	25,215	2,213,175
Silver Lake Partners II, LP - private equity	1,143,334	13,176	1,156,510
Silver Point Capital Fund, LP - alpha pool	454,780	5,241	460,021
TPG - Axon Partners (Offshore), Ltd. - domestic equity	768,463	8,856	777,319
TCW Energy Partners, LLC - real estate	1,375,795	15,855	1,391,650
TCW Energy Fund XIV, LP - real estate	1,119,292	12,899	1,132,191
Trust Company of the West - credit opportunities	851,144	9,809	860,953
The Veritas Capital Fund III, LP - private equity	2,020,136	23,281	2,043,417
Viking Global Equities III, Ltd. - domestic equity	2,030,783	23,403	2,054,186
Total investment management fees	83,202,060	958,845	84,160,905
Other investment fees			
Investment consultant fees			
Summit Strategies, Inc.	838,841	9,667	848,508
Investment custodial fees			
Mellon Bank	465,652	5,366	471,018
Partnership fees	1,480	17	1,497
Performance measurement fees			
Mellon Bank	348,939	4,021	352,960
Internal investment activity expenses	3,599,288	41,479	3,640,767
Total investing activity expenses	88,456,260	1,019,395	89,475,655
Securities lending activity			
Securities lending borrower rebates	(526,125)	(6,063)	(532,188)
Securities lending management fees			
Mellon Bank	123,576	1,424	125,000
Credit Suisse First Boston	231,923	2,673	234,596
Total securities lending activity expenses	(170,626)	(1,966)	(172,592)
Total investment expenses	$88,285,634	$1,017,429	$89,303,063

Additional Financial Information

SCHEDULES OF INTERNAL INVESTMENT ACTIVITY EXPENSES

PENSION TRUST FUNDS – YEAR ENDED JUNE 30, 2010

	MSEP	Judicial Plan	Total
Personnel services			
Salaries	$2,010,389	$23,167	$2,033,556
Employee fringe benefits	591,146	6,813	597,959
Total personnel services	2,601,535	29,980	2,631,515
Professional services			
Attorney services	584,898	6,741	591,639
Consulting services	75,399	869	76,268
Total professional services	660,297	7,610	667,907
Communications			
Telephone	6,726	78	6,804
Total communications	6,726	78	6,804
Travel and meetings			
Staff travel and meetings	96,823	1,116	97,939
Total travel and meetings	96,823	1,116	97,939
General			
Educational materials	4,968	57	5,025
Office supplies	264	3	267
Subscriptions and dues	228,675	2,635	231,310
Total general	233,907	2,695	236,602
Total administrative expenses	$3,599,288	$41,479	$3,640,767

Additional Financial Information

SCHEDULES OF ADMINISTRATIVE EXPENSES

PENSION TRUST FUNDS – YEAR ENDED JUNE 30, 2010

	MSEP	Judicial Plan	Total
Personnel services			
Salaries	$3,497,611	$40,307	$3,537,918
Employee fringe benefits	1,328,252	15,307	1,343,559
Total personnel services	4,825,863	55,614	4,881,477
Professional services			
Actuarial services	265,269	3,057	268,326
Attorney services	275,890	3,179	279,069
Auditing services	43,756	504	44,260
Banking services	24,768	285	25,053
Consulting services	84,265	971	85,236
Total professional services	693,948	7,996	701,944
Communications			
Postage and mailing	188,518	2,173	190,691
Telephone	43,385	500	43,885
Printing	53,879	621	54,500
Video production	2,143	25	2,168
Total communications	287,925	3,319	291,244
Building and grounds			
Depreciation	77,478	893	78,371
Utilities	70,388	811	71,199
Maintenance	50,365	580	50,945
Total building and grounds	198,231	2,284	200,515
Equipment			
Depreciation	132,640	1,529	134,169
Maintenance	215,786	2,487	218,273
Rental	110,550	1,274	111,824
Gain on sale of equipment	44	1	45
Total equipment	459,020	5,291	464,311
Travel and meetings			
Board travel and meetings	37,991	438	38,429
Staff travel and meetings	156,106	1,799	157,905
Vehicle maintenance and operation	6,628	76	6,704
Total travel and meetings	200,725	2,313	203,038
General			
Educational materials	15,934	184	16,118
Office supplies	68,655	791	69,446
Subscriptions and dues	194,168	2,238	196,406
Insurance	118,178	1,362	119,540
Advertising	1,897	22	1,919
Total general	398,832	4,597	403,429
Total administrative expenses	$7,064,544	$81,414	$7,145,958

Additional Financial Information

SCHEDULES OF ADMINISTRATIVE EXPENSES

INTERNAL SERVICE FUNDS – YEAR ENDED JUNE 30, 2010

	Life & LTD	Deferred Compensation	Total
Personnel services			
Salaries	$383,875	$111,378	$495,253
Employee fringe benefits	133,633	24,655	158,288
Total personnel services	517,508	136,033	653,541
Professional services			
Attorney services	572	3,688	4,260
Auditing services	3,050	0	3,050
Banking services	558	417	975
Total professional services	4,180	4,105	8,285
Communications			
Postage and mailing	1,040	16,490	17,530
Telephone	3,419	0	3,419
Video production expense	149	0	149
Total communications	4,608	16,490	21,098
Building and grounds			
Building use charge	7,837	0	7,837
Utilities	4,877	0	4,877
Maintenance	3,505	0	3,505
Total building and grounds	16,219	0	16,219
Equipment			
Equipment use charge	13,474	0	13,474
Maintenance	14,903	0	14,903
Rental	9,751	0	9,751
Total equipment	38,128	0	38,128
Travel and meetings			
Board travel and meetings	2,625	0	2,625
Staff travel and meetings	17,445	3,976	21,421
Vehicle maintenance and operation	453	0	453
Total travel and meetings	20,523	3,976	24,499
General			
Educational materials	1,273	0	1,273
Office supplies	4,624	0	4,624
Subscriptions and dues	4,485	16,500	20,985
Insurance	8,236	0	8,236
Advertising	132	0	132
Total general	18,750	16,500	35,250
Total administrative expenses	$619,916	$177,104	$797,020

Additional Financial Information

SCHEDULES OF PROFESSIONAL/CONSULTANT FEES

YEAR ENDED JUNE 30, 2010

		Pension Trust Funds			Internal Service Funds		
Professional/Consultant	**Nature of Service**	**MSEP**	**Judicial Plan**	**Total**	**Life & LTD**	**Deferred Compensation**	**Total**
Operation administrative expenses							
Avtex Solutions LLC	Phone system consulting	$ 1,072	$ 12	$ 1,084	$ 0	$ 0	$ 0
CBIZ Benefits & Insurance Services, Inc.	Human capital services	21,305	245	21,550	0	0	0
Central Bank	Banking	24,768	285	25,053	558	417	975
Charlesworth & Associates	Risk management consulting	7,229	83	7,312	0	0	0
Claire West Consulting	Governmental pension consulting	5,446	63	5,509	0	0	0
Columbia Integrated Technologies	Information technology consulting	182	2	184	0	0	0
Gabriel, Roeder, Smith & Co.	Actuarial	265,270	3,057	268,327	0	0	0
Gamble & Schlemeier, Ltd.	Governmental pension consulting	26,774	309	27,083	0	0	0
Huber & Associates, Inc.	Information technology consulting	10,147	117	10,264	0	0	0
Kramer & Frank, P.C.	Legal counsel	247	3	250	0	0	0
McLagan Partners, Inc.	Human resources consulting	12,110	140	12,250	0	0	0
Steptoe & Johnson LLP	Legal counsel	26,096	301	26,397	0	0	0
Thompson Coburn LLP	Legal counsel	249,546	2,875	252,421	572	3,688	4,260
Williams Keepers LLC	Financial audit	43,756	504	44,260	3,050	0	3,050
Operation administrative expenses subtotal		693,948	7,996	701,944	4,180	4,105	8,285
Internal investment administrative expenses							
CT Corporation System	Statutory representation	611	7	618	0	0	0
Investment Training and Consulting Institute, Inc.	Audit services	62,678	722	63,400	0	0	0
McLagan Partners, Inc.	Human resources consulting	12,110	140	12,250	0	0	0
Thompson Coburn LLP	Legal counsel	584,863	6,741	591,604	0	0	0
United States Treasury	Statutory representation	35	0	35	0	0	0
Internal investment administrative expenses subtotal		660,297	7,610	667,907	0	0	0
Total professional/consultant fees		$1,354,245	$15,606	$1,369,851	$4,180	$4,105	$8,285

Information on investment management and consulting fees can be found in the *Schedule of Investment Expenses* on page 53-54.

Additional Financial Information

INVESTMENT SUMMARY

PENSION TRUST FUNDS – YEAR ENDED JUNE 30, 2010

	June 30, 2009				June 30, 2010		
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
Fixed income							
Treasury bonds, notes, and bills	$ 776,316,193	$ 815,705,766	$ 91,541,076	$ (105,858,641)	$ 761,998,628	$ 838,787,993	14%
Government bonds and gov't mortgage-backed securities	64,718,741	64,539,251	7,493,423	(34,333,682)	37,878,482	37,757,077	1
Corporate bonds	172,415,207	156,852,135	71,704,539	(119,432,637)	124,687,109	123,436,648	2
Convertible bonds	4,057,400	4,329,142	1,703,348	(2,955,532)	2,805,216	3,232,719	0
Collateralized mortgage obligations	98,023,709	108,751,920	140,598,964	(133,640,060)	104,982,613	106,322,010	2
International corporate bonds	40,212,722	14,906,766	7,874,110	(11,076,997)	37,009,835	12,773,664	0
Bank loans	185,647,129	168,439,460	13,525,960	(110,237,064)	88,936,025	87,268,972	1
Total fixed income	1,341,391,101	1,333,524,440	334,441,420	(517,534,613)	1,158,297,908	1,209,579,083	20
Common stock	682,229,129	590,861,097	398,387,312	(182,483,920)	898,132,521	839,700,818	14
Preferred stock	0	0	11,853,018	(2,978,088)	8,874,930	7,962,150	0
International investments							
International equities	567,512,018	839,627,824	269,663,337	(305,719,639)	531,455,716	818,029,616	13
Foreign currency	6,623,531	6,183,752	53,733,136	(56,249,157)	4,107,510	4,050,737	0
Total international investments	574,135,549	845,811,576	323,396,473	(361,968,796)	535,563,226	822,080,353	13
Real estate investment trusts	1,215,569	1,212,714	0	(1,215,569)	0	0	0
Venture capital limited partnerships	2,535,837,655	2,873,401,682	645,151,338	(515,182,195)	2,665,806,798	3,319,969,737	53
Investments (per *Statements of Plan Net Assets* page 27)	5,134,809,003	5,644,811,509	1,713,229,561	(1,581,363,181)	5,266,675,383	6,199,292,141	100%
Short-term investments							
Short-term investment funds	608,718,714	608,718,714	748,857,089	(751,075,775)	606,500,028	606,500,028	
Repurchase agreements	440,603	440,603	161,707,627	(161,614,765)	533,465	533,465	
Total short-term investments	609,159,317	609,159,317	910,564,716	(912,690,540)	607,033,493	607,033,493	
Invested securities lending collateral							
Corporate bonds	327,699,674	271,489,250	31,925,319	(282,281,229)	77,343,764	67,660,518	
Short-term investment funds	113,787,663	113,787,663	10,023,510,935	(10,012,318,944)	124,979,654	124,979,654	
Total invested securities lending collateral	441,487,337	385,276,913	10,055,436,254	(10,294,600,173)	202,323,418	192,640,172	
Total investments	$6,185,455,657	$6,639,247,739	$12,679,230,531	$(12,788,653,894)	$6,076,032,294	$6,998,965,806	

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.

Additional Financial Information

INVESTMENT SUMMARY

INTERNAL SERVICE FUNDS – YEAR ENDED JUNE 30, 2010

	June 30, 2009				June 30, 2010		
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	$2,642,046	$2,642,046	$662,791,899	$(662,330,872)	$3,103,073	$3,103,073	100%

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.