POSITIVE RESULTS

At MOSERS, we believe that what gets measured, gets managed. Cost Effectiveness Measurement Benchmarking, Inc. (CEM) plays an integral role in our organizational performance objectives and best practice reviews. This valuable service annually rates our performance relative to other pension plans in the U.S. and around the world. The results help us to identify ways in which we can meet and exceed our members' customer service expectations in a cost-effective manner. This year our service has once again been ranked #1 among our peers and our cost was well below the peer average cost. Our focus is clear and we're creating positive results!

We can chart our future clearly and wisely only when we know the path which has led to the present.

- Adlai E. Stevenson

FINANCIAL SECTION

Independent Auditor's Report

WILLIAMS KEEPERS LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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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, 2011, 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, 2011, 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, 2011, 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, 2011, 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 17, 2011

American Institute of Certified Public Accountants
Missouri Society of Certified Public Accountants
PKF North American Network

Superior service. Creative solutions. Exceptional clients.

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.

MOSERS' overall pension fund financial condition improved during the fiscal year ended June 30, 2011 (FY11). Pension fund net assets increased by $1,060,740,174 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 21.0% return for the year, up from the prior year's return of 14.3%.

The MSEP plan experienced a decrease in its funded status from 80.4% to 79.2% and the Judicial Plan experienced an increase in its funded status from 23.3% to 25.0%. The change in the valuation asset market corridor adopted by the MOSERS Board of Trustees in 2009 returned to +/- 20% for FY11.

The internal service funds net assets increased by $165,667. 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 FY11 and FY10. 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 FY11, as evidenced by an increase in MOSERS' total investment return from 14.3% last year to 21.0% this year. During the fiscal year ended June 30, 2011, 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.

Investment income payable and investment purchases payable decreased as a result of general market fluctuations.

The increase in securities lending collateral is primarily attributable to MOSERS' decision to increase the size of the lending portfolio after the transition to a new agent lender in the second quarter of 2010. As a result, utilization rates were higher during the fiscal year. Margins were slightly higher from the previous fiscal year making it more attractive to loan securities. As of fiscal year end, approximately 10% of the collateral received has been invested in asset-backed and corporate bonds, down from 35% of the prior year. This resulted in a reduction of the invested collateral short-fall last year from $9.7 million to $.8 million in FY11.

Cash and short-term investments increased due to a greater amount of funds held in the beta cash reserves in anticipation of the needs of the beta overlay program.

Summary Comparative Statements of Plan Net Assets
Pension Trust Funds

	As of June 30, 2011	As of June 30, 2010	Amount of Change	Percentage Change
Cash and short-term investments	$ 807,270,837	$ 630,869,896	$ 176,400,941	27.96%
Receivables	27,244,113	45,578,213	(18,334,100)	(40.23)
Investments	7,073,472,800	6,199,292,141	874,180,659	14.10
Invested securities lending collateral	643,085,121	192,640,173	450,444,948	233.83
Capital assets	3,061,064	3,190,347	(129,283)	(4.05)
Other assets	50,454	50,312	142	0.28
Total assets	8,554,184,389	7,071,621,082	1,482,563,307	20.96
Administrative expense payables	2,901,861	2,204,046	697,815	31.66
Investment purchase payables	16,139,126	23,438,954	(7,299,828)	(31.14)
Foreign currency payable	863,785	0	863,785	100.00
Investment income payable	8,218,700	25,586,275	(17,367,575)	(67.88)
Securities lending collateral	643,842,013	202,323,418	441,518,595	218.22
Other liabilities	15,301,498	11,891,157	3,410,341	28.68
Total liabilities	687,266,983	265,443,850	421,823,133	158.91
Net assets	$7,866,917,406	$6,806,177,232	$1,060,740,174	15.58

Summary Comparative Statements of Changes in Plan Net Assets Analysis

The slight increase in contributions received is primarily attributable to an increase in the contribution rate for the general employees group from 12.75% to 13.81% for the year partially offset by a decrease in covered payrolls.

The increase in investment income in FY11 over FY10 is attributable to the generally favorable market conditions experienced by the investments of the fund. The increase in securities lending income is primarily due to increased utilization of the program in conjunction with slightly higher margins from the previous fiscal year making it more attractive to loan securities. 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 116-121 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 FY11, there were 84 members electing to transfer their service out of MOSERS. Of the 84 members, 82 were transfers to MoDot and Patrol Employees' Retirement System (MPERS) along with the actuarial liability of $17,609,276 for those members electing to transfer under HB 1868 enacted in FY11.

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 decrease in accounts receivable-other 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 $124,997 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 decreased primarily as a result of the decrease 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 decreased 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 match in March 2010.

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

Premium refunds increased slightly as a result of timing differences resulting from changes in insurance coverage.

Administrative expenses increased primarily as a result of an increase in expenses for attorney services, building maintenance and software subscriptions.

Investment income increased primarily due to an overall increase in the investments held in the 90-day treasury bills during the fiscal year.

Summary Comparative Statements of Changes in Plan Net Assets

Pension Trust Funds

	Year Ended June 30, 2011	Year Ended June 30, 2010	Amount of Change	Percentage Change
Contributions	$ 294,737,248	$ 281,842,348	$ 12,894,900	4.58%
Investment income - investing activities	1,411,602,826	868,603,852	542,998,974	62.51
Investment income - securities lending activities	1,534,523	1,204,378	330,145	27.41
Miscellaneous income	667,724	647,275	20,449	3.16
Total additions	1,708,542,321	1,152,297,853	556,244,468	48.27
Benefits	622,913,485	567,514,834	55,398,651	9.76
Service transfers and refunds	17,745,828	466,076	17,279,752	3,707.50
Administrative expenses	7,142,834	7,145,958	(3,124)	(0.04)
Total deductions	647,802,147	575,126,868	72,675,279	12.64
Net increase (decrease)	1,060,740,174	577,170,985	483,569,189	83.78
Net assets beginning of year	6,806,177,232	6,229,006,247	577,170,985	9.27
Net assets end of year	$7,866,917,406	$6,806,177,232	$1,060,740,174	15.58

Summary Comparative Balance Sheets

Internal Service Funds

	As of June 30, 2011	As of June 30, 2010	Amount of Change	Percentage Change
Cash	$ 8	$ 8	$ 0	0.00%
Premiums receivable	982,915	1,013,226	(30,311)	(2.99)
Accounts receivable - other	124,998	129,521	(4,523)	(3.49)
Investments	3,443,331	3,103,073	340,258	10.97
Total assets	$4,551,252	$4,245,828	$305,424	7.19
Premiums payable	$3,220,853	$2,999,451	$221,402	7.38
DC contributions payable	0	55,327	(55,327)	(100.00)
Other liabilities	380,462	406,780	(26,318)	(6.47)
Total liabilities	3,601,315	3,461,558	139,757	4.04
Unrestricted net assets	949,937	784,270	165,667	21.12
Total liabilities and net assets	$4,551,252	$4,245,828	$305,424	7.19

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

Internal Service Funds

	Year Ended June 30, 2011	Year Ended June 30, 2010	Amount of Change	Percentage Change
Premium receipts	$28,829,638	$29,098,799	$ (269,161)	(0.92)%
Deferred compensation receipts	54,221,226	69,143,267	(14,922,041)	(21.58)
Miscellaneous income	981,404	1,039,369	(57,965)	(5.58)
Total operating revenue	84,032,268	99,281,435	(15,249,167)	(15.36)
Premium disbursements	28,804,638	29,077,825	(273,187)	(0.94)
Deferred compensation disbursements	54,221,226	69,143,267	(14,922,041)	(21.58)
Premium refunds	24,999	20,974	4,025	19.19
Administrative expenses	826,809	797,020	29,789	3.74
Total operating expenses	83,877,672	99,039,086	(15,161,414)	(15.31)
Net operating income	154,596	242,349	(87,753)	(36.21)
Investment income	11,071	9,816	1,255	12.79
Net revenues over expenses	165,667	252,165	(86,498)	(34.30)
Net assets beginning of year	784,270	532,105	252,165	47.39
Net assets end of year	$ 949,937	$ 784,270	$ 165,667	21.12

Summary Comparative Statements of Cash Flows Analysis
The decrease in cash flows from operating activities is primarily attributable to a decrease in cash payments received from employers and members over that of FY10.

The increase 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 increase in cash flows from investing activities is primarily attributable to an increase in the cash flows from net purchase and maturities of overnight repurchase agreements of $120,770 and an increase in the investment income received of $1,255.

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, 2011	Year Ended June 30, 2010	Amount of Change	Percentage Change
Cash flows from operating activities	$ 329,505	$ 452,171	$(122,666)	(27.13)%
Cash flows from noncapital financing activities	(318)	(952)	634	66.60
Cash flows from investing activities	(329,187)	(451,211)	122,024	27.04
Net change in cash	0	8	(8)	
Cash balances beginning of year	8	0	8	
Cash balances end of year	$ 8	$ 8	$ 0	

Basic Financial Statements

Statements of Plan Net Assets

Pension Trust Funds - As of June 30, 2011

	MSEP	Judicial Plan	Total
Assets			
Cash and short-term investments	$ 797,296,584	$ 9,974,253	$ 807,270,837
Receivables			
State contributions	10,368,139	1,150,477	11,518,616
Investment sales	15,164,689	189,712	15,354,401
Other	366,511	4,585	371,096
Total receivables	25,899,339	1,344,774	27,244,113
Investments at fair value			
U.S. treasury securities	771,141,946	9,647,056	780,789,002
Corporate bonds	103,978,726	1,300,783	105,279,509
Convertible bonds	2,464,703	30,834	2,495,537
Government bonds & gov't mortgage-backed securities	73,710,513	922,125	74,632,638
Common stock	1,055,724,362	13,207,208	1,068,931,570
Preferred stock	3,244,060	40,583	3,284,643
Limited partnerships	3,803,006,298	47,575,957	3,850,582,255
Bank loans	72,395,834	905,678	73,301,512
Collateralized mortgage obligations	164,524,228	2,058,213	166,582,441
International equities	918,029,589	11,484,634	929,514,223
U.S. dollar-denominated international corporate bonds	17,856,089	223,381	18,079,470
Total investments	6,986,076,348	87,396,452	7,073,472,800
Invested securities lending collateral	635,139,468	7,945,653	643,085,121
Capital assets			
Land	263,984	3,302	267,286
Building and building improvements	3,524,167	44,088	3,568,255
Furniture, fixtures, and equipment	1,632,771	20,426	1,653,197
Software	33,902	424	34,326
Total capital assets	5,454,824	68,240	5,523,064
Accumulated depreciation	(2,431,581)	(30,419)	(2,462,000)
Net capital assets	3,023,243	37,821	3,061,064
Prepaid expenses and other	49,831	623	50,454
Total assets	8,447,484,813	106,699,576	8,554,184,389
Liabilities			
Administrative expense payables	2,866,007	35,854	2,901,861
Investment purchases payables	15,939,719	199,407	16,139,126
Foreign currency payable	853,112	10,673	863,785
Securities lending collateral	635,887,008	7,955,005	643,842,013
Investment incentive fees payable	14,556,964	182,109	14,739,073
Investment income payable	8,117,154	101,546	8,218,700
Employee vacation and overtime liability	555,476	6,949	562,425
Total liabilities	678,775,440	8,491,543	687,266,983
Net assets held in trust for pension benefits	$7,768,709,373	$98,208,033	$7,866,917,406

See accompanying *Notes to the Financial Statements*.

Basic Financial Statements

Statements of Changes in Plan Net Assets

Pension Trust Funds - Year Ended June 30, 2011

	MSEP	Judicial Plan	Total
Additions			
Contributions			
State contributions	$ 263,418,048	$27,702,682	$ 291,120,730
Employee contributions	599,761	59,958	659,719
Member purchases of service credit	2,814,551	0	2,814,551
Service transfer contributions	142,248	0	142,248
Total contributions	266,974,608	27,762,640	294,737,248
Investment income			
From investing activities:			
Net appreciation in fair value of investments	1,091,260,864	13,651,773	1,104,912,637
Interest	46,149,678	577,337	46,727,015
Dividends	29,218,499	365,526	29,584,025
Swap income	295,394,113	3,695,407	299,089,520
Other	32,673,270	408,746	33,082,016
Total investing activity income	1,494,696,424	18,698,789	1,513,395,213
Investing activity expenses:			
Management fees	(95,396,305)	(1,193,416)	(96,589,721)
Custody fees	(378,205)	(4,731)	(382,936)
Consultant fees	(897,579)	(11,229)	(908,808)
Performance measurement fees	(458,185)	(5,732)	(463,917)
Internal investment activity expenses	(3,404,415)	(42,590)	(3,447,005)
Total investing activity expenses	(100,534,689)	(1,257,698)	(101,792,387)
Net income from investing activities	1,394,161,735	17,441,091	1,411,602,826
From securities lending activities:			
Securities lending income	2,323,353	29,065	2,352,418
Securities lending expenses:			
Borrower rebates	(540,092)	(6,757)	(546,849)
Management fees	(267,697)	(3,349)	(271,046)
Total securities lending activities expenses	(807,789)	(10,106)	(817,895)
Net income from securities lending activities	1,515,564	18,959	1,534,523
Total net investment income	1,395,677,299	17,460,050	1,413,137,349
Miscellaneous income	659,474	8,250	667,724
Total additions	1,663,311,381	45,230,940	1,708,542,321
Deductions			
Benefits	516,839,532	25,488,531	542,328,063
BackDROP & lump sum benefits	80,585,422	0	80,585,422
Service transfer payments	17,745,828	0	17,745,828
Administrative expenses	7,054,581	88,253	7,142,834
Total deductions	622,225,363	25,576,784	647,802,147
Net increase	1,041,086,018	19,654,156	1,060,740,174
Net assets held in trust for pension benefits:			
Beginning of year	6,727,623,355	78,553,877	6,806,177,232
End of year	$7,768,709,373	$98,208,033	$7,866,917,406

See accompanying *Notes to the Financial Statements*.

Basic Financial Statements

Balance Sheets

Internal Service Funds - As of June 30, 2011

	Life & LTD	Deferred Compensation	Total
Assets			
Cash	$ 0	$ 8	$ 8
Premiums receivable	982,915	0	982,915
Accounts receivable other	0	124,997	124,997
Due to/(due from)	(891,281)	891,281	0
Investments at fair value	3,392,945	50,387	3,443,332
Total assets	$3,484,579	$1,066,673	$4,551,252
Liabilities and net assets			
Liabilities			
Premiums payable	$3,220,853	$ 0	$3,220,853
Deferred compensation contributions payable	0	0	0
Checks outstanding net of deposits	1,540	0	1,540
Other	378,922	0	378,922
Total liabilities	3,601,315	0	3,601,315
Unrestricted net assets (deficit)	(116,736)	1,066,673	949,937
Total liabilities and net assets	$3,484,579	$1,066,673	$4,551,252

See accompanying *Notes to the Financial Statements*.

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

Internal Service Funds - Year Ended June 30, 2011

	Life & LTD	Deferred Compensation	Total
Operating revenues			
Premium receipts	$28,829,638	$ 0	$28,829,638
Deferred compensation receipts	0	54,221,226	54,221,226
Miscellaneous income	476,484	504,920	981,404
Total operating revenues	29,306,122	54,726,146	84,032,268
Operating expenses			
Premium disbursements	28,804,638	0	28,804,638
Deferred compensation disbursements	0	54,221,226	54,221,226
Premium refunds	24,999	0	24,999
Administrative expenses	634,289	192,520	826,809
Total operating expenses	29,463,926	54,413,746	83,877,672
Operating revenues (under) over operating expenses	(157,804)	312,400	154,596
Nonoperating revenues			
Investment income	10,951	120	11,071
Net revenues (under) over expenses	(146,853)	312,520	165,667
Net assets July 1, 2010	30,117	754,153	784,270
Net assets (deficit) June 30, 2011	$ (116,736)	$ 1,066,673	$ 949,937

See accompanying *Notes to the Financial Statements*.

Basic Financial Statements

Statements of Cash Flows

Internal Service Funds - Year Ended June 30, 2011

	Life & LTD	Deferred Compensation	Total
Cash flows from operating activities			
Cash received from employer and members	$ 29,336,433	$ 54,730,669	$ 84,067,102
Payments to outside carriers	(28,582,259)	(54,226,168)	(82,808,427)
Refunds of premiums to members	(24,999)	0	(24,999)
Cash payments to employees for services	(306,738)	(136,033)	(442,771)
Cash payments to other suppliers of goods and services	(264,728)	(196,672)	(461,400)
Net cash provided by operating activities	157,709	171,796	329,505
Cash flows from noncapital financing activities			
Implicit funding of checks outstanding net of deposits	1,540	0	1,540
Implicit repayment of prior years checks outstanding net of deposits	(1,858)	0	(1,858)
Net cash used in noncapital financing activities	(318)	0	(318)
Cash flows from investing activities			
Purchase of investment securities	(746,370,653)	(7,986,076)	(754,356,729)
Proceeds from sale and maturities of investment securities	746,202,311	7,814,160	754,016,471
Cash received from investment income	10,951	120	11,071
Net cash used by investing activities	(157,391)	(171,796)	(329,187)
Net increase in cash	0	0	0
Cash balances June 30, 2010	0	8	8
Cash balances June 30, 2011	$ 0	$ 8	$ 8
Reconciliation of operating revenues under operating expenses to net cash provided by operating activities			
Operating revenues over (under) operating expenses	$ (157,804)	$ 312,400	$ 154,596
Adjustments to reconcile operating revenues over (under) operating expenses to net cash provided (used) by operating activities			
Change in assets and liabilities:			
Increase in operational accounts receivable	30,312	4,522	34,834
Increase (decrease) in operational accounts payable	285,201	(145,126)	140,075
Total adjustments	315,513	(140,604)	174,909
Net cash provided by operating activities	$ 157,709	$ 171,796	$ 329,505

See accompanying *Notes to the Financial Statements*.

Notes to the Financial Statements
Year Ended June 30, 2011

(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.

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.

The board intends to follow a financing pattern which computes and requires contribution amounts which, expressed as a percent of active member payroll, will remain approximately level from year-to-year and from one generation of citizens to the next generation.

Complete recognition of the year-to-year swings in the market value of system assets would produce contribution rate changes that would run counter to the "approximately level" goal. To address that issue a common actuarial practice referred to as asset smoothing is used. Application of that practice results in full recognition of returns at the assumed rate and recognizing any annual investment return gain or loss relative to the assumed rate over a period of five years.

At any point in time the actuarial value of assets will be more or less than the market value but, if the smoothing method is prudent and properly constructed, those values will converge over time.

As of June 30, 2011 and 2010, the actuarial value of assets was 103% and 118% respectively, of the market value for the Missouri State Employees Plan.

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 are eligible for membership in the MSEP 2011 tier of the MSEP 2000. MOSERS participates as an employer in the MSEP and MSEP 2000.

As of the June 30, 2011 valuation, membership in the MSEP consisted of the following:

Retirees and beneficiaries currently receiving benefits		35,315
Terminated employees entitled to, but not yet receiving benefits		17,712
Active		
Vested	36,209	
Nonvested	15,451	51,660
Total membership		104,687

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.

MSEP 2011 Tier

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.

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

Highlights of this tier 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” increased to a “Rule of 90” and the corresponding minimum eligibility age increased from age 48 to age 55.
- The age for early retirement for general employees increased from age 57 to age 62 (option available with a reduction).
- Five-year vesting 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.
- Eliminates subsidized service purchases for all employee classifications. This includes the elimination of subsidized purchases of military and other full-time nonfederal governmental service.

- Eliminates the portability provision that was enacted in the MSEP 2000 Plan.
- Eliminates 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).

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, 2011 valuation, membership in the Judicial Plan consisted of the following:

Retirees and beneficiaries currently receiving benefits		486
Terminated employees entitled to, but not yet receiving benefits		45
Active		
Vested	399	
Nonvested	0	399
Total membership		930

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.

Judicial 2011 Tier

House Bill No. 1, created new tier defined benefit plan for members of the Judicial Plan. This tier (Judicial Plan 2011) includes all new judicial members first hired on or after January 1, 2011.

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

Schedule of Funded Status

	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	6/30/2011	$8,022,481,408	$10,123,544,043	$2,101,062,635	79.2%	$1,875,569,816	112.0%
Judges	6/30/2011	98,398,628	393,484,589	295,085,961	25.0	45,888,020	643.1

	MSEP	Judicial Plan
Valuation date	6/30/2011	6/30/2011
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 +/- 20% market corridor	5-year smoothed market +/- 20% market corridor
Actuarial assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	4.3-7.5%	4.0-5.6%
COLAs	4%*	4%**
Price inflation	3.20%	3.20%

* *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, 3.067% for the 13th year, and 2.56% per year thereafter.*

Multi-year trend information related to the table above demonstrates 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*.

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), MSEP 2011 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.

This plan experienced a negative fund balance in FY11 due to administrative expenses exceeding revenues. Contracts negotiated for future years are anticipated to reverse this trend.

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 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 a revenue sharing arrangement with the plan administrator to cover a portion of participant fees and MOSERS' administrative costs Funds collected related to the revenue sharing arrangements are shown in the Due to/(due from) accounts.

Prospective Plan Provision Changes
On July 8, 2011, Governor Nixon signed into law HB 282, retirement legislation that contained provisions affecting the Missouri State Employees' Retirement Plan, the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS), and the Missouri Deferred Compensation as well as employees of the Missouri Development Finance Board (MDFB).

This legislation contained provisions that results in new hires employed on or after July 1, 2012, being automatically enrolled at 1% of pay in the Deferred Compensation Plan that is administered by MOSERS as well as language providing for MOSERS and MPERS to transfer funds between the two systems in connection with service credit transfers occurring on or after September 1, 2011. The legislation also included provisions that make any full-time employee of MDFB who is employed on or after September 1, 2011, a state employee and member of MOSERS. Provisions further allow MDFB employees to purchase credited service toward retirement based on their employment with MDFB prior to September 1, 2011. Lastly, the legislation contains provisions that require all public employee defined benefit retirement plans covered under Chapter 105, RSMo, to submit quarterly investment reports to the Joint Committee on Public Employee Retirement (JCPER) in the form and manner requested by the committee.

MOSERS completed a search for recordkeeping services for the State of Missouri Deferred Compensation Plan. The current 5-year contract with ING was nearing expiration, and it is common practice to conduct a review of the current provider and perform a bid process. Following an extensive review of responses to our request for proposal, the decision was made to transition Plan recordkeeping services to ICMA-RC (Retirement Corporation). The transition to the new provider will take place in November 2011.

Revenue Sharing

	Employee Charges	Revenue Sharing	Total
ING	$1,887,489	$1,014,247	$2,901,736
MOSERS	0	504,920	504,920
Total	$1,887,489	$1,519,167	$3,406,656

(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 U.S. requires management to make estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at June 30, 2011. 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 is 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, 2011, as collateral for overnight repurchase agreements:

- $5,000,000 Federal National Mortgage Association
  – maturity date - 10/25/2013
  – fair value - $5,003,205
- $5,000,000 Small Business Administration Pool #508484
  – maturity date - 08/25/2020
  – fair value - $2,556,180
- $15,784,741 Federal National Mortgage Association Pool #889637
  – maturity date - 07/01/2034
  – fair value - $8,285,593
- $5,000,000 Small Business Administration Pool #509071
  – maturity date - 04/25/2036
  – fair value - $5,000,000

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, 2011, MOSERS' fixed income assets that are not government guaranteed represented 55% 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 exposure levels and credit qualities.

Aggregate Book and Bank Balances

	Cash Balances	
	Book	**Bank/Investment Custodian**
Pension Trust Funds - investment custodian	$ 16,095,271	$16,095,271
Pension Trust Funds - demand deposits	(12,314,737)	121,439
Internal Service Fund - insurance plan demand deposits	(1,541)	48
Internal Service Fund - deferred compensation plan demand deposits	8	8

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 rating of CC or lower is purchased and in those circumstances of downgrades subsequent to purchase, in which case the investment manager has been given permission to hold the security, usually due to mitigating circumstances such as a very short maturity or a much higher rating from one of the other ratings agencies 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 risk that the counterparty to a MOSERS transaction will be unable to meet its obligation. Information regarding MOSERS' credit risk related to derivatives is found under the derivatives disclosures on pages 39-41 of these notes.

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

Concentration of Credit Risk

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

Average Credit Quality and Exposure Levels of Nongovernment Guaranteed Securities

Fixed Income Security Type	Market Value June 30, 2011	Percent of all Fixed Income Assets	Weighted Average Credit Quality	Ratings Dispersion Requiring Further Disclosure
Collateralized mortgage obligations	$ 150,718,506	5.7%	BBB-	See below
Non-U.S. sovereign	45,422,197	1.7	BBB	See below
Asset backed securities	40,787,572	1.5	A	See below
Corporate bonds	270,648,259	10.1	BBB+	See below
Bank loans	73,306,047	2.8	B+	See below
Bank deposits	250,062,503	9.4	FDIC insured	None
Repurchase agreements	570,201,846	21.4	Not rated	None
Pooled investments	70,574,291	2.6	AAA	See below
Total nongov't guaranteed securities	$1,471,721,221	55.2%		
Total fixed income securities	$2,666,524,400			

Ratings Dispersion Detail - Market Value

Credit Rating Level	Collateralized Mortgage Obligations	Non-U.S. Sovereign	Asset-Backed Securities	Corporate Bonds	Bank Loans	Pooled Investments
Agency	$ 70,516,950		$21,516,682	$ 64,040,892		
AAA				812,999		$70,574,291
AA				16,862,093		
A	1,803,151	$16,178,503		96,350,710		
BBB	688,138	20,074,713	7,679,524	2,013,502	$ 476,800	
BB	1,664,303	8,853,842	537,455	25,783,913	27,046,548	
B	7,272,007	93,604	7,289,761	33,325,870	40,029,043	
CCC	35,008,208		1,143,464	16,714,663	2,048,599	
CC	8,605,790		1,974,904	1,419,355		
C				0	0	
D	25,159,960		645,782	13,036,742	619,934	
Not rated		221,536		287,521	3,085,124	
	$150,718,507	$45,422,198	$40,787,572	$270,648,260	$73,306,048	$70,574,291

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. 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, which are reported at fair value in the *Statement of Plan Assets* of the pension trust funds. Such securities have embedded within them the risk of being called, whereby the issuer has the option to keep the debt outstanding in rising interest rate environments or repay the debt in declining interest rate environments, a factor that advantages the issuer. MOSERS invests in these securities to diversify the portfolio with high quality and liquid investments, which capture a significant yield premium that is intended to compensate for the call risk. This risk is incorporated within the effective duration calculation used in the interest rate risk analysis.

Effective Duration of Fixed Income Assets by Security Type

Fixed Income Security Type	Market Value June 30, 2011	Percent of all Fixed Income Assets	Weighted Average Effective Duration (Years)	Interest Rate Risk Requiring Further Disclosure
U.S. treasuries	$ 787,295,410	29.5%	5.4	See below
US gov't guaranteed mortgages	266,364	0.0	1.7	None
Collateralized mortgage obligations	150,718,506	5.7	0.1	None
Non-U.S. sovereign	45,422,197	1.7	5.2	None
Asset backed securities	40,787,572	1.5	0.0	None
Corporate bonds	270,648,259	10.2	0.9	None
Bank loans	73,306,047	2.7	0.2	None
Bank deposits	250,062,503	9.4	0.0	None
Repurchase agreements	977,443,251	36.7	0.0	None
Pooled investments	70,574,291	2.6	0.0	None
	$2,666,524,400	100.0%	1.8	

Effective Duration Analysis of U.S. Treasuries

	Market Value June 30, 2011	Average Effective Duration of the Security Type	Contribution to Effective Duration
Less than 1 year to maturity			
1- to 10- year maturities	$466,536,396	2.4	1.4
Long coupon treasuries	316,418,232	9.7	3.9
Long stripped treasuries	4,340,782	16.0	0.1
	$787,295,410		5.4

Repurchase Agreements by Collateral Type

Collateral Type	Market Value June 30, 2011	Market Value of Repurchase Agreement June 30, 2011	Percent Over Collateralized
Treasuries	$ 418,485,491	$407,241,405	2.8%
Money market instruments	89,250,000	85,000,000	5.0
Investment grade corporates	119,154,131	115,200,000	3.4
Common stock	396,000,040	370,001,846	7.0
	$1,022,889,662	$977,443,251	4.6%

Repurchase Agreements

Repurchase agreements (repos) are 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.

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, 2011, is highlighted in the table below:

Currency Exposures by Asset Class

Currency	Cash & Cash Equivalents	Equities	Fixed Income	Alternatives	Total
Argentina Peso		$ 2	$ 91,884		$ 91,886
Australian Dollar		7,316,355			7,316,355
Brazilian Real	$ 50,235	28,464,480	7,196,999		35,711,714
Canadian Dollar	68,863	1,064,653	352,211		1,485,727
Chilean Peso		1,094,924			1,094,924
Chinese Renminbi		56,003			56,003
Colombian Peso		547,299	3,190,750		3,738,049
Czech Koruna		2,597,452			2,597,452
Danish Krone	400	5,806,422			5,806,822
Egyptian Pound		2,566,970			2,566,970
Euro	5,162,818	179,922,855	7,753,982	$66,929,710	259,769,365
Hong Kong Dollar		81,745,870			81,745,870
Hungarian Forint	1,165	3,257,889	762,571		4,021,625
Indian Rupee		12,967,903			12,967,903
Indonesian Rupiah		9,854,977	5,699,097		15,554,074
Israeli Shekel	4	22			26
Japanese Yen	753,114	344,129,430			344,882,544
Malaysian Ringgit		6,914,031	5,962,580		12,876,611
Mexican Peso		13,609,169	6,391,989		20,001,158
Moroccan Dirham		334,109			334,109
Peruvian Nuevo Sol		12			12
Phillippines Peso		977,505	483,385		1,460,890
Polish Zloty		5,301,412	4,048,886		9,350,298
Russian Ruble		732,573			732,573
Singapore Dollar		33,301,566			33,301,566
South African Rand		10,851,076	5,989,202		16,840,278
South Korean Won	85,597	48,214,950	2,090,801		50,391,348
Sri Lanka Rupee		188,120			188,120
Swedish Krona		11,294,760			11,294,760
Swiss Franc	97	97,581,803			97,581,900
Taiwan New Dollar	698,811	41,368,126			42,066,937
Thai Baht		17,747,934	2,891,448		20,639,382
Turkish Lira		9,434,630	3,368,266		12,802,896
Ukraine Hryvana		60			60
United Kingdom Pound Sterling	1,000,488	110,667,145	1,953,178		113,620,811
Venezuela Boliviar	53,623				53,623
Grand Total	$7,875,215	$1,089,912,487	$58,227,229	$66,929,710	$1,222,944,641

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. It enters swaps and futures contracts to gain or hedge exposure to certain markets and to manage interest rate risk and forward foreign exchange contracts primarily to hedge foreign currency exposure.

The tables on the following page summarize the various contracts in the portfolio as of June 30, 2011. 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 *Statement of Net Plan Assets* and the total changes in fair value for the year are included as investment income in the *Statement of Changes in Plan Net Assets*. For the year ending June 30, 2011, the change in fair value in the swap contracts resulted in $299.1 million of investment income. The change in fair value in the future contracts resulted in $94.3 million of investment income and the change in fair value of the foreign exchange contracts resulted in a loss of $18.3 million of investment income. MOSERS does not anticipate additional significant market risk from the swap arrangements.

MOSERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. MOSERS' investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. MOSERS anticipates that the counterparties will be able to satisfy their obligations under the contracts. Investments in limited partnerships and commingled funds may include derivatives that are not shown in the derivative totals.

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 non-cash collateral are presented in the schedule on page 42.

On June 30, 2011, MOSERS had no credit risk exposure to borrowers because the collateral amounts received exceeded amounts out on loan.

As of June 30, 2011, 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, 2011, the cash collateral fund had a market value of $643,085,121 and a weighted average maturity of four days. For all of the securities lending operational services, the custodian is paid an annual fee, which is netted out against MOSERS' earnings in the securities lending programs managed by Deutsche Bank.

Futures Contracts

Futures Contract	2011 Expiration Date	Long/Short	Notional/Fair Value	Exposure
U.S. US Ultra Bond	September	Long	$ 43,808,750	$ (81,156)
U.S. Long Treasury Bond	September	Long	45,398,531	(174,250)
U.S. 10-year Treasury Notes	September	Long	212,239,297	(954,641)
U.S. 5-year Treasury Notes	September	Long	29,918,024	(7,859)
U.S. 2-year Treasury Notes	September	Long	204,867,062	(15,375)
S&P 500 Index	September	Long	258,956,175	2,204,720
S&P 500 Index	September	Long	13,746,975	117,040
Gold 100 Oz	August	Long	62,967,320	(318,440)
Total			$871,902,134	$ 770,039

Swap Contracts

MOSERS Receives	Maturity Date	Notional Value	Exposure	Index Counterparty	Counterparty Credit Rating*
S&P 100 Total Return	10/31/2011	$ 36,143,255	$ 562,468	Deutsche Bank	Aa3/A+
S&P 500 Financials	10/31/2011	50,471,756	1,451,301	Deutsche Bank	Aa3/A+
MSCI EAFE Total Return	5/31/2012	65,391,121	829,144	Deutsche Bank	Aa3/A+
MSCI EAFE ex-Japan Total Return	5/25/2012	142,446,165	(2,320,152)	Deutsche Bank	Aa3/A+
MSCI EAFE ex-Japan Total Return	6/15/2012	109,994,039	(3,309,259)	Deutsche Bank	Aa3/A+
Three Month LIBOR Quarterly	12/10/2014	10,000,000	447,537	Deutsche Bank	Aa3/A+
Three Month LIBOR Quarterly	6/16/2014	10,000,000	269,048	Deutsche Bank	Aa3/A+
S&P 100 Total Return	10/31/2011	67,851,048	2,148,952	Goldman Sachs	A1/A
S&P 500 Consumer Discretionary Total Return	1/31/2013	(54,522,013)	0	Goldman Sachs	A1/A
MSCI EAFE ex-Japan Total Return	2/29/2012	134,661,957	2,621,972	Goldman Sachs	A1/A
MSCI EAFE ex-Japan Total Return	8/31/2011	41,538,067	808,778	Goldman Sachs	A1/A
S&P 100 Total Return	7/29/2011	111,247,445	1,731,253	JP Morgan Chase	Aa1/AA-
S&P 100 Technology Total Return	10/31/2011	96,771,537	1,690,703	JP Morgan Chase	Aa1/AA-
S&P 100 Technology Total Return	10/31/2011	10,841,580	189,414	JP Morgan Chase	Aa1/AA-
S&P 100 Consumer Staples Total Return	10/31/2011	63,044,372	1,632,812	JP Morgan Chase	Aa1/AA-
S&P 100 Consumer Staples Total Return	10/31/2011	11,245,279	291,246	JP Morgan Chase	Aa1/AA-
S&P 100 Health Care Total Return	10/31/2011	107,302,891	1,585,403	JP Morgan Chase	Aa1/AA-
S&P 100 Health Care Total Return	10/31/2011	7,556,909	111,653	JP Morgan Chase	Aa1/AA-
S&P 100 Energy Total Return	10/31/2011	39,404,949	496,004	JP Morgan Chase	Aa1/AA-
Barclays Capital Aggregate	8/22/2011	101,965,789	578,949	JP Morgan Chase	Aa1/AA-
S&P GSCITR Custom	3/30/2012	128,780,503	7,886,358	Merrill Lynch	A2/A
S&P GSCITR Custom	1/31/2012	62,842,100	1,527,799	Merrill Lynch	A2/A
Total		$1,354,978,749	$21,231,383		

** Ratings obtained from Moody's/Fitch*

Foreign Currency Forward Contracts at June 30, 2011

Currency	Net Notional Long/(Short)	Exposure
Australian Dollar	$ 132,993	$ 1,532
Brazilian Real	(532,376)	(15,875)
Canadian Dollar	(397,611)	2,282
Chinese Renminbi	519,952	(316)
Euro	(184,417,181)	(8,237,628)
British Pound Sterling	(2,792,878)	49,436
Japanese Yen	26,451,576	294,860
New Zealand Dollar	(80,034,911)	(512,371)
Russian Ruble	4,700,257	32,168
U.S. Dollar	227,984,265	0
Foreign currency forward contract asset (liability)	$(8,385,914)	$(8,385,914)

Investments as of June 30, 2011

	Pension Trust Funds		Internal Service Funds	
	Investments at Cost Value	Investments at Fair Value	Investments at Cost Value	Investments at Fair Value
Out on loan	$ 98,971,423	$ 126,425,585		
Not on securities loan	850,940,977	942,505,985		
Total	949,912,400	1,068,931,570		
International equities				
Out on loan	21,538,397	23,857,121		
Not on securities loan	437,758,423	905,657,102		
Total	459,296,820	929,514,223		
Treasury bonds, notes and bills				
Out on loan	416,856,157	469,130,558		
Not on securities loan	292,508,895	311,658,444		
Total	709,365,052	780,789,002		
Corporate bonds				
Out on loan	10,581,500	10,964,923		
Not on securities loan	159,880,286	158,807,613		
Total	170,461,786	169,772,536		
International corporate bonds	40,708,343	18,079,470		
Preferred stocks	3,217,445	3,284,643		
Government bonds and gov't mortgage backed securities	74,209,989	74,632,638		
Convertible bonds	2,438,350	2,495,537		
Repurchase agreements	13,423,111	13,423,111	$3,443,331	$3,443,331
Short-term investment funds	1,368,634,307	1,368,634,307		
Collateralized mortgage obligations	163,181,426	166,582,441		
Real estate investment trusts	0	0		
Limited partnerships	2,871,907,158	3,850,582,255		
Bank loans	72,552,311	73,301,512		
Total investments				
Out on loan	547,947,477	630,378,187		
Not on securities loan	6,351,361,021	7,889,645,058	3,443,331	3,443,331
Total	$6,899,308,498	$8,520,023,245	$3,443,331	$3,443,331

Reconciliation to investments on *Statements of Plan Net Assets*	
Total from above	$8,520,023,245
Less short-term investments	
Repurchase agreements	(13,423,111)
Short-term investment funds	(790,042,214)
Less invested securities lending collateral	
Short-term investment funds	(578,592,093)
Corporate bonds	(64,493,027)
Investments on *Statement of Plan Net Assets*	$7,073,472,800

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, 2011, MOSERS had contracts with over 83 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, 2011
Actis Emerging Markets III	Emerging markets	$ 34,027,319
African Development Partners I, LLC	Emerging markets	19,196,524
Alinda Infrastructure Fund I, LP	Corporate buyout	25,767,226
AQR Absolute Return Institutional Fund, LP	Multi-strategy	48,344,678
AQR DELTA Sapphire Fund, LP	Muti-strategy	125,342,370
Axiom Asia Private Capital Fund II, LP	Emerging markets	10,051,297
Bayview Opportunity Domestic LP - high yield	Distressed real estate debt	77,547,539
Bayview Opportunity Domestic LP - real estate	Distressed real estate debt	13,684,860
Blackstone Distressed Securities Fund, LP	Long/short - credit	437,897
Blackstone Hedged Equity Fund, LP	Long/short - fund-of-funds	102,269,288
Blackstone Real Estate Partners IV	Active real estate	50,774,860
Blackstone Real Estate Partners V	Active real estate	102,237,839
Blackstone Real Estate Partners VI	Active real estate	81,155,348
Blackstone Topaz Fund, LP	Multi-strategy - fund-of-funds	305,542,467
Blakeney Onyx, LP	Emerging markets	138,500,041
Brevan Howard, LP	Global macro	77,807,733
Bridgepoint Europe III A, LP	Corporate buyout	25,545,947
Bridgepoint Europe IV B, LP	Corporate buyout	15,225,759
Bridgewater Associates - Diamond Ridge Fund, LLC	Global macro	108,670,864
Campbell Timber Fund II-A, LP	Timberland	40,994,072
CarVaI Investors CVI Global Value Fund A, LP - private debt	Distressed real estate debt	52,000,000
CarVaI Investors CVI Global Value Fund A, LP - real estate	Distressed real estate debt	52,000,000
Catalyst Fund Limited Partnership III	Canadian distressed debt	18,319,823
Catterton Partners V, LP	Corporate buyout	18,589,004
Catterton Partners VI, LP	Corporate buyout	26,915,468
Claren Road Credit Partners, LP	Long/short - credit	78,117,837
COMAC Global Macro Fund, LP	Global macro	47,734,644
Davidson Kempner Institutional Partners, LP	Event driven	84,727,546
DDJ Capital Management - B IV Capital Partners, LP	Distressed debt	16,466,454
Diamondback Partners, LP	Long/short - equity	88,373,260
DRI Capital - LSRC	Intellectual Property	21,487,706
DRI Capital - LSRC II	Intellectual Property	672,266
Elliott International Limited	Multi-strategy	54,995,589
Eminence Fund, Ltd.	Long/short - equity	77,377,974
Empyrean Capital Fund, LP	Event driven	49,201,183
Eton Park Fund, LP	Multi-strategy	79,122,786
Farallon Capital Institutional Partners, LP	Multi-strategy	53,515,314
Fortress Mortgage Opportunities Fund Series 2	Distressed real estate debt	26,656,392
Garnet Sky Investors Company Ltd.	Timberland	85,634,132
Glenview Institutional Partners, LP	Long/short - equity	42,172,269
Global Forest Partners GTI7 Institutional Investors Company Ltd.	Timberland	81,602,021
HBK Offshore Fund, Ltd.	Multi-strategy	81,424,604
JLL Partners Fund V, LP	Corporate buyout	21,515,295
JLL Partners Fund VI, LP	Corporate buyout	16,936,643

Continued on page 44

Limited Partnerships continued from page 43

Partnership Name	Style	Investments at Fair Value as of June 30, 2011
King Street Capital, LP	Credit driven	80,994,426
King Street Capital, Ltd.	Credit driven	1,889,973
Linden Capital Partners II, LP	Corporate buyout	(12,646)
Merit Energy Partners F-II, LP	Energy - oil & gas	8,896,388
MHR Institutional Partners IIA, LP	Distressed debt	50,808,023
MHR Institutional Partners III, LP	Distressed debt	57,350,431
Millennium Technology Value Partners II, LP	Direct secondaries	4,278,413
Millennium Technology Value Partners Co-Investment	Private equity co-investment	5,104,891
Moon Capital Global Equity Offshore Fund, Ltd.	Long/short - equity	786,634
New Mountain Partners III, LP	Corporate buyout	27,470,044
Oaktree European Credit Opportunities Fund, LP	European loans	6,961,481
OCM Opportunities Fund IVB, LP	Distressed debt	11,481
OCM Opportunities Fund VIIb, LP	Distressed debt	103,910,409
OCM Real Estate Opportunities Fund III, LP	Active real estate	32,108,500
OCM/GFI Power Opportunities Fund II, LP	Corporate buyout	7,607,038
OCM Power Opportunities Fund III, LP	Corporate buyout	2,824,498
PAAMCO - Newport Pioneer, LLC	Multi-strategy - fund-of-funds	159,747,095
Parish Capital Buyout Fund I, LP	Corporate buyout - fund-of-funds	15,958,030
Parish Capital Buyout Fund II, LP	Corporate buyout - fund-of-funds	17,399,751
Parish Opportunities Fund II, LP	Private equity co-investment	15,424,227
Perry Partners, LP	Multi-strategy	304,963
Pershing Square, LP	Long/short - equity	43,207,086
Pharo Macro Fund, LTD	Global macro	72,817,930
Resource Management Service - Wildwood Timberlands, LLC	Timberland	129,641,144
Silver Creek Special Opportunities Fund I, LP	Special situations - fund-of-funds	26,295,272
Silver Creek Special Opportunities Fund II, LP	Special situations - fund-of-funds	32,236,614
Silver Lake Partners II, LP	Corporate buyout	20,428,417
Silver Point Capital Fund, LP	Credit driven	5,813,730
TCW Energy Fund XIV, LP	Energy - mezzanine	34,294,580
TCW Energy Fund XV, LP	Energy - mezzanine	2,736,530
TCW Energy Partners, LLC	Energy - diversified	33,826,605
The Veritas Capital Fund III, LP	Corporate buyout	48,410,905
The Veritas Capital Fund IV, LP	Corporate buyout	12,720,625
TPG Airline Credit Opportunities II, LP	Special situations	11,570,547
TPG- Axon Partners (Offshore) Ltd.	Long/short - equity	49,541,189
Viking Global Equities III, Ltd.	Long/short - equity	95,878,204
Visium Balanced Fund, LP	Long/short - equity	49,550,671
Wellington Management - Spindrift Investors	Long/short - equity	1,472,518
Other	Miscellaneous	1,633,500
Total		$3,850,582,255

Capital Asset Account

Capital Assets	Land	Building and Building Improvements	Furniture, Fixtures, and Equipment	Software and Licensing	Total Capital Assets
Balances June 30, 2010	$267,286	$3,552,883	$1,825,224		$5,645,393
Additions		15,372	78,119	$34,326	127,817
Deletions			(250,146)		(250,146)
Balances June 30, 2011	267,286	3,568,255	1,653,197	34,326	5,523,064
Accumulated depreciation:					
Balances June 30, 2010		984,310	1,470,736		2,455,046
Depreciation expense		108,238	142,835	6,027	257,100
Deletions			(250,146)		(250,146)
Balances June 30, 2011		1,092,548	1,363,425	6,027	2,462,000
Net capital assets June 30, 2011	$267,286	$2,475,707	$289,772	$28,299	$3,061,064

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
- 5 years for software & licensing

Above is a schedule of the capital asset account balances as of June 30, 2010, and June 30, 2011, and changes to those account balances during the year ended June 30, 2011.

(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 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. MSEP 2011 employees are required to contribute 4% of their pay. 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, 2011, 19,703 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, 2011, was $1,837,482. 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, 2011, 334 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 ($40,344 for the year ended June 30, 2011). 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, 2011, 36,027 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, 2011, was $7,960,543. 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 calling (800) 487-0771 or writing to the following address:

MCHCP
832 Weathered Rock Court
P.O. Box 104355
Jefferson City, MO 65110-4355

Plan funding requests are actuarially determined, approved by the MCHCP Board of Trustees, and subject to appropriation by the Missouri General Assembly. MOSERS contributed $236,191 in FY09, $277,645 in FY10 and $240,307 in FY11 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, 2011, MOSERS has $496,494,491 and €34,730,277 unfunded commitments in the alternative investments asset class.

(7) Contingencies

MOSERS is a defendant in two lawsuits and a plaintiff in two lawsuits 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)
6/30/2006	$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
6/30/2011	8,022,481,408	10,123,544,043	2,101,062,635	79.2	1,875,569,816	112.0

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)
6/30/2006	$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
6/30/2011	98,398,628	393,484,589	295,085,961	25.0	45,888,020	643.1

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
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
2011	13.81	263,418,048	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
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
2011	60.03	27,702,682	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, 2011

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, 2011 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 returned to +/- 20% in FY11. 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.

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

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

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

	Amount	Percent of Payroll
MSEP		
Mark to market asset valuation method adjustment	$(10,116,963)	(.56)%
Recognition of state pay freeze on across-the-board increases for FY06	(3,793,861)	(.21)
Experience and nonrecurring items including the addition of the assets and liabilities from the ALJLAP	17,162,705	.95
Judicial Plan		
Mark to market asset valuation method adjustment	28,011	.07
Recognition of state pay freeze on across-the-board increases 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.

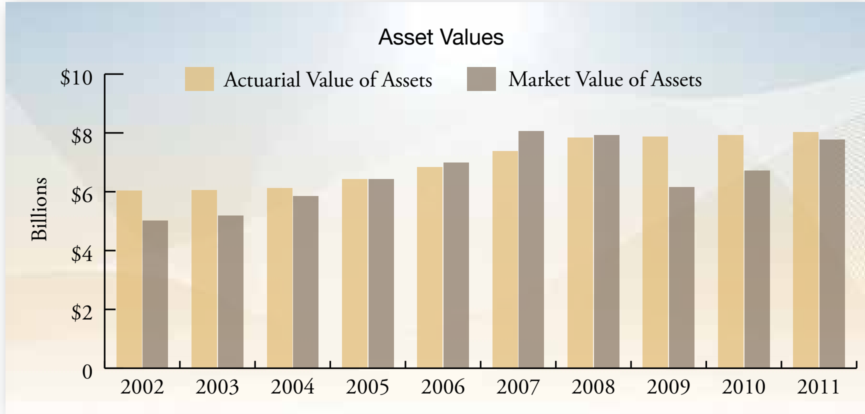
	Amount	Percent of Payroll
MSEP		
State of Missouri general pay freeze	$ (2,528,624)	(0.13)%
Addition of new tier of benefits effective January 1, 2011	(17,311,348)	(0.89)
Experience and nonrecurring items	25,480,749	1.31
Change in methodology of contributions timing between valuation and year of application	(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)

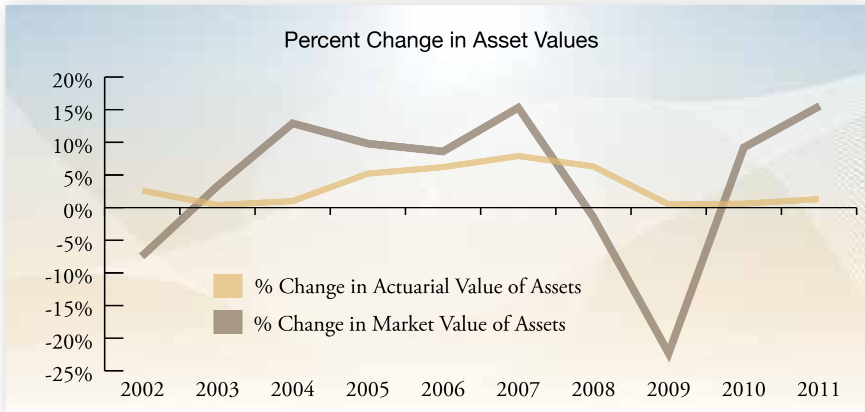
2011 The actuarial valuations as of June 30, 2011 reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2013.

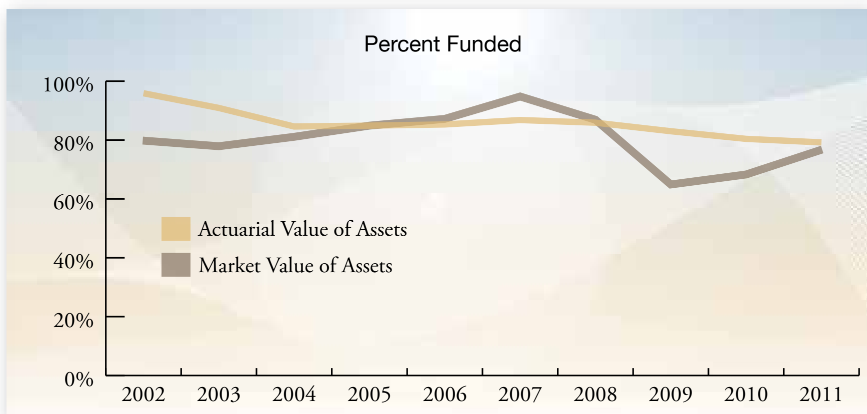
	Amount	Percent of Payroll
MSEP		
State of Missouri general pay freeze	$ (6,376,937)	(0.34)%
Experience and nonrecurring items	17,630,356	0.94
Change in normal cost due to increased participants in MSEP 2011	(2,250,684)	(0.12)
Judicial Plan		
State of Missouri general pay freeze	(293,683)	(0.64)
Experience and nonrecurring items	289,095	0.63
Change in normal cost due to increased participants in MSEP 2011	(169,786)	(0.37)

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, 2011

Investing activity	MSEP	Judicial Plan	Total
Investment management and administrative fees			
Actis Emerging Markets III - private equity	$ 847,754	$ 10,605	$ 858,359
African Development Partners I, LLC - private equity	1,027,651	12,856	1,040,507
Alinda Infrastructure Fund I, LP - private equity	427,708	5,351	433,059
AQR Absolute Return Institutional Fund, LP - alpha pool	865,780	10,831	876,611
AQR DELTA Sapphire Fund, LP - alpha pool	1,283,273	16,054	1,299,327
Axiom Asia Private Capital Fund II, LP - private equity	443,066	5,543	448,609
Baillie Gifford EAFE Plus - international developed equity	730,813	9,143	739,956
Bayview Opportunity Domestic LP - high yield	4,203,781	52,590	4,256,371
Bayview Opportunity Domestic LP - real estate	988,257	12,363	1,000,620
BlackRock Financial Management Bank Loans - high yield	346,699	4,337	351,036
BlackRock Financial Management High Yield - high yield	792,713	9,917	802,630
BlackRock Financial Management Mortgage Opportunity - high yield	442,508	5,536	448,044
Blackstone Distressed Securities Fund, LP - alpha pool	1,548	19	1,567
Blackstone Real Estate Partners V - real estate	1,075,849	13,459	1,089,308
Blackstone Real Estate Partners VI - real estate	1,110,953	13,898	1,124,851
Blackstone Hedged Equity Fundy, LP - domestic equity	1,661,107	20,781	1,681,888
Blackstone Topaz Fund, LP - alpha pool	3,456,232	43,238	3,499,470
Blackstone Real Estate Partners IV - real estate	193,388	2,419	195,807
Blakeney Onyx, LP- emerging markets	2,393,102	29,938	2,423,040
Brevan Howard, LP - alpha pool	1,273,891	15,936	1,289,827
Bridgewater Associates Diamond Ridge Fund, LLC - alpha pool	2,834,052	35,454	2,869,506
Bridgepoint Europe III A, LP - private equity	215,191	2,692	217,883
Bridgepoint Europe IV B, LP - private equity	610,502	7,637	618,139
Campbell Timber Fund II-A, LP - timber	486,969	6,092	493,061
Catterton Partners V, LP - private equity	255,472	3,196	258,668
Catterton Partners VI, LP - private equity	451,866	5,653	457,519
CarVaI Investors CVI Global Value Fund A, LP - real estate	867,892	10,857	878,749
CarVaI Investors CVI Global Value Fund A, LP - private debt	867,892	10,857	878,749
Catalyst Fund Limited Partnership III - distressed debt	2,138,474	26,752	2,165,226
Claren Road Credit Partners, LP - hedge funds	1,463,961	18,314	1,482,275
COMAC Global Macro Fund, LP - hedge funds	713,569	8,927	722,496
Davidson Kempner Institutional Partners, LP - alpha pool	1,399,844	17,512	1,417,356
DDJ Capital Management B IV Capital Partners, LP - private debt	(119,496)	(1,495)	(120,991)
Diamondback Partners, LP - alpha pool	4,354,384	54,481	4,408,865
DRI Capital LSRC - private equity	543,700	6,802	550,502
DRI Capital LSRC II - private equity	74,071	927	74,998
Elliott International, Ltd. - alpha pool	1,284,387	16,068	1,300,455
Eminence Fund, Ltd. - domestic equity	765,907	9,582	775,489
Eton Park Fund, LP - alpha pool	2,092,963	26,183	2,119,146
Farallon Capital Institutional Partners, LP - alpha pool	1,359,800	17,011	1,376,811
Garnet Sky Investors Company, Ltd. - timber	802,985	10,045	813,030
Glenview Institutional Partners, LP - hedge funds	385,779	4,826	390,605
Global Forest Partners GTI7 Institutional Investors Co., Ltd. - timber	563,066	7,044	570,110
Grantham, May and Van Otterloo & Co., LLC - emerging markets	1,239,610	15,508	1,255,118
Harvest Fund Advisors - real estate	479,529	5,999	485,528
HBK Offshore Fund, Ltd. - alpha pool	2,521,055	31,539	2,552,594
JLL Partners V, LP - private equity	1,398,219	17,492	1,415,711
JLL Partners VI, LP - private equity	947,339	11,851	959,190
King Street Capital, Ltd. - alpha pool	2,257,859	28,246	2,286,105
Legg Mason Opportunity Trust - domestic equity	622,442	7,787	630,229
Legg Mason Value Trust - domestic equity	340,107	4,255	344,362
Leuthold Weeden Capital Management - domestic equity	635,837	7,954	643,791
Linden Capital Partners II - private equity	711,910	8,906	720,816
Mastholm Investment Managers - international developed equity	5,208	65	5,273

Continued on page 54

Schedule of Investment Expenses continued from page 53	MSEP	Judicial Plan	Total
Merit Energy Partners F-II, LP - real estate	123,017	1,539	124,556
MHR Institutional Partners IIA, LP - private debt	2,822,837	35,314	2,858,151
MHR Institutional Partners III, LP - private debt	1,179,181	14,752	1,193,933
Millennium Technology Partners II, LP - private equity	555,307	6,947	562,254
Morant Wright Investment Management - international developed equity	1,485,561	18,585	1,504,146
MOSERS Inc. - alpha pool	96	1	97
New Mountain Partners III, LP - private equity	965,225	12,075	977,300
Nippon Value Investors - international developed equity	868,605	10,866	879,471
NISA Investment Advisors, LLC - commodities	420,171	5,256	425,427
NISA Investment Advisors, LLC - beta program domestic equity	683,480	8,550	692,030
NISA Investment Advisors, LLC - beta program fixed income	436,509	5,461	441,970
NISA Investment Advisors, LLC - beta program international equity	396,992	4,966	401,958
OCM Real Estate Opportunities Fund III, LP - real estate	1,143,753	14,308	1,158,061
OCM Opportunities Fund IVB, LP - private debt	2,267	28	2,295
OCM/GFI Power Opportunities Fund II, LP - private equity	1,881,100	23,533	1,904,633
OCM/GFI Power Opportunities Fund III, LP - private equity	437,114	5,468	442,582
OCM Opportunities Fund VIIb, LP - private debt	5,660,265	70,809	5,731,074
PAAMCO - Newport Pioneer, LLC - alpha pool	1,498,423	18,745	1,517,168
Parish Capital Buyout Fund I, LP - private equity	235,450	2,945	238,395
Parish Capital Buyout Fund II, LP - private equity	210,168	2,629	212,797
Parish Opportunities Fund II, LP - private equity	128,620	1,609	130,229
Pershing Square, LP - hedge funds	700,773	8,767	709,540
Pharo Macro Fund, Ltd. - alpha pool	951,402	11,902	963,304
Resource Management Service Wildwood Timberlands, LLC - timber	(3,114,025)	(38,958)	(3,152,983)
Silchester International Investors - international developed equity	2,483,127	31,064	2,514,191
Silver Lake Partners II, LP - private equity	2,674,347	33,456	2,707,803
Silver Point Capital Fund, LP - alpha pool	1,860,395	23,274	1,883,669
State Street Global Advisors - emerging markets	35,754	447	36,201
Stone Harbor Investment Partners, LP - emerging markets	25,444	318	25,762
TPG- Axon Partners (Offshore), Ltd. - domestic equity	987,076	12,348	999,424
TPG Airline Credit Opportunities - private equity	647,152	8,096	655,248
TCW Energy Partners, LLC - real estate	974,387	12,190	986,577
TCW Energy Fund XIV, LP - real estate	470,418	5,885	476,303
TCW Energy Fund XV, LP - private equity	513,216	6,420	519,636
The Veritas Capital Fund III, LP - private equity	2,405,595	30,094	2,435,689
Viking Global Equities III, Ltd. - domestic equity	3,508,685	43,894	3,552,579
Total investment management fees	95,396,305	1,193,416	96,589,721
Other investment fees			
Investment consultant fees			
Summit Strategies, Inc.	828,444	10,364	838,808
TimberLink Consulting	69,135	865	70,000
Investment custodial fees			
BNY Mellon	378,205	4,731	382,936
Performance and risk measurement fees			
Abel/Noser Corp.	11,852	148	12,000
BNY Mellon	232,344	2,907	235,251
Measurisk, LLC	82,303	1,030	83,333
RiskMetrics Solutions, Inc.	131,686	1,647	133,333
Internal investment activity expenses	3,404,415	42,590	3,447,005
Total investing activity expenses	100,534,689	1,257,698	101,792,387
Securities lending activity			
Securities lending borrower rebates	540,092	6,757	546,849
Securities lending management fees			
BNY Mellon	123,456	1,544	125,000
Deutsche Bank	144,241	1,805	146,046
Total securities lending activity expenses	807,789	10,106	817,895
Total investment expenses	$101,342,478	$1,267,804	$102,610,282

Additional Financial Information

Schedules of Internal Investment Activity Expenses

Pension Trust Funds - Year Ended June 30, 2011

	MSEP	Judicial Plan	Total
Personnel services			
Salaries	$1,957,427	$24,489	$1,981,916
Employee fringe benefits	578,531	7,237	585,768
Total personnel services	2,535,958	31,726	2,567,684
Professional services			
Attorney services	403,134	5,043	408,177
Consulting services	113,791	1,424	115,215
Total professional services	516,925	6,467	523,392
Communications			
Telephone	7,377	92	7,469
Total communications	7,377	92	7,469
Equipment			
Gain on sale of asset	(12,839)	(161)	(13,000)
Total equipment	(12,839)	(161)	(13,000)
Travel and meetings			
Staff travel and meetings	85,158	1,065	86,223
Total travel and meetings	85,158	1,065	86,223
General			
Educational materials	8,209	103	8,312
Office supplies	559	7	566
Subscriptions and dues	260,066	3,253	263,319
Miscellaneous	3,002	38	3,040
Total general	271,836	3,401	275,237
Total administrative expenses	$3,404,415	$42,590	$3,447,005

Additional Financial Information

Schedules of Administrative Expenses

Pension Trust Funds - Year Ended June 30, 2011

	MSEP	Judicial Plan	Total
Personnel services			
Salaries	$3,504,598	$43,843	$3,548,441
Employee fringe benefits	1,348,909	16,875	1,365,784
Total personnel services	4,853,507	60,718	4,914,225
Professional services			
Actuarial services	196,191	2,454	198,645
Attorney services	186,060	2,328	188,388
Auditing services	43,456	544	44,000
Banking services	29,002	363	29,365
Consulting services	122,565	1,533	124,098
Total professional services	577,274	7,222	584,496
Communications			
Postage and mailing	172,025	2,152	174,177
Telephone	39,471	494	39,965
Printing	59,904	749	60,653
Video production	3,156	39	3,195
Total communications	274,556	3,434	277,990
Building and grounds			
Depreciation	106,901	1,337	108,238
Utilities	71,277	892	72,169
Maintenance	129,094	1,615	130,709
Total building and grounds	307,272	3,844	311,116
Equipment			
Depreciation	147,023	1,839	148,862
Maintenance	212,081	2,653	214,734
Rental	132,997	1,664	134,661
Gain on sale of equipment	(6,683)	(84)	(6,767)
Total equipment	485,418	6,072	491,490
Travel and meetings			
Board travel and meetings	31,958	400	32,358
Staff travel and meetings	113,752	1,423	115,175
Vehicle maintenance and operation	10,257	128	10,385
Total travel and meetings	155,967	1,951	157,918
General			
Educational materials	21,530	269	21,799
Office supplies	67,316	842	68,158
Subscriptions and dues	186,732	2,336	189,068
Insurance	124,077	1,552	125,629
Advertising	209	3	212
Miscellaneous	723	10	733
Total general	400,587	5,012	405,599
Total administrative expenses	$7,054,581	$88,253	$7,142,834

Additional Financial Information

Schedules of Administrative Expenses

Internal Service Funds - Year Ended June 30, 2011

	Life & LTD	Deferred Compensation	Total
Personnel services			
Salaries	$387,970	$100,561	$488,531
Employee fringe benefits	136,437	28,665	165,102
Total personnel services	524,407	129,226	653,633
Professional services			
Attorney services	1,922	40,756	42,678
Auditing services	3,032	298	3,330
Banking services	642	764	1,406
Total professional services	5,596	41,818	47,414
Communications			
Postage and mailing	492	0	492
Telephone	3,268	0	3,268
Video production expense	220	0	220
Total communications	3,980	0	3,980
Building and grounds			
Building use charge	10,824	0	10,824
Utilities	4,972	0	4,972
Maintenance	8,998	0	8,998
Total building and grounds	24,794	0	24,794
Equipment			
Equipment use charge	14,363	0	14,363
Maintenance	14,715	0	14,715
Rental	9,278	0	9,278
Total equipment	38,356	0	38,356
Travel and meetings			
Board travel and meetings	2,229	0	2,229
Staff travel and meetings	13,876	6,120	19,996
Vehicle maintenance and operation	716	0	716
Total travel and meetings	16,821	6,120	22,941
General			
Educational materials	2,049	360	2,409
Office supplies	4,735	0	4,735
Subscriptions and dues	4,792	445	5,237
Software subscriptions	0	14,550	14,550
Insurance	8,656	0	8,656
Advertising	15	0	15
Miscellaneous	88	1	89
Total general	20,335	15,356	35,691
Total administrative expenses	$634,289	$192,520	$826,809

Additional Financial Information

Schedules of Professional/Consultant Fees

Year Ended June 30, 2011

Professional/Consultant	Nature of Service	Pension Trust Funds			Internal Service Funds		
		MSEP	Judicial Plan	Total	Life & LTD	Deferred Compensation	Total
Operation administrative expenses							
Central Bank	Banking	$ 27,707	$ 347	$ 28,054	$ 642	$ 764	$ 1,406
Charlesworth & Associates	Risk management consulting	7,224	90	7,314	0	0	0
Columbia Integrated Technologies	Information technology consulting	1,295	16	1,311	0	0	0
Gabriel, Roeder, Smith & Co.	Actuarial	196,191	2,454	198,645	0	0	0
Gamble & Schlemeier, Ltd.	Governmental pension consulting	24,974	312	25,286	0	0	0
Huber & Associates, Inc.	Information technology consulting	3,210	40	3,250	0	0	0
McLagan Partners, Inc.	Human resources consulting	2,469	31	2,500	0	0	0
Pension Benefit Information	Pension research services	2,965	37	3,002			0
Qflow Systems, LLC	Information technology consulting	22,123	277	22,400	0	0	0
Thompson Coburn, LLP	Legal counsel	186,060	2,328	188,388	1,922	40,756	42,678
Vision Solutions	Information technology consulting	1,975	25	2,000	0	0	0
VR Election Services	Board election voting services	57,625	721	58,346	0	0	0
Williams Keepers, LLC	Financial audit	43,456	544	44,000	3,032	298	3,330
Operation administrative expenses subtotal		577,274	7,222	584,496	5,596	41,818	47,414
Internal investment administrative expenses							
CT Corporation System	Statutory representation	628	8	636	0	0	0
Investment Training and Consulting Institute, Inc.	Audit services	110,003	1,376	111,379	0	0	0
McLagan Partners, Inc.	Human resources consulting	3,160	40	3,200	0	0	0
Thompson Coburn, LLP	Legal counsel	403,134	5,043	408,177	0	0	0
Internal investment administrative expenses subtotal		516,925	6,467	523,392	0	0	0
Total professional/consultant fees		$1,094,199	$13,689	$1,107,888	$5,596	$41,818	$47,414

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, 2011

Type of Investment	June 30, 2010 Cost Value	June 30, 2010 Fair Value	Purchases and Capital Additions at Cost	Sales and Redemptions at Cost	June 30, 2011 Cost Value	June 30, 2011 Fair Value	Percent of Total Fair Value
Fixed income							
Treasury bonds, notes, and bills	$ 761,998,628	$ 838,787,993	$ 99,115,786	$ (151,749,362)	$ 709,365,052	$ 780,789,002	11%
Government bonds and gov't mortgage-backed securities	37,878,482	37,757,077	49,307,648	(12,976,141)	74,209,989	74,632,638	1%
Corporate bonds	124,687,109	123,436,648	15,637,039	(35,112,281)	105,211,867	105,279,509	1%
Convertible bonds	2,805,216	3,232,719	2,181,646	(2,548,512)	2,438,350	2,495,537	0%
Collateralized mortgage obligations	104,982,613	106,322,010	93,055,285	(34,856,472)	163,181,426	166,582,441	2%
International corporate bonds	37,009,835	12,773,664	12,018,730	(8,320,222)	40,708,343	18,079,470	0%
Bank loans	88,936,025	87,268,972	9,193,231	(25,576,945)	72,552,311	73,301,512	1%
Total fixed income	1,158,297,908	1,209,579,083	280,509,365	(271,139,935)	1,167,667,338	1,221,160,109	16%
Common stock	898,132,521	839,700,818	269,394,629	(217,614,750)	949,912,400	1,068,931,570	16%
Preferred stock	8,874,930	7,962,150	4,037,582	(9,695,067)	3,217,445	3,284,643	0%
International investments							
International equities	531,455,716	818,029,616	62,991,540	(135,150,436)	459,296,820	929,514,223	13%
Foreign currency	4,107,510	4,050,737	55,560,538	(59,668,048)	0	0	0%
Total international investments	535,563,226	822,080,353	118,552,078	(194,818,484)	459,296,820	929,514,223	13%
Venture capital limited partnerships	2,665,806,798	3,319,969,737	754,412,188	(548,311,828)	2,871,907,158	3,850,582,255	55%
Investments (per *Statements of Plan Net Assets* page 27)	5,266,675,383	6,199,292,141	1,426,905,842	(1,241,580,064)	5,452,001,161	7,073,472,800	100%
Short-term investments							
Short-term investment funds	606,500,028	606,500,028	713,551,964	(530,009,778)	790,042,214	790,042,214	
Repurchase agreements	533,465	533,465	921,826,865	(908,937,219)	13,423,111	13,423,111	
Total short-term investments	607,033,493	607,033,493	1,635,378,829	(1,438,946,997)	803,465,325	803,465,325	
Invested securities lending collateral							
Corporate bonds	77,343,764	67,660,518	0	(12,093,845)	65,249,919	64,493,027	
Short-term investment funds	124,979,654	124,979,654	21,814,563,969	(21,360,951,530)	578,592,093	578,592,093	
Total invested securities lending collateral	202,323,418	192,640,172	21,814,563,969	(21,373,045,375)	643,842,012	643,085,120	
Total investments	$6,076,032,294	$6,998,965,806	$24,876,848,640	$(24,053,572,436)	$6,899,308,498	$8,520,023,245	

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, 2011

	June 30, 2010				June 30, 2011		
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	$3,103,073	$3,103,073	$754,356,730	$(754,016,471)	$3,443,332	$3,443,332	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.