

# PENSION POSITIVE

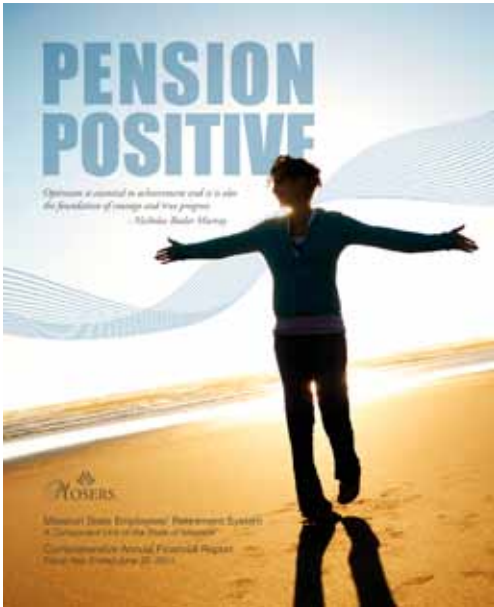
*Optimism is essential to achievement and it is also  
the foundation of courage and true progress.*

*- Nicholas Butler Murray*



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

Summary Annual Financial Report  
*Fiscal Year Ended June 30, 2011*



*This year's theme, "Pension Positive" reflects the attitude and optimism of MOSERS staff and their dedication to members of the system. We are driven by our mission to exceed customer expectations by providing outstanding benefits services through professional plan administration and sound investment practices.*

### POSITIVE ATTITUDES

Excellence. Always. That's our attitude at MOSERS. We are genuine in our commitment to exceptional customer service and our promise to deliver secure retirement benefits to our members. We strive to make every experience you have with MOSERS a positive one. Why? Because when you're happy, we're happy. It's just that simple.

### 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.

### POSITIVE PERFORMANCE

Volatility in the financial markets is similar to ocean waves in a storm. Maneuvering through market ups and downs is accomplished through the strength and stability of MOSERS' investment portfolio. The investment portfolio is built upon broad asset diversification and strong risk management practices. While MOSERS achieved a record high investment return of 21% in FY11, the key to keeping afloat is the ability to generate long-term positive results. Over the 20-year period ended June 30, 2011, MOSERS investment return was 9.1% (net of fees and expenses), exceeding the 8.5% actuarially assumed rate of return.

### POSITIVE GOALS

MOSERS provides a monthly lifetime benefit beginning at retirement. To achieve this financial objective, we must accumulate assets during a member's working years which, when combined with income on investments, will be sufficient to pay benefits throughout retirement. In order for you to maintain your desired standard of living during retirement, you will also need personal savings and investments to supplement your benefit from MOSERS. Commitment to your financial future is a positive goal worth sharing.

### POSITIVE BENEFITS

Retirement is about financial security but it also unveils the next chapter of your life story. Whether your retirement is in the distant future or just on the horizon, our knowledge and experience will help guide you safely to your destination. If we plan together today, you will reap positive benefits tomorrow.



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

**Building Location**  
907 Wildwood Drive • Jefferson City, MO

October 17, 2011

Dear Members:

On behalf of the board of trustees, I am pleased to present the MOSERS *Summary Annual Financial Report* for the fiscal year ended June 30, 2011. This report provides information on the financial status of your retirement system while also highlighting changes that occurred during the year. The accounting portion of this report is derived from the *MOSERS Comprehensive Annual Financial Report*, which is prepared following all appropriate accounting principles and is attested to by the system's certified public accountants.

The board is pleased to report that MOSERS' investments generated a return of 21% (net of fees) this fiscal year. This one year return significantly exceeded the actuarial economic assumption return of 8.5% by 12.5%, and generated a total of \$1.4 billion on behalf of members and Missouri taxpayers.

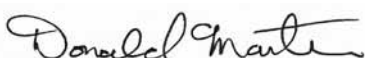
Long-term performance is the best indicator of success. For the past 15-year period ended June 30, 2011, MOSERS total fund return outperformed 95% of the public pension funds in the Rogerscasey universe of public pension plans with assets in excess of \$1 billion. In addition, the MOSERS 15-year investment return exceeded the policy benchmark by 1.3%.

Your retirement system continues to achieve high marks in the delivery of customer service to our members. One of the ways operational performance is measured is through CEM Benchmarking Inc.'s Pension Administration Benchmarking Analysis. This year CEM evaluated 88 leading pension systems, including systems in the U.S., Canada, Australia, the Netherlands and Denmark, and identified 12 U.S. public pension plans as the most relevant peer group based upon membership size and system assets. The CEM survey rated MOSERS' service delivery as the highest in our peer group with lower than average costs – the sixth time the system has received such a rating during an eleven-year period. The system is continually working on improvements in service delivery.

The board experienced some turnover this past year due to term endings and reappointments. On behalf of the board, staff, and members, I would like to thank Wayne Bill, Bob Patterson, Representative Bill Deeken, and David Steelman for their hard work and individual contributions to the system. Trustees serve many hours and it is truly a personal service with no remuneration. The board also welcomed Laura Davis, Marty Drewel, Representative Mike Leara, and Lori Neidel this year, and we look forward to serving and working with them.

I wish to thank all of the other MOSERS board members for their hard work and contributions to the system this year. The wide diversity and exceptional knowledge that the board of trustees brings to each board meeting is one reason for our system's continued success. Additionally, the board thanks the MOSERS staff for maintaining a high level of expertise and professionalism required for excellence in our retirement system. Staff continues to focus on our members and maintain a pension plan that serves our membership well. The board and the staff look forward to continuing to meet your future needs. If you have any questions regarding this report or any other aspect of MOSERS, please contact us at MOSERS, P.O. Box 209, Jefferson City, MO 65102 or call 1-800-827-1063. You may also visit our website at [www.mosers.org](http://www.mosers.org).

Sincerely,



Donald Martin, Chair  
Board of Trustees

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## FINANCIAL STATEMENTS

### 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

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

### Summary Comparative Statements of Changes in Plan Net Assets - Pension Trust Funds

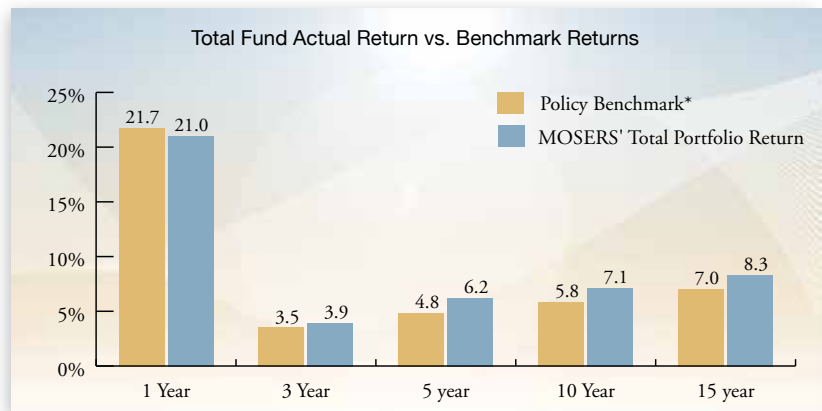
	Year Ended June 30, 2011	Year Ended June 30, 2010	Amount of Change	Percentage Change
Contributions	\$ 294,737,248	\$ 281,842,348	\$ 12,894,900	4.58%
Investment income - investing activities	1,411,602,826	868,603,852	542,998,974	62.51
Investment income - securities lending activities	1,534,523	1,204,378	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

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

## Investment Return

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

The investment return for the year was 21% net of all fees and expenses, generating profits of \$1.4 billion. While this year's return was made up of strong underlying performance across all asset classes, for the first time in 11 years it trailed the return of our policy benchmark which was 21.7%.



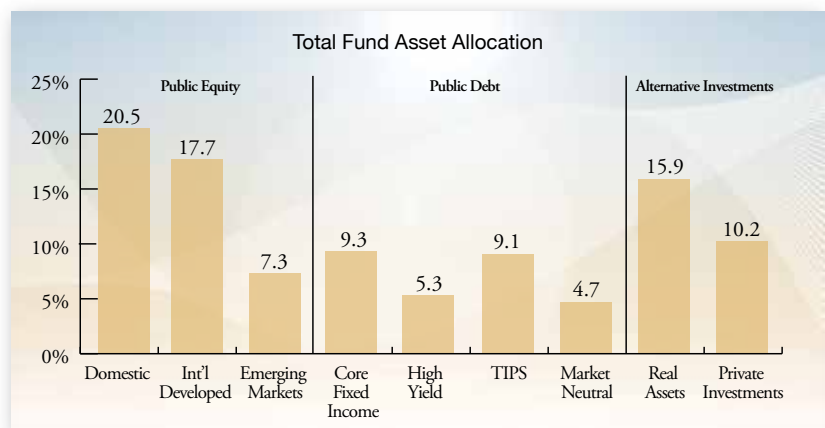
\* The policy benchmark provides an indication of the returns that could be achieved by a portfolio invested passively in the broad market with percentage weights allocated to each asset class in MOSERS' policy asset allocation.

Over the 15-year period ended June 30, 2011, the portfolio returned 8.3%, exceeding our policy benchmark by 1.3% per year. This "excess" above what would have been earned had the portfolio been invested passively, generated additional profits of \$1.4 billion for the fund - a very positive result for our members and taxpayers.

## Investment Risk

Volatility is what investors traditionally consider to be "the" risk of investing. To protect MOSERS' assets against this risk, the investment portfolio is diversified across a myriad of asset classes and investment strategies to mitigate the potential impact of negative economic circumstances. Diversification provides a stability of investment returns during market downturns.

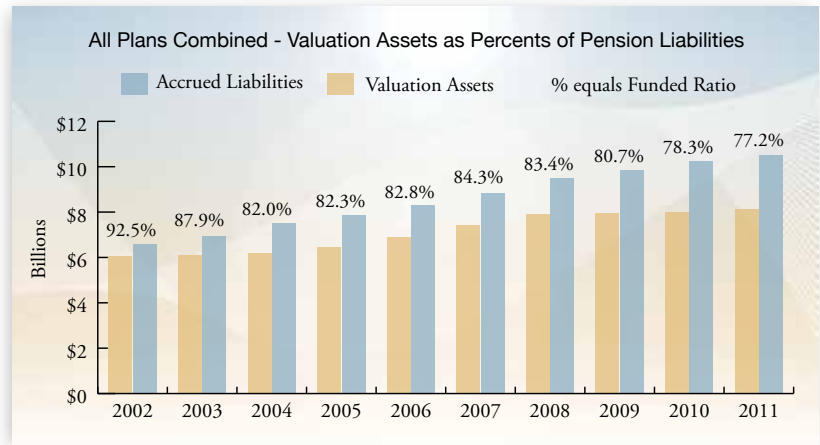
MOSERS' investment professionals skillfully navigate volatile markets and the results show long-term investment returns higher than could be achieved investing passively in the markets and with a lower level of risk than the market benchmarks.



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

## Retirement Funding (All Plans Combined)

Your retirement benefits are funded by contributions from the state of Missouri and by investment income. In order to ensure your benefits are available to you, MOSERS is constantly evaluating the assets (gold bar) relative to the value of the liabilities (blue bar). The percentages shown in the bar chart to the right indicate the extent to which the system was funded as of a given year.



## Member Snapshot

June 30, 2011, Actuarial Valuations

MSEP\*

Judicial Plan

### Active Members

Average age	45.9	55.8
Average years of service	11.4	11.8
Average annual salary	\$36,306	\$115,008

### Retired Members

Average age	69.2	75.1
Average annual benefit	\$14,882	\$54,484

### Total Membership

Active	51,660	399
Terminated-vested	17,712	45
Retired	35,315	486

\* Includes members in both the MSEP and MSEP 2000.

## Members Retiring During the Fiscal Year Ended June 30, 2011\*

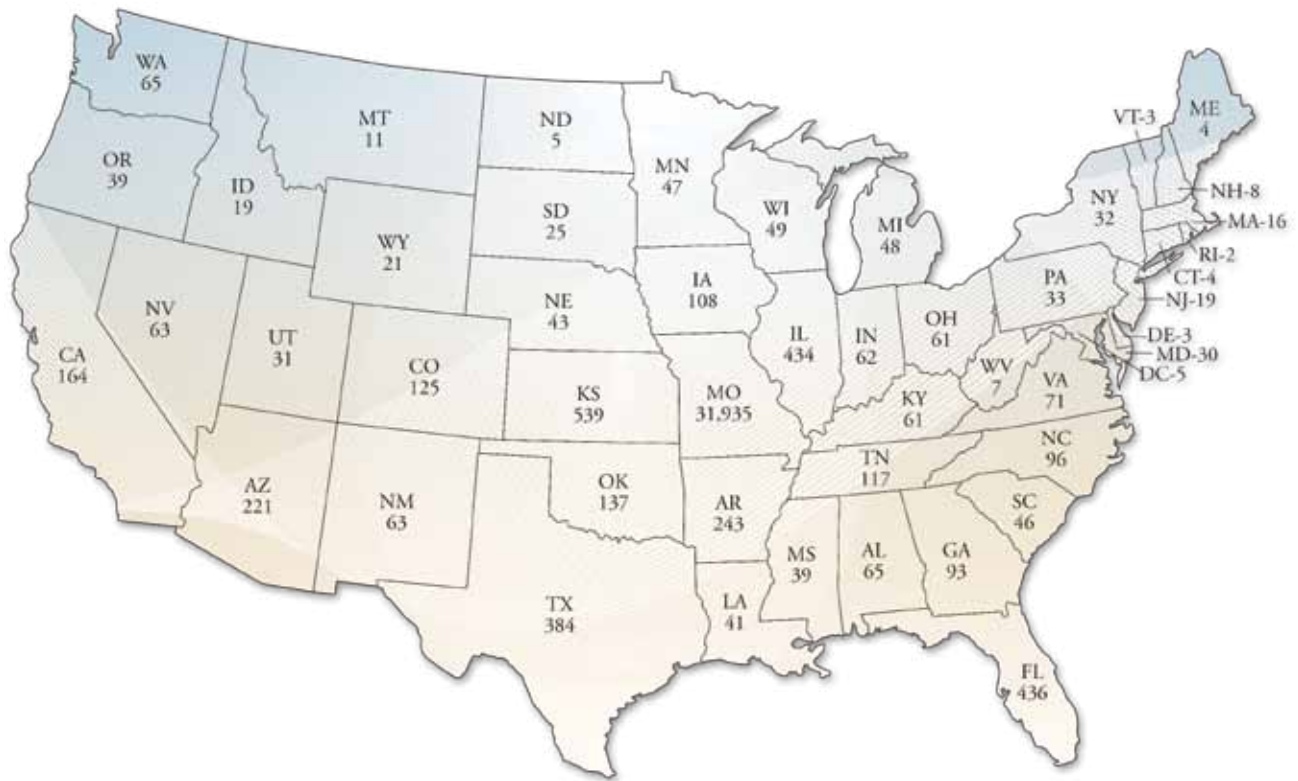
### Years Credited Service by Category

	Years Credited Service by Category							All Members
	<5	5-10	10-15	15-20	20-25	25-30	30+	
Average monthly benefit	\$ 367	\$ 336	\$ 492	\$ 819	\$1,220	\$1,652	\$2,142	\$1,006
Average final average salary	\$1,442	\$2,631	\$2,507	\$3,063	\$3,234	\$3,523	\$3,884	\$3,063
Number of retirees	4	601	498	444	495	495	280	2,817

\* Includes members in both the MSEP and MSEP 2000.

## STATISTICAL INFORMATION

### Distribution of Benefit Recipients by Location



- Alaska ..... 10
- APO ..... 4
- Argentina ..... 1
- Australia ..... 2
- Bermuda ..... 1
- Canada ..... 8
- Colombia, South America ..... 1
- Costa Rica ..... 1
- Germany ..... 2
- Guam ..... 1
- Hawaii ..... 8
- Ireland ..... 1
- Israel ..... 2
- Italy ..... 2
- Mexico ..... 1
- Marshall Islands ..... 1
- Nigeria ..... 1
- P.R. China ..... 1
- Panama ..... 1
- Philippines ..... 1
- Puerto Rico ..... 1
- Slovak Republic ..... 1
- Sri Lanka ..... 1
- Sweden ..... 1
- Thailand ..... 1
- The Netherlands ..... 1
- United Arab Emirates ..... 1
- United Kingdom ..... 2
- Wales UK ..... 1

The map above shows the number of retirees, or their beneficiaries, residing in each state. Approximately 89% of MOSERS retirees live in Missouri. The annual retirement benefits paid to these individuals (about \$470 million) provide a steady, continuous and significant stimulus to Missouri's state and local economies.

This *Summary Annual Financial Report* is derived from the information contained in *MOSERS' Comprehensive Annual Financial Report (CAFR)* but does not include all funds administered by MOSERS or certain other information required for conformity with Generally Accepted Accounting Principles (GAAP). MOSERS' CAFR is produced in conformity with GAAP. Contact MOSERS to request a copy of the CAFR, or explore it on our website at [www.mosers.org](http://www.mosers.org). To request an alternative format, please contact MOSERS at (573) 632-6100 or (800) 827-1063. MOSERS is an equal opportunity employer.



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## OUTSTANDING ACHIEVEMENT



The Government Finance Officers Association of the United States and Canada (GFOA) presented an Award for Outstanding Achievement in Popular Annual Financial Reporting to MOSERS for its summary annual report for the fiscal year ended June 30, 2010.

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

### Contact Information

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