Investment Section

THE BOTTOM LINE

Investments generated $117 million over the benchmark this year.

Investment Section

Investment Section

Chief Investment Officer's Report

MOSERS®
WE ARE HERE FOR YOUR BENEFIT.

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October 17, 2014

Dear Members:

I am pleased to present the *Investment Section* of the MOSERS *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2014. A few highlights of the year follow:

- As of June 30, 2014, your pension fund had total assets of $9.3 billion.
- The investment portfolio generated approximately $1.5 billion in net earnings during the year representing a time-weighted rate of return based on market values of 19.2%, net of all fees and expenses.
- The portfolio return exceeded the policy benchmark return by 1.5%, adding nearly $117 million in value to the fund.
- Over the last 20 years, the portfolio has compounded at an annualized rate of 9.4% and generated over $2 billion more than the markets alone would have produced based on our asset allocation.

A Quick Review – FY14

During FY14, the markets dealt with a number of issues, including unrest in Syria and Ukraine, the U.S. government shut-down, the elimination of Fed quantitative easing, another debt ceiling and the induction of a new Fed Chair. As noted later in this section, despite this perceived turmoil, risk assets posted above average returns for the year. The asset classes most closely linked to rising economic growth performed the best, with global equities posting a return of 23.2% and commodities delivering 10.4%. The majority of the equity returns were realized in the first half of the year when economic conditions seemed to suggest stronger growth on the horizon. During that same period, interest rates rose resulting in losses in long treasuries and TIPS to the tune of (5.2)% and (0.4)%, respectively. Those losses were mitigated over the next six months by an interest rate reversal with long treasuries up 12.1% and TIPS up 4.0%, as moods shifted regarding the strength of the economy and the timing of future interest rate increases. Given the bond market's second half performance and a continued strong showing from equities and commodities, the risk-balanced portfolio was propelled to a very strong second half of the year, which resulted in total MOSERS performance well above the average equity-centric 60/40 blend and among the very best in the public fund universe.

Risk-Balanced Allocation – June 2012

Over the last couple of years I have alluded to and generally discussed a shift in our approach to portfolio management. A shift broadly identified as moving from a world where capital is allocated based on expected returns to one where capital is allocated based on expected risk and economic balance. Since we are now finished with the transition to the new approach, I would like to expand on what we have done and why I feel it will produce superior results over the long-term. At the heart of this shift is a belief that economic growth and inflation are the two most significant return drivers of the investments we manage. However, how the future will unfold regarding growth and inflation is simply unknowable. What we do know is which investments should perform well or poorly given the economic scenario playing out at any given point in time. History has provided us a guide in this regard and, more importantly, there are underlying fundamental reasons that allow us to corroborate actual performance with expected performance in these various economic climates. With this knowledge, our goal was to structure a portfolio that balanced risk across climates which, in turn, was expected to produce a more stable portfolio return through time. Stability in returns is critical in order to maintain stable contributions across generations of Missouri citizens.

Beginning the process of building a balanced portfolio required a decision regarding the more illiquid portion of the old portfolio which represented about 20% of the total capital. Ultimately, we determined that the illiquids portfolio would outperform public markets over time and therefore taking steps to liquidate it at discounts to net asset value made no sense. Once that decision was behind us, that left the remaining 80% of the capital to be managed using a risk-balanced approach (a strategy we call beta-balanced).

For the beta-balanced portion of the portfolio, MOSERS selected five broad market betas – inflation-indexed bonds, nominal bonds, alternative betas, global equities and commodities – having unique fundamental return characteristics. The matrix on page 69 shows the asset classes contained within our risk-balanced approach along with the economic environments in which they are expected to perform well.

Once the asset classes were decided upon, building the beta-balanced portfolio began in much the same way a more traditional asset allocation process would have been conducted. Estimates of expected return, risk, and correlations were input into a mean variance optimizer and an efficient frontier emerged. In our particular case, initially, we were most interested in the portfolio that generated the highest risk-adjusted return irrespective of a return hurdle. While the allocation referenced in the table below had the highest risk adjusted return (highest expected Sharpe ratio) based on our assumptions, its obvious problem was an expected return well below our 8% target.

Beta-Balanced High Sharpe Portfolio Unlevered

Asset Class	Capital Allocation Percentage
Inflation-indexed bonds - short duration	38.0%
Nominal bonds - long duration	22.0
Alternative beta - (carry, value, momentum, trend etc.)	19.0
Global equities	11.0
Commodities	10.0
Total	100.0%
Expected return	4.2%
Expected risk	6.2%

The next step in our process was where our philosophy started to diverge in a meaningful way from a more traditional asset allocation study like those conducted by most institutional investors. To address the low return problem of the unlevered beta-balanced portfolio, we needed to introduce a limited amount of explicit leverage.

The more common approach to solving this problem has been to reduce exposure to lower expected return assets like fixed income and increase exposure to higher expected return assets like equities and equity surrogates. The problem, as we saw it, with the traditional approach is that it leads you to a portfolio that becomes highly concentrated in equity risk and therefore highly dependent on equity performance to drive results. Returning to our economic environment matrix (page 69) we see that as long as the world is in a state of either rising growth or falling inflation this equity dependence is likely to produce acceptable results, however; when falling growth or rising inflation conditions exist and equities suffer, this portfolio will be significantly light or even void of assets expected to balance the decline in equities.

The MOSERS approach (as a result of introducing a limited amount of leverage across the high Sharpe portfolio) is expected to maximize diversification while still achieving our assumed rate of return. The trade offs that come with a more economically balanced or risk-balanced approach is dealing with various operational complexities associated with leverage and the simple, yet powerful, risk of being different.

Pension plans have used leverage in their portfolios for decades, but in most instances it has been contained inside a legal structure that caps losses at the amount invested. For instance, an investment in most publicly traded companies generates part of the return from leverage that rests on the company's balance sheets. An investment in a private equity limited partnership generates part of its return from the general partner's use of leverage in the purchase of the private companies they acquire, and an investment in a hedge fund partnership is likely to receive a portion of its return from leverage. A common approach to using leverage is found in the purchase of a home. A typical home buyer will invest 20% equity and take out a mortgage (leverage) for the balance. In this example, the homeowner has a five times levered investment. A 5% increase or decrease in the value of the home results in a 25% gain or loss on the buyer's capital.

As investment professionals, we know these things to be true but we don't spend much time, if any, talking publicly about them, and for good reason. Unbridled leverage has resulted in headline grabbing losses of capital and wealth for unsuspecting investors and managers for decades. This has resulted in a less than fully informed public throwing all levered strategies into the same "too risky" bucket and concluding that its use is an unacceptable practice, especially for something like a state-sponsored retirement plan. As a result, leverage has typically been exchanged for other forms of risk (like equity concentration) that are accepted by the masses. Through a track record of strong governance and a culture that removes politics from the investment management process, MOSERS was able to move beyond the leverage perception problem to see it for what it is: a tool. And just like any tool, success or failure from its use will largely be determined by those using it and the processes that have been put in place to guard against its improper use.

The final step in our allocation approach involved drawing conclusions about the operational aspects of levering up the portfolio in order to achieve our return objectives while simultaneously maintaining economic balance. In this phase of the process, it was necessary to analyze (i) how much leverage was needed in order to meet our return objective and what of that amount was deemed acceptable, (ii) the various methods of obtaining the leverage, (iii) how best to structure the leverage and with whom, (iv) processes for initial collateral pledging and daily mark-to-market and, (v) risk mitigation strategies to protect against extreme periods of market turmoil and fear when all risky assets decline as investors prefer the safety of cash. As one might imagine, each of these areas involved in-depth discussions with our board, consultants and external strategic partners in order to reach conclusions. For purposes of this report, I will only touch on the highlights.

It was determined that the beta-balanced portion of the portfolio needed to be levered approximately 1.1 times our capital in order to achieve our return objective. It was further determined through Monte-Carlo simulations, value at risk (VAR) analysis, and limiting positive impacts from diversification through correlation humbling, that this level of leverage was reasonable and prudent. As a result, the levered beta-balanced allocation was set as detailed in the table below. It is our belief that this portfolio is economically balanced and that each asset class is expected to contribute approximately 20% of the risk.

Beta-Balanced High Sharpe Portfolio Levered

Asset Class	Notional Allocation Percentage*
Inflation-indexed bonds - short duration	80.0%
Nominal bonds - long duration	46.0
Alternative beta - (carry, value, momentum, trend etc.)	39.0
Global equities	24.0
Commodities	21.0
Total	210.0%
Expected return (net of financing cost)	8.0%
Expected risk	13.0%

** The notional percentage adds up to 210%, which is the result from including the 1.1 times capital referred to above.*

Methods utilized to obtain the leverage involve exchange traded futures, total return swaps, reverse repurchase agreements and securities lending agreements. MOSERS has successfully employed all of these derivative instruments in the management of its portfolio for well over a decade. Decisions determining which of MOSERS' assets are being pledged as collateral at any point in time, counterparties being utilized, term structure of the leverage and collateral monitoring decisions are made jointly by internal staff and one of our external strategic partners who specializes in derivatives management. Other risk mitigation strategies built into the program include: a requirement to hold 25% cash against each dollar of leverage, providing immediate access to capital in extreme drawdown situations, a maximum leverage limit of 1.25 times capital, and ranges around neutral risk targets for each asset class.

As was mentioned earlier, the remaining 20% of the capital was already invested in assets that are expected to capture an illiquidity premium. Most investments in this portfolio will be locked up minimally for five years with ten plus year investments being common. Private investments across the capital structure including equity and debt are inherent in the illiquid portfolio. To acknowledge the importance of building a diversified portfolio across economic environments, the board adopted a policy that over time targets 50% of this portfolio to be employed in strategies that are expected to perform well in rising economic growth environments, while the other 50% is to be deployed in strategies that are expected to perform well during periods of rising inflation. Investment styles include buyout, distressed, venture, secondaries, debt origination and other forms of lending as examples. Some partnerships may be focused on economic activity outside the U.S. for returns. As a result, it is expected that this portfolio will have foreign currency exposure from time to time. It would also be expected that partnerships focused on various sectors of economic activity including consumer, real estate, natural resources, infrastructure, royalty streams etc. will be necessary in order to achieve the type of overall diversification this portfolio seeks.

As can be seen in the table below, when the beta-balanced portfolio, representing 80% of the capital with an expected return of 8%, is combined with the illiquids portfolio, representing 20% of the capital with an expected return of 9.75%, the total portfolio has an expected return of 8.15% with expected risk of 12.7%.

Beta-Balanced Levered + Illiquids

Asset Class	Capital Allocation Percentage
Inflation-indexed bonds - short duration	64.0%
Nominal bonds - long duration	37.0
Alternative beta - (carry, value, momentum, trend etc.)	31.0
Global equities	19.0
Commodities	17.0
Illiquids	20.0
Total	188.0%
Expected return	8.15%
Expected risk	12.7%

The Transition 2012-2104

The last two years could be described by the old saying, “time flies when you’re having fun.” It’s hard to believe it has been two years since the board made the difficult decision to veer from the institutional investor pack by fully adopting a risk-balanced approach. Since that time we have been busy transitioning the portfolio into the new allocation. On June 30, 2014, the last piece of the transition puzzle was put into place. Two years ago we embarked on a journey, not knowing what the future would hold for the economy, the markets, or our new portfolio. However, we were convinced that our approach would provide a better long-term foundation from which to anchor in the face of uncertainty.

Getting from point A to point B could have taken on many forms, yet the one that made the most sense to us was the one that recognized how difficult market timing really is. Therefore, we made the decision to dollar-cost-average our way out of the old and into the new over a two-year period. Not surprisingly, in the first year of the transition, the markets tested our “risk-balanced resolve” with downside performance from the risk-balanced portfolio that would have only been expected in about 5% of the annual outcomes. I can’t count the number of times in my career the market made me feel like it was just waiting on me to act so that it could clobber me over the head. I must admit, one year into the transition, we were feeling pretty clobbered. The good news at the time was that because of our decision to dollar cost average, we only had about 25% of the portfolio invested in the new approach. The remaining 75% was still invested in the equity-centric portfolio, which was doing very well due to the strong equity markets. While our overall return for FY13 of 10.4% lagged the equity-centric portfolio, the strong, relative showing of our approach in FY14 allows us to look back on the transition as uneventful in terms of its long-term impact on our results versus a more traditional portfolio.

Our Future – 2014 and Beyond

I feel strongly that MOSERS will be rewarded for its willingness to embrace the risk-balanced approach. I also believe that the biggest risk we face with this approach is the risk of being different. As those who know us have come to understand, we have never let being different stand in our way of doing what we believed was right. Excellence in this business can only be achieved by a willingness to stand alone. Our courage and conviction to stand alone is a result of a governance culture that has allowed MOSERS to build a stable, seasoned team of professionals pursuing an investment philosophy that finds at its cornerstones broad diversification, a contrarian style and strong risk management practices. It is these building blocks that have served the fund well for over two decades and will continue to serve it well into the future.

This report would not be complete without me personally thanking Executive Director Findlay, Board Chairman Smith and the entire board for their leadership and willingness to provide the flexibility and resources we need to pursue excellence in all that we do. The vision and support they have provided through time, most importantly during the dark days surrounding 2008, have been critical to the success we have enjoyed.

Best regards,

Rick Dahl
Chief Investment Officer

Investment Consultant's Report

Summit Strategies Group

October 17, 2014

The Board of Trustees
Missouri State Employees Retirement System
907 Wildwood Drive
Jefferson City, MO 65109

Dear Board Members:

It is my pleasure, once again, to address you through my annual letter. Of course, soaring equity markets always make it easier to remain cheerful and upbeat. In fact, investors in global equities, or any risk assets for that matter, have had a tremendous five-year run. The All Country World Index (ACWI) is a very good proxy for a basket of publicly traded companies around the world, compounding at 14.3% per year for the last five years. This means if you invested $100 in ACWI on July 1, 2009, five years later on June 30, 2014, you would have had $195. That's an outstanding five-year period, and results would have been even better if you simply left all your money in the stock market here in the good old U.S. of A. Over the same period, your $100 invested in the S&P 500 would have grown to $237. This five-year annualized return of 18.8% per year is truly remarkable. Less than 15% of the time over the last 85 years has five-year shareholder wealth compounded at this rate, and never at such low levels of volatility.

These results are wonderful and historic, but as is generally the case with all good things, it comes with a caveat or two. In this instance, there are two:

- **Caveat 1**: Results are always time period dependent. This is especially true of this year's numbers. It just so happens that the beginning of the most recent five-year result is July 2009 and we as investors had just gone through the financial crisis of 2008-2009. In the 10 months prior to July 2009, investors had lost the greatest amount of financial wealth in history. It's hard to believe that the Great Recession is now over five years past, but it is. So the remarkable five-year results we are talking about do not include the pain of 2008-2009. In fact, the bottom of the market occurred on March 9, 2009. So the five-year number reflects almost straight-up equity markets AFTER devastating losses.
- **Caveat 2**: Any time you use the words "historic" or "unprecedented" to describe a market result (good or bad), the wise investor wants to know: "Why? What's different this time? Why has this never happened before? What makes these five years so special in the context of history?" The answer is that things were very different this time. Because the conditions of the financial collapse were so severe and had the potential to be even worse, political and monetary leaders across the globe involved themselves in the economy more than at any time in the history of free market capitalism. Industries were taken over, government guarantees were made, interest rates were driven down, and central banks began printing money as never before. The goal was to avoid the next Great Depression. The ultimate result was purely speculation. No book had been written on the consequences of these types of actions because these types of actions had never before taken place.

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We know that as of now the results have been the avoidance of a global depression, record high corporate profits, and investors combing the financial world looking for return. Once it appeared the world was not going to end, it didn't take long for savers to grow impatient with the 0% return on their money that "safe" cash, money markets, and CDs delivered. So investors first bought up all the "safe" bonds (driving yields very low), then the "risky" bonds, then real estate, and now stocks.

So here we sit on top of several fabulous years of returns for investors of financial assets. We are thrilled that as of June 30, 2014, the portfolio returned 19.2% for one year, 13.2% for five years and 8.6% for ten years, annualized. We are thrilled that the portfolio outperformed its policy and strategy benchmarks and real return objective in each of these periods, and we are thrilled that these results continue to outperform 91% of large public funds in the short term (1 year) and 92% of them over the long term (10 years).

Our job, however, is not to report on the past, but to position MOSERS' $9.3 billion portfolio for the future. We look at a future in which our starting point is very low inflation, very low bond yields, and fairly- to fully-valued stocks. After five years of unprecedented government stimulation, we still have a U.S. economy that has failed to reach the government's desired growth rate in any year since they got involved, while in Europe, the economic situation is stuck well below where it was five years ago and flirting with depression. The relative global stability of the past several decades appears to have pressure points building again in the usual hot spots.

The joint proposal of investment staff and Summit to the board two years ago was, in our collective opinion, the most prudent course of action for the positioning of the portfolio to achieve its actuarial goals, and involved an overhaul of the entire investment approach. The board approved this recommendation and for the past two years staff and Summit have been working diligently to transition the portfolio. We are pleased to report that as of June 30, 2014, this transition is complete and the portfolio of the future is now in place. We will continue to implement it, review it, alter it, and hopefully improve it. This goes with the territory. No investment portfolio is ever a "set it and forget it" deal. There is plenty of work, always.

We presented for your consideration and you endorsed an investment program that we believe creates the highest probability of achieving MOSERS' funding goals over the long term. We once again broke from the "norm" and are forging new paths in institutional fund management. We've got a history of achieving great success using this approach. In terms of how we look, act and perform versus our peers and the industry "norm," this is our boldest move to-date. We are different. While the "norm" will largely go up and down with the equity markets, ours is a far more balanced approach, built to be less dependent on the whims of the stock market. Early results are outstanding on an absolute basis and quite favorable on a relative basis. This will not always be the case in the short term, and these will be the times that the pressure to move back to "normal" will be greatest. Please don't!

The beta-balanced approach has the highest probability of long-term success of any portfolio we've seen, as long as the commitment to it remains strong. And that's the BOTTOM LINE.

Thanks again for continuing to allow us to be part of this very successful story.

Sincerely,

Stephen P. Holmes, CFA

President

Investment Policy Summary

Guiding Principles

Critical to the financial security of present and future benefit recipients is the effectiveness and efficiency of the system's asset management program. The MOSERS Board of Trustees, charged with the responsibility for investing the assets of the system in a manner consistent with fiduciary standards set forth in the prudent person rule, has adopted the following fundamental principles to guide all investment-related decisions:

- Preserve the long-term corpus of the fund.
- Maximize total return within prudent risk parameters.
- Act in the exclusive interest of the system's members.

The investment policy summary serves as a reference point for management of system assets and outlines MOSERS' investment philosophy and practices. Investments within this report are presented on the basis of fair market value using a variety of sources such as appraisals, valuations of underlying companies and assets for limited partnerships and commingled funds, and through market values obtained from the investment custodian.

Investment Objective

In keeping with the three guiding principles, the board has adopted the following broad investment objectives:

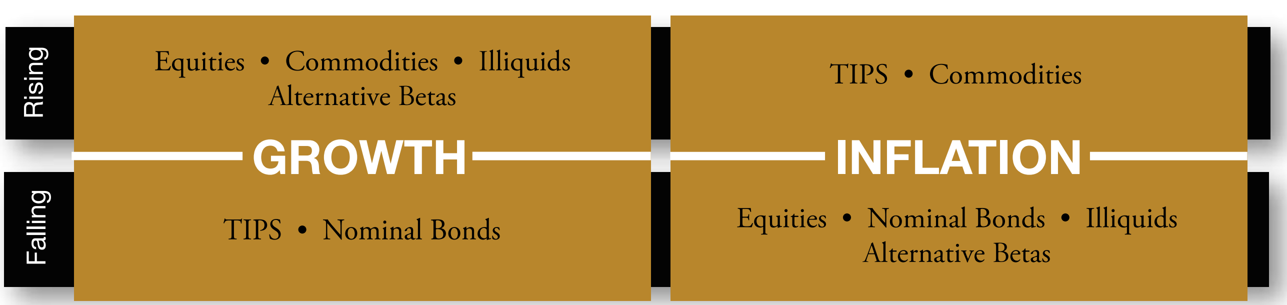
- Develop a real return objective (RRO) that will keep contribution rates reasonably level over long periods of time, absent changes in actuarial assumptions.
- Establish a risk-balanced allocation policy that is expected to meet the RRO over long periods of time, while minimizing the impact of the fund's volatility on the contribution rate.
- Maximize the return per unit of cost of the investment program through the efficient use of internal and external resources.

Investment Beliefs

MOSERS' internal investment staff and external general asset consultant have arrived at investment beliefs, which are the foundation for implementation of the investment portfolio to achieve the board's objectives. These beliefs guide every decision made within MOSERS' portfolio. They are the fundamental concepts underlying the MOSERS investment program. These beliefs are:

- **Portfolio construction should focus first on the allocation and balancing of risk; it is the allocation of risk that drives portfolio returns.** While investment returns receive a lot of public attention, understanding and balancing risk across asset classes improves the consistency of returns for a given level of risk and thus provides more stability in the contribution rate for the employer. Returns are the end product, where risks are the ingredients.
- **Diversification is critical because the future is unknown.** Reliable diversification requires a fundamental understanding of the economic drivers of risk and return. MOSERS' policy portfolio has been built upon the premise that very little is known about what the future holds. Therefore it is rational to construct a portfolio that is believed to combat various economic conditions. The illustration below reflects various economic environments and the types of investments that should be expected to perform well in those environments.
- **Every investment should be examined in the context of its potential return from beta (market return) and alpha (value added return); while separation is not always possible, every effort should be made to distinguish the two distinct return components.** Beta is the return which is expected to be earned by investing passively within a specific asset class or compensated risk premium. Exposures to beta can be purchased cheaply, and over long periods of time, the beta return should be positive and coincide with the risk associated with a given asset class. In contrast, alpha is the return generated through a manager's ability to select particular investments that perform better than the asset class as a whole. Alpha is a zero-sum game.
- **Regardless of the source of the return, it is important to construct the portfolio based on a conscious decision to include a certain amount of beta exposure in the portfolio and a certain amount of alpha exposure.** By consciously selecting this balance within the portfolio, staff is better able to manage the risks of the portfolio while ensuring the RRO is achieved.

Economic Environments



- **Flexibility to opportunistically alter the portfolio away from risk-balanced when markets are driven to extremes as a result of short-term economic cycles is an important portfolio management tool.** As a result of the cyclical nature of the economy, asset classes or investment strategies may be more or less attractive relative to others in given time frames, thus marginal flexibility in the allocation policy provides the system with the opportunity to capitalize on this within prudent risk constraints. Under circumstances where the valuations of a particular asset class are compelling, it may make sense to modify the portfolio's allocation at the margins in order to capitalize on attractively valued opportunities without exposing the fund to additional risk.

Roles and Responsibilities

Board of Trustees

The board of trustees bears the ultimate fiduciary responsibility for the investment of system assets. Members of the board must adhere to state law and prudent standards of diligence with respect to their duties as investment fiduciaries. Accordingly, they are required to discharge their duties in the interest of plan participants. They must also "act with the same care, skill, prudence, and diligence under prevailing circumstances that a prudent person, acting in a similar capacity and familiar with those matters, would use in the conduct of a similar enterprise with similar aims."[1] Specifically related to investments, the board is charged with the duties of establishing and maintaining broad policies and objectives for the investment program along with the recommendations of staff and the external asset consultants.

Executive Director

The executive director is appointed by and serves at the pleasure of the board. The board has given the executive director broad authority for planning, organizing, and administering the operations and investments of the system under broad policy guidance from the board. Specifically with regard to investments, the executive director is broadly responsible for the oversight of the investment program. The executive director must ensure that system assets are invested in accordance with the board's policies and that internal controls are in place to safeguard system assets. The executive director must also certify that all manager hiring and termination decisions were made in accordance with the board's governance policy. In addition, the executive director certifies strategic allocation decisions were made in accordance with the governance policy.

Chief Investment Officer and Internal Staff

The CIO serves at the pleasure of the executive director, yet has a direct line of communication with the board on investment-related issues. The CIO has primary responsibility for the overall direction of the investment program. The CIO works with the external asset consultants and executive director in advising the board on policies related to the investment program. The CIO has primary responsibility to make hiring and termination decisions related to money managers with the approval of the external general asset consultant. The CIO is also responsible for making strategic allocation decisions with the approval of the external general asset consultant. Other responsibilities of the CIO include monitoring the investment of system assets, oversight of external money managers and the internally managed portfolios, and keeping the board apprised of situations which merit their attention. The internal investment staff is accountable to the CIO.

External Asset Consultants

Summit Strategies Group of St. Louis, Missouri serves as the system's external general asset consultant and at the pleasure of the board. The primary duties of the external general asset consultant are to:

- Advise the board on policies related to the investment program.
- Provide a third-party perspective and level of oversight to the system's investment program.

The external general asset consultant must approve all manager hiring and termination decisions and strategic allocation decisions made by the CIO. The external general asset consultant provides advice and input to the CIO and internal investment staff on investment-related issues and money manager searches.

Blackstone Alternative Asset Management serves as the system's external hedge fund consultant at the pleasure of the board. The primary duties of the external hedge fund consultant are to:

- Advise the board on policies related to the hedge fund program.
- Provide a third-party perspective and level of oversight to the system's hedge fund investment program.

The external hedge fund consultant must approve all hedge fund manager hiring and termination decisions. The external hedge fund consultant provides advice and input to the CIO and internal investment staff on hedge fund program issues and manager searches.

[1] Section 105.688, RSMo - Investment Fiduciaries, Duties.

Chief Auditor

The chief auditor reports directly to the executive director and if, in the opinion of the chief auditor circumstances warrant, may report directly to the board. The chief auditor is independent of the system's investment operations and, among other things, is responsible for providing objective audit and review services for the investment operations. It is the chief auditor's objective to promote adequate and effective internal controls at a reasonable cost, which results in suggested improvements that will lead to economies and efficiencies in the system's investment operations.

Master Custodian

Bank of New York Mellon serves as the master custodian of the system's assets except in cases where investments are held in partnerships, commingled accounts, or unique asset classes where it is impossible for them to do so. The master custodian is responsible for maintaining the official book of records, providing performance reports, and serving as an additional layer of risk control in the safekeeping of system assets.

Asset Allocation

Determining the system's asset allocation is regarded as one of the most important decisions in the investment management process. The board, with advice from staff and the external general asset consultant, has developed a risk-weighted policy allocation that is designed to achieve the long-term required return objectives of the system, given certain risk constraints. The current allocation reflects the need for a diversified portfolio, which will perform well in a variety of economic conditions and will help reduce the portfolio's overall volatility. In determining the optimum mix of assets, the board considers five factors:

- The expected rate of return for each asset class.
- The expected risk of each asset class.
- The correlation between the rates of return of the asset classes.
- The investment objectives and risk constraints of the fund.
- The impact of the portfolio's volatility on the contribution rate.

While the board maintains a set policy allocation mix, they have taken steps to provide flexibility by granting authority to the CIO, with the approval of the external general asset consultants and certification of the executive director, to make strategic allocation decisions to capitalize on attractively valued opportunities within prudent risk constraints. This flexibility has allowed the system to take advantage of changing market conditions. The table below illustrates the policy asset allocation and ranges formally adopted by the board as of June 30, 2012.

Rebalancing

It is the responsibility of staff to ensure that the asset allocation adheres to the system's rebalancing policy. MOSERS utilizes a combination of cash market and exchange traded futures transactions to maintain the total fund's allocation at the broad policy level. Month end reviews are conducted to bring the portfolio back within allowable ranges of the broad policy targets.

Asset Allocation

Beta-Balanced Portfolio (80% of total capital)	Risk Allocation Policy	Risk Allocation Ranges[1]	Benchmark Index (weight)[2]
Global equity	20%	13% - 27%	MSCI ACWI[3] - (19%)
Nominal bonds	20%	13% - 27%	Barclays Long Treasury - (37%)
Inflation-indexed bonds	20%	13% - 27%	Barclays 1-10 TIPS - (64%)
Commodities	20%	13% - 27%	S&P GSCI[4] - (17%)
Alternative betas	20%	13% - 27%	AQR DELTA[5] - (31%)

Illiquids Portfolio[6] (20% of total capital)	Benchmark Index (weight)
Growth sensitive	S&P 500 + 3% (10%)
Inflation sensitive	S&P 500 + 3% (10%)

1 The board has granted the CIO the authority to alter the equal risk-weighted allocation policy. This authority exists within risk ranges as depicted in the table above. These risk ranges, like the policy allocation, are driven by the long-term volatility and correlation expectations for the five betas that make up the beta-balanced portfolio. The CIO will make these strategic allocation decisions away from the policy benchmark subject to consultation and agreement from the chief general asset consultant (CGAC).

2 Benchmarks are net of MOSERS' actual leveraging costs on borrowed assets with the exception of the hedge fund benchmark which is net of management fees.

3 Morgan Stanley Capital International All Country World Index (net dividends).

4 S&P Goldman Sachs Commodity Index (formerly Goldman Sachs Commodity Index).

5 A diversified risk-balanced portfolio of liquid hedge fund risk premia managed by AQR Capital net of management fees.

6 Illiquids portfolio upper limit of 27.5% of capital, no new commitments past 23%.

Risk Controls

MOSERS' investment program faces numerous risks; however, the primary risk to MOSERS is that the assets will not support the liabilities over long periods of time. In order to control this risk and numerous other risks that face the system, the board has taken the following steps, on an ongoing basis, to help protect the system:

- Actuarial valuations are performed each year to ensure the system is on track to meet the funding objectives of the plan. In addition, every five years an external audit of the actuary is conducted to ensure that the assumptions being made and calculation methods being utilized are resulting in properly computed liabilities.
- Asset/liability studies are conducted at least once every five years. The purpose of these studies is to ensure that the current portfolio design is structured to meet the system's liabilities. During these studies, investment expectations are also reexamined in more detail.
- A governance policy, which incorporates investment limitations, is in place to ensure that board policies are clearly identified. Within these documents, desired outcomes are identified, responsibilities for individuals are identified in relation to particular areas of the portfolio's management, and details are provided for measuring outcomes. Reporting requirements are clearly identified to ensure appropriate checks and balances are in place. In addition, annual performance audits are conducted to ensure the performance measurement tools and methodologies being utilized are proper.

Performance Objectives and Monitoring Process

Generating returns net of expenses equaling the RRO of 5.5% plus inflation remains the primary performance objective for the total fund over the long term.

The reason for the long-term focus on this objective is to preclude the temptation to overreact to events in the marketplace that have no relevance in the management of the relationship between the system's assets and liabilities. The resulting dilemma is the conflicting need to evaluate investment policy implementation decisions over shorter time frames while maintaining the longer-term focus necessary to manage and measure the fund's performance relative to the RRO. To address this problem, the board evaluates performance relative to policy and strategy benchmarks. This helps to evaluate the board's broad policy decisions and the staff and external consultant's implementation decisions. Policy benchmarks measure broad investment opportunities of each sub-asset class in which MOSERS has chosen to invest. The strategy benchmarks represent decisions made by the CIO to strategically deviate from the policy asset allocation for each sub-asset class. The return of the strategy benchmarks are determined based upon the actual weight of the asset class multiplied by the appropriate benchmark.

The policy and strategy benchmarks are used in the following manner to evaluate board and staff decisions:

- **Board Decisions:** The value added through board policy decisions is measured by the difference between the total fund policy benchmark return and the RRO. This difference captures the value added by the board through their policy asset allocation decisions relative to the return necessary to fund the system's liabilities. A policy benchmark return greater than the RRO reflects value added through board decisions. A policy benchmark return less than the RRO reflects losses or shortfalls in performance in funding the liabilities. These policy decisions are measured over long periods of time.
- **CIO and External Consultants' Decisions:** There are two components to decisions made by the CIO and external consultants, which are monitored by the board on an ongoing basis. They are: 1) strategic allocation decisions, and 2) implementation decisions.

Strategy decisions are made by the CIO, with the approval of the external general asset consultant and the review of the executive director to deviate from the policy benchmark weight. The difference between the strategy benchmark return and the policy benchmark return captures the value added by the CIO through strategic decisions to overweight or underweight asset allocations relative to the board's policy allocation decisions. A strategy benchmark return greater than the policy benchmark return reflects value added through the sub-asset class allocation decisions. A strategy benchmark return less than the policy benchmark return reflects losses to the fund's performance based upon strategy decisions. Strategy decisions should be measured over all periods of time with majority weight placed on outcomes that have occurred over a market cycle.

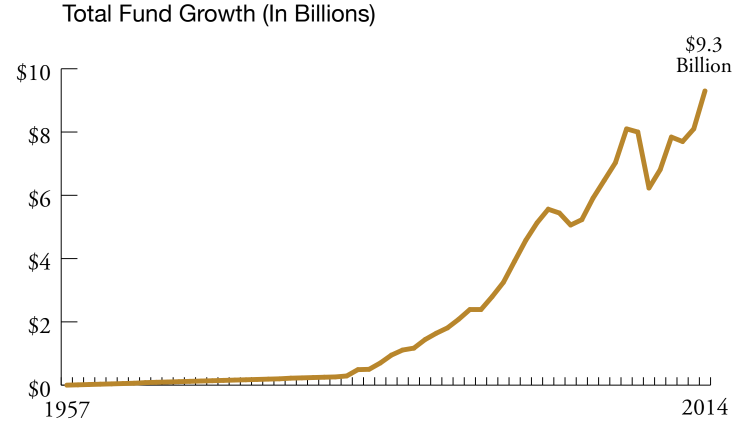
Implementation decisions are money manager selection choices made by the CIO with the approval of the appropriate external consultant and the certification of the executive director that the decision was made in accordance with the board's adopted governance policy. The value added through these decisions is measured by the difference between the actual portfolio return and the strategy benchmark return. This difference captures the value added through these external manager selection decisions. An actual portfolio return greater than the strategy benchmark return reflects value added through these external manager selection decisions. An actual portfolio return less than the strategy benchmark return reflects losses to the fund's performance based upon implementation decisions. Implementation decisions should be measured over all periods of time with a majority weight placed on outcomes that have occurred over a market cycle.

The board reviews performance information on a quarterly basis to help ensure adequate monitoring of the fund's overall performance objectives.

Total Fund Review

As of June 30, 2014, the MOSERS investment portfolio had a market value of $9.3 billion. The graph to the right illustrates the growth of MOSERS' portfolio since the system's inception.

Total Fund Growth (In Billions)



Investment Performance

MOSERS' investments generated a return of 19.2%, net of fees, for FY14. The total fund return exceeded the 1-year policy benchmark of 17.7%. This additional 1.5% investment return produced $117 million over what would have been earned if the fund had been invested passively.

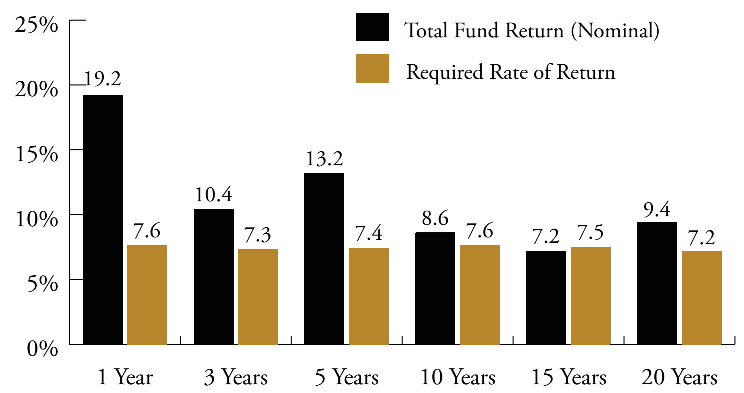
Investment Performance vs. the Required Rate of Return

The total fund investment return is compared to a required rate of return. The required rate of return is established by the board to determine how well the fund is performing over the long term in order to meet future plan obligations after accounting for inflation. The required rate of return for FY14 is equal to the RRO (5.5%) plus inflation. The best known measure of inflation is the Consumer Price Index (CPI).[2]

Given the randomness of the investment markets, the portfolio should not be expected to meet the required rate of return every year. A review of long periods of time is best to evaluate whether or not the total return has kept pace with the system's funding objectives.

The center bar chart reflects that MOSERS' investment returns have exceeded the required rate of return by 2.2% over the 20-year period ended June 30, 2014.[3]

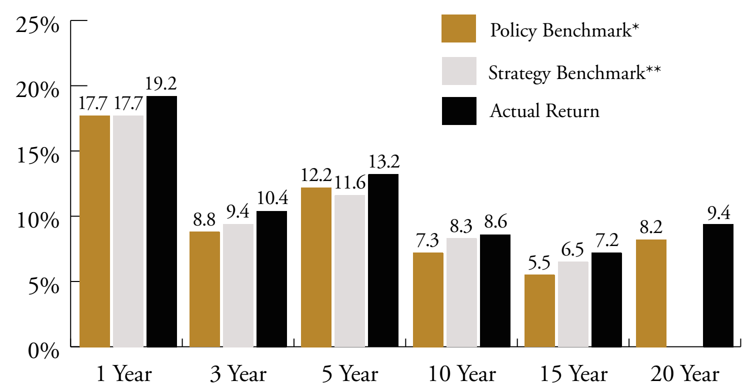
Total Fund vs. Required Rate of Return



Investment Performance vs. Benchmark Comparisons

In addition to measuring performance relative to the required rate of return, the board also compares fund returns to the policy benchmark and the strategy benchmark. Returns for the total fund versus these benchmarks are displayed in the bar chart to the right.

Total Fund Actual Return vs. Benchmark Returns



* As of June 30, 2014, the policy benchmark was comprised of the following components: 76.6% total beta-balanced policy benchmark, 19.2% total illiquids portfolio policy benchmark, and 4.2% total old portfolio policy benchmark.

** As of June 30, 2014, the strategy benchmark was comprised of the following components: 77.5% total beta-balanced strategy benchmark and 22.5% total illiquids portfolio policy benchmark. A strategy benchmark for the 20-year period is not available.

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2 CPI Source: United States Department of Labor, Bureau of Labor Statistics (not seasonally adjusted).

3 Performance returns are calculated using a time-weighted rate of return on market values.

The policy benchmark provides an indication of the returns that could have been achieved (excluding transaction costs) by a portfolio invested passively in the broad market with percentage weights allocated to each asset class in MOSERS' policy asset allocation. Comparison of the total return to the policy benchmark is a reflection of the extent to which the asset allocation kept pace with the system's funding objectives. The total fund 1-year actual performance exceeded its policy benchmark by 1.5%, with the actual 3-, 5-, 10-, 15-, and 20-year returns also exceeding the policy benchmarks by 1.6%, 1.0%, 1.3%, 1.7% and 1.2%, respectively.

The strategy benchmark is more narrowly defined and focuses on sub-asset class allocation decisions made by the CIO. By comparing the policy benchmark to the strategy benchmark, the board is able to determine the value added through strategic decisions (active management) made by the CIO. Value is created when the strategy benchmark returns exceed the policy benchmark returns.

Total Fund Actual Return vs. Benchmark Returns

Similarly, by comparing the actual return to the strategy benchmark, the board will, over the long term, be able to judge the success or failure of the staff and the consultant in implementing the CIO's strategic decisions. The primary implementation decision is in determining which managers the fund should employ. Value is added from manager selection when the total fund return exceeds the strategy benchmark return.

Total Fund Policy Allocation Overview

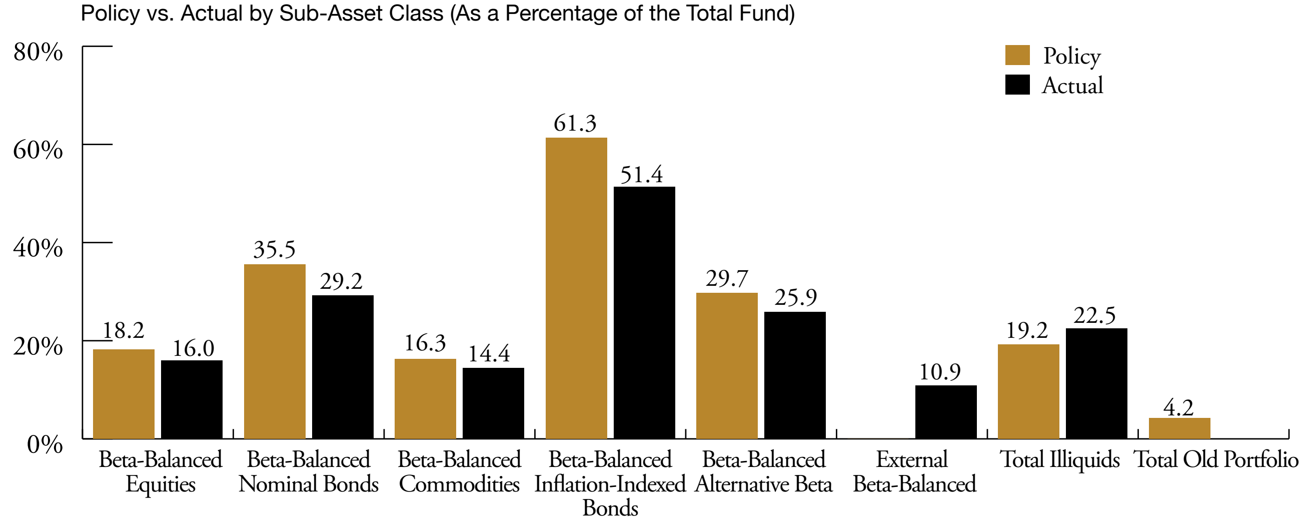
As of June 30, 2014, the board's broad policy allocation mix was 76.6% beta-balanced, 19.2% illiquids, and 4.2% old portfolio. The policy target, as of June 30, 2014, for each sub-asset class, along with the actual strategic allocation to each type of investment is shown in the bar graph below.

The board has granted authority to the CIO to make strategic decisions. A strategic decision should be thought of as any decision that might cause MOSERS' actual portfolio to differ from the policy asset allocation. This has allowed MOSERS to capitalize on investment opportunities at the margin by overweighting asset classes that are viewed as "cheap" relative to their historical norm and underweighting asset classes that are "expensive" relative to their historical norm.

The asset allocation is built upon the belief that diversification is critical. The tables on the following page reflect the asset classes and their correlation to each other and the statistical performance data (net of fees) of the total fund as of June 30, 2014.

Total Fund Allocation

Policy vs. Actual by Sub-Asset Class (As a Percentage of the Total Fund)



Total Fund - Correlation Table - 5 Years

	Beta-Balanced Equities	Beta-Balanced Nominal Bonds	Beta-Balanced Commodities	Beta-Balanced Inflation-Indexed Bonds	Beta-Balanced Alternative Beta	Illiquids
Beta-balanced equities	1.00					
Beta-balanced nominal bonds	(0.59)	1.00				
Beta-balanced commodities	0.62	(0.38)	1.00			
Beta-balanced inflation-indexed bonds	0.06	0.49	0.17	1.00		
Beta-balanced alternative beta	0.67	(0.26)	0.48	0.28	1.00	
Illiquids	0.55	(0.30)	0.40	0.20	0.45	1.00

Total Fund - Statistical Performance

Portfolio Characteristics	1 Year	3 Year	5 Year	10 Year	15 Year	20 Year
Annualized return	19.2%	10.4%	13.2%	8.6%	7.2%	9.4%
Annualized standard deviation	4.51%	7.24%	7.39%	8.50%	9.23%	9.25%
Sharpe ratio	4.24	1.42	1.78	0.83	0.56	0.71
Excess return*	1.49%	1.57%	1.03%	1.33%	1.73%	1.21%
Beta*	0.82	0.79	0.75	0.73	0.80	0.83
Annualized alpha*	4.21%	3.20%	3.69%	3.01%	2.62%	2.37%
Correlation*	0.98	0.98	0.97	0.96	0.96	0.96
Value added in dollars**	$117M	$417M	$432M	$1.3B	$2.6B	$2.1B

* *As compared to the total fund policy benchmark.*

** *MOSERS earnings above what would have been earned if assets had been invested passively.*

Investment Advisors

Investment Advisors Name	Style	Portfolio Market Value
Actis	Illiquids - emerging markets	$ 52,231,316
Aeolus Capital Management	Beta-balanced - reinsurance	100,204,399
African Development Partners International	Illiquids - emerging markets	53,783,965
Alinda Capital Partners	Illiquids - infrastructure	32,600,599
American Industrial Partners	Illiquids - corporate buyout	20,752,190
AQR Capital Management	Beta-balanced - multi-strategy	330,260,858
AQR Capital Management	Beta-balanced - risk parity	443,824,249
Axiom Asia Private Capital Associates	Illiquids - emerging markets	40,327,047
Axxon Group Private Equity Assessoria	Illiquids - emerging markets	14,919,470
Baillie Gifford Overseas, Ltd.	Residual - international equity	40,362
Bayview Asset Management	Illiquids - opportunistic mortgages	68,489,393
BlackRock Financial Management	Residual - high yield	1,371,394
Blackstone Alternative Asset Management	Beta-balanced - fund-of-funds	409,311,076
Blackstone Real Estate Partners	Illiquids - active real estate	322,733,838
Blakeney Management	Beta-balanced - emerging markets	77,713,850
Brevan Howard Capital Management	Beta-balanced - global macro	85,118,296
Bridgepoint Capital Partners	Illiquids - corporate buyout	53,592,806
Bridgewater Associates	Beta-balanced - global macro	96,862,067
Bridgewater Associates	Beta-balanced - risk parity	489,238,333
Campbell Group	Illiquids - timberland	48,405,522
CarVal Investors	Illiquids - distressed real estate debt	45,100,000
Castlelake	Illiquids - special situations	32,708,298
Catalyst Capital Group	Illiquids - Canadian distressed debt	52,604,965
Catterton Partners	Illiquids - corporate buyout	46,400,865
Claren Road Asset Management	Beta-balanced - long/short - credit	112,468,500
Cornwall Capital	Beta-balanced - multi-strategy	61,964,633
Davidson Kempner Capital Management	Beta-balanced - event driven	88,080,819
DDJ Capital Management	Illiquids - distressed debt	2,319,037
DRI Capital	Illiquids - intellectual property	29,518,039
EIG Global Energy Partners	Illiquids - energy - mezzanine	76,962,228
Elliott Management Corporation	Beta-balanced - multi-strategy	105,301,809
Eminence Capital	Beta-balanced - long/short - equity	97,699,667
Empyrean Capital Partners	Beta-balanced - event driven	61,594,643
Eton Park Capital Management	Beta-balanced - multi-strategy	22,776,415
Farallon Capital Management	Beta-balanced - multi-strategy	4,766,703
Gateway Energy & Resource Holdings	Illiquids - energy - diversified	29,695,500
Glenview Capital Management	Beta-balanced - long/short - equity	38,178,673
Global Forest Partners	Illiquids - timberland	208,366,887
Harvest Fund Advisors	Illiquids - active MLP	184,594,011
HBK Capital Management	Beta-balanced - multi-strategy	100,106,488
Internal Staff	Beta-balanced - cash	2,260,774,547
JLL Partners	Illiquids - corporate buyout	59,100,350
King Street Capital Management	Beta-balanced - credit driven	6,086,203
Linden Capital Partners	Illiquids - corporate buyout	17,992,177
MAST Capital Management	Beta-balanced - credit driven	81,127,373
Merit Energy Company	Illiquids - energy - oil & gas	8,717,679
MHR Fund Management	Illiquids - distressed debt	95,226,126
Millennium Technology Value Partners	Illiquids - direct secondaries	15,566,518
Morant Wright Management, Ltd.	Residual - international equity	34,096
Nephila Capital	Beta-balanced - reinsurance	55,171,205
New Mountain Capital	Illiquids - corporate buyout	48,592,798
NISA Investment Advisors	Beta-balanced - derivatives	452,910,653

Investment Advisors continued on page 77

Investment Advisors continued from page 76

Investment Advisors Name	Style	Portfolio Market Value
Oaktree Capital Management	Illiquids - opportunistic European loans	1,764,958
Oaktree Capital Management	Illiquids - real estate	5,540,966
Oaktree Capital Management	Illiquids - corporate buyout	19,605,767
Oaktree Capital Management	Illiquids - distressed debt	54,634,533
Perry Partners International	Beta-balanced - event driven	50,222
Pershing Square Capital Management	Residual - long/short - credit	1,943,779
Pharo Management	Beta-balanced - global macro	123,842,580
Resource Management Service - Wildwood Timberlands	Illiquids - timberland	132,012,221
Silchester International Investors	Beta-balanced - international equity	848,372,945
Silver Creek Capital Management	Illiquids - special situations - fund-of-funds	46,014,256
Silver Lake Partners	Illiquids - corporate buyout	13,949,571
Silver Point Capital	Beta-balanced - credit driven	1,756,845
SIR Capital Management	Beta-balanced - equity market neutral	56,457,205
SIRIS Capital Group	Illiquids - corporate buyout	6,961,571
State Street Global Advisors	Beta-balanced - emerging markets	276,802,736
StepStone Group	Illiquids - corporate buyout - fund-of-funds	37,756,951
Stone Harbor Investment Partners	Beta-balanced - emerging market debt	59,596,657
TPG-Axon Capital	Residual - long/short - credit	1,993,733
Veritas Capital	Illiquids - corporate buyout	77,872,404
Viking Global Investors	Beta-balanced - long/short - equity	142,384,682
Visium Asset Management	Beta-balanced - long/short - equity	96,846,651
Wellington Hedge Management Company	Beta-balanced - long/short - equity	1,190,572
Miscellaneous (each less than $1M)		3,337,627
		$9,254,978,367

Total Fund - Top Ten Publicly Traded Separate Account Holdings

Ten Largest Holdings as of June 30, 2014*	Market Value	Percent of the Total Fund
U.S. Treasury Inflation Index Note - 0.125%, 2018	$216,466,104	2.34%
U.S. Treasury Inflation Index Note - 0.125%, 2017	197,668,105	2.14
U.S. Treasury Inflation Index Note - 0.625%, 2024	178,160,091	1.93
U.S. Treasury Inflation Index Note - 0.375%, 2023	177,991,196	1.92
U.S. Treasury Inflation Index Note - 0.125%, 2022	172,286,807	1.86
U.S. Treasury Inflation Index Note - 0.125%, 2016	162,934,542	1.76
U.S. Treasury Inflation Index Note - 0.625%, 2021	158,125,295	1.71
U.S. Treasury Inflation Index Note - 1.125%, 2021	155,098,964	1.68
U.S. Treasury Inflation Index Note - 0.125%, 2023	149,575,834	1.62
U.S. Treasury Inflation Index Note - 0.125%, 2022	145,181,187	1.57

** For a complete list of holdings contact MOSERS.*

Investment Manager Fees

For the Year Ended June 30, 2014

	Total Fees	Manager Fees	Paid/Accrued Performance Fees
Beta-balanced portfolio			
Aeolus Property Catastrophe Spire Fund, LP	$ 85,211	$ 62,500	$ 22,711
AQR Absolute Return Institutional Fund, LP	1,426,754	604,632	822,122
AQR DELTA Sapphire Fund, LP	2,555,093	2,555,093	0
AQR Global Risk Premium Fund IV, LP	1,989,293	1,989,293	0
Blackstone Topaz Fund, LP	5,203,249	3,752,632	1,450,617
Blakeney Onyx, LP	1,797,075	1,797,075	0
Brevan Howard, LP	1,368,934	1,336,020	32,914
Brevan Howard Emerging Market Strategies Fund, LP	1,070,435	1,070,435	0
Bridgewater Associates - Diamond Ridge Fund, LLC	3,115,703	3,115,703	0
Bridgewater Associates - All Weather Fund (12 vol.), LLC	1,747,622	1,747,622	0
Claren Road Credit Partners, LP	2,107,401	1,656,256	451,145
COMAC Global Macro Fund, LP	264,769	264,769	0
Cornwall Domestic, LP	513,659	504,133	9,526
CQS ABS Feeder Fund, Ltd.	1,346,636	709,026	637,610
Davidson Kempner Institutional Partners, LP	3,677,316	1,066,591	2,610,725
Elliott International, Ltd.	4,229,985	1,482,608	2,747,377
Eminence Fund, Ltd.	3,171,962	1,142,624	2,029,338
Empyrean Capital Fund, LP	3,880,194	981,534	2,898,660
Eton Park Fund, LP	1,292,933	602,696	690,237
Farallon Capital Institutional Partners, LP	154,446	37,410	117,036
Glenview Capital Opportunity Fund, LP	1,406,037	43,749	1,362,288
HBK Offshore Fund, Ltd.	3,404,732	1,438,583	1,966,149
King Street Capital, LP	1,254,051	442,202	811,849
King Street Capital, Ltd.	16,057	13,844	2,213
MAST Credit Opportunities I, LP	1,192,970	856,891	336,079
MOSERS, Inc.	156	156	0
Nephila Triton Fund, LP	1,510,007	812,403	697,604
NISA Investment Advisors	3,747,278	3,747,278	0
Perry Partners, LP	701	701	0
Pharo Macro Fund, Ltd.	5,942,063	1,762,682	4,179,381
Silchester International Investors	3,513,029	3,513,029	0
Silver Point Capital Fund, LP	240,058	0	240,058
SSGA Emerging Markets	185,611	185,611	0
Standard Investment Research Hedged Equity Fund	2,568,885	954,584	1,614,301
Stone Harbor Investment Partners	455,332	455,332	0
Viking Global Equities III, Ltd.	8,328,728	1,994,530	6,334,198
Visium Balanced Fund, LP	3,280,076	1,831,919	1,448,157
Total beta-balanced managers	78,044,441	44,532,146	33,512,295
Illiquids portfolio			
Actis Emerging Markets III	805,778	805,778	0
Actis Emerging Markets IV	727,800	727,800	0
African Development Partners I, LLC	299,280	299,280	0
African Development Partners II, LLC	422,466	422,466	0
Alinda Infrastructure Fund I, LP	398,078	398,078	0
American Industrial Partners Capital Fund V, LP	690,000	690,000	0
Axiom Asia Private Capital Fund II, LP	649,147	400,000	249,147
Axiom Asia Private Capital Fund III, LP	500,000	500,000	0
Axxon Brazil Private Equity Fund II B, LP	897,532	897,532	0
Bayview Opportunity Domestic, LP	1,481,917	345,768	1,136,149
Bayview Opportunity Domestic III B, LP	2,719,416	1,000,000	1,719,416
Blackstone Real Estate Partners IV	2,237,948	0	2,237,948
Blackstone Real Estate Partners V	4,558,437	893,417	3,665,020
Blackstone Real Estate Partners VI	7,646,143	880,388	6,765,755
Blackstone Real Estate Partners VII	3,618,442	1,041,798	2,576,644
Bridgepoint Europe III A, LP	187,368	187,368	0

Investment Manager Fees continued on page 79

Investment Manager Fees continued from page 78

	Total Fees	Manager Fees	Paid/Accrued Performance Fees
Bridgepoint Europe IV B, LP	313,022	313,022	0
Campbell Timber Fund II A, LP	539,870	539,870	0
CarVal Investors CVI Global Value Fund A, LP - real estate	318,078	318,078	0
CarVal Investors CVI Global Value Fund A, LP - private debt	318,078	318,078	0
Castlelake Aviation II, LP	1,881,253	600,000	1,281,253
Catalyst Fund Ltd. Partnership III	2,758,122	938,808	1,819,314
Catalyst Fund Ltd. Partnership IV	759,875	494,376	265,499
Catterton Partners V, LP	109,716	109,716	0
Catterton Partners VI, LP	3,526,142	387,732	3,138,410
Catterton Partners VII, LP	595,313	595,313	0
DRI Capital - LSRC	467,839	64,637	403,202
DRI Capital - LSRC II	96,889	85,863	11,026
EIG Energy Fund XIV, LP	318,410	318,410	0
EIG Energy Fund XV, LP	481,882	481,882	0
EIG Energy Fund XVI, LP	201,283	201,283	0
Garnet Sky Investors Company, Ltd.	2,774,183	616,035	2,158,148
Gateway Energy & Resource Holdings, LLC	19,906	(8,251)	28,157
Global Forest Partners Institutional Investors Co., Ltd.	596,414	596,414	0
Harvest Fund Advisors, LLC	1,144,855	1,144,855	0
JLL Partners Fund V, LP	2,863,435	184,932	2,678,503
JLL Partners Fund VI, LP	3,418,609	1,007,930	2,410,679
Linden Capital Partners II, LP	231,674	231,674	0
Merit Energy Partners F-II, LP	172,420	172,420	0
MHR Institutional Partners II A, LP	3,040,454	174,093	2,866,361
MHR Institutional Partners III, LP	3,425,069	911,886	2,513,183
MHR Institutional Partners IV, LP	2,431	2,431	0
Millennium Technology Value Partners II	567,449	539,391	28,058
New Mountain Partners III, LP	1,915,900	75,555	1,840,345
OCM/GFI Power Opportunities Fund II, LP	(73,745)	16,899	(90,644)
OCM Opportunities Fund IV B, LP	5,640	0	5,640
OCM Opportunities Fund VII B, LP	(1,292,193)	374,743	(1,666,936)
OCM Opportunities Fund VIII B, LP	1,231,428	363,200	868,228
OCM Power Opportunities III, LP	1,212,100	405,532	806,568
OCM Real Estate Opportunities Fund III, LP	(214,782)	0	(214,782)
StepStone Capital Buyout Fund I, LP	193,579	50,415	143,164
StepStone Capital Buyout Fund II, LP	208,183	208,183	0
StepStone Opportunities Fund II, LP	(8,373)	59,511	(67,884)
Resource Management Service - Wildwood Timberlands, LLC	766,299	766,299	0
Silver Lake Partners II, LP	587,706	113,160	474,546
SIRIS Partners II, LP	621,602	0	621,602
The Veritas Capital Fund III, LP	2,069,007	0	2,069,007
The Veritas Capital Fund IV, LP	2,007,435	298,524	1,708,911
Total illiquids portfolio managers	68,012,209	23,562,572	44,449,637
Residual portfolio			
Ashmore Emerging Markets Debt and Currency Fund	473,003	473,003	0
BlackRock Financial Management	77,449	77,449	0
Glenview Institutional Partners, LP	2,698,638	979,455	1,719,183
Grantham, Mayo, Van Otterloo & Co.	325,390	325,390	0
Morant Wright Investment Management	211,786	211,786	0
Pershing Square, LP	1,735,736	511,299	1,224,437
TPG-Axon Partners (Offshore), Ltd.	13,332	13,332	0
Total residual portfolio managers	5,535,334	2,591,714	2,943,620
Grand totals	$151,591,984	$70,686,432	$80,905,552

Schedule of Investment Portfolios by Asset Class

As of June 30, 2014

	Fair Value	Percentage of Investments at Fair Value	Market Exposure	Percentage of Investments at Market Exposure
Internal beta-balanced				
Beta-balanced equities	$1,141,981,925	12.3%	$ 1,478,398,045	16.0%
Beta-balanced nominal bonds	675,049,156	7.3	2,703,402,112	29.2
Beta-balanced commodities	331,265,124	3.6	1,336,078,631	14.4
Beta-balanced inflation-indexed bonds	1,467,803,226	15.9	4,756,627,818	51.4
Beta-balanced hedge funds	2,533,006,937	27.3	2,399,184,991	25.9
Total internal beta-balanced	6,149,106,368	66.4	12,673,691,597	136.9
External beta-balanced	1,008,556,507	10.9	1,008,556,507	10.9
Illiquids				
Illiquids - growth	908,012,982	9.8	908,012,982	9.8
Illiquids - inflation	1,149,401,842	12.4	1,149,401,842	12.4
Illiquids - other	23,808,596	0.3	23,808,596	0.3
Total illiquids	2,081,223,420	22.5	2,081,223,420	22.5
Residual accounts from old portfolio	9,413,420	0.1	9,413,420	0.1
Cash reserve	6,678,652	0.1	0	0.0
Grand total	$9,254,978,367	100.0%	$15,772,884,944	170.4%

Reconciliation to *Statement of Fiduciary Net Position*	
Total portfolio value	$9,254,978,367
Reverse repurchase agreements	2,339,232,799
STIF	(2,247,013,704)
Uninvested cash	(534,369,575)
Interest and dividends receivable	(66,559,600)
Variation margin	(9,152,508)
AR securities sold	(965,732)
AP securities purchased	456,411,791
Fees payable	14,859,541
Securities lending liability	999,126
Miscellaneous difference	141
Investments per *Statement of Fiduciary Net Position*	$9,208,420,646

Schedule of Investment Results*

1-, 3-, 5-, 10-, 15 - and 20-Year Periods

	1 Year	3 Year	5 Year	10 Year	15 Year	20 Year
Total fund *						
MOSERS	**19.2%**	**10.4%**	**13.2%**	**8.6%**	**7.2%**	**9.4%**
Composite total return benchmark	**17.7%**	**8.8%**	**12.2%**	**7.3%**	**5.5%**	**8.2%**
*Beta-balanced***						
MOSERS	17.7%	N/A	N/A	N/A	N/A	N/A
Beta-balanced composite benchmark	14.3%	N/A	N/A	N/A	N/A	N/A
*Illiquids***						
MOSERS	19.1%	N/A	N/A	N/A	N/A	N/A
Illiquids benchmark	27.6%	N/A	N/A	N/A	N/A	N/A

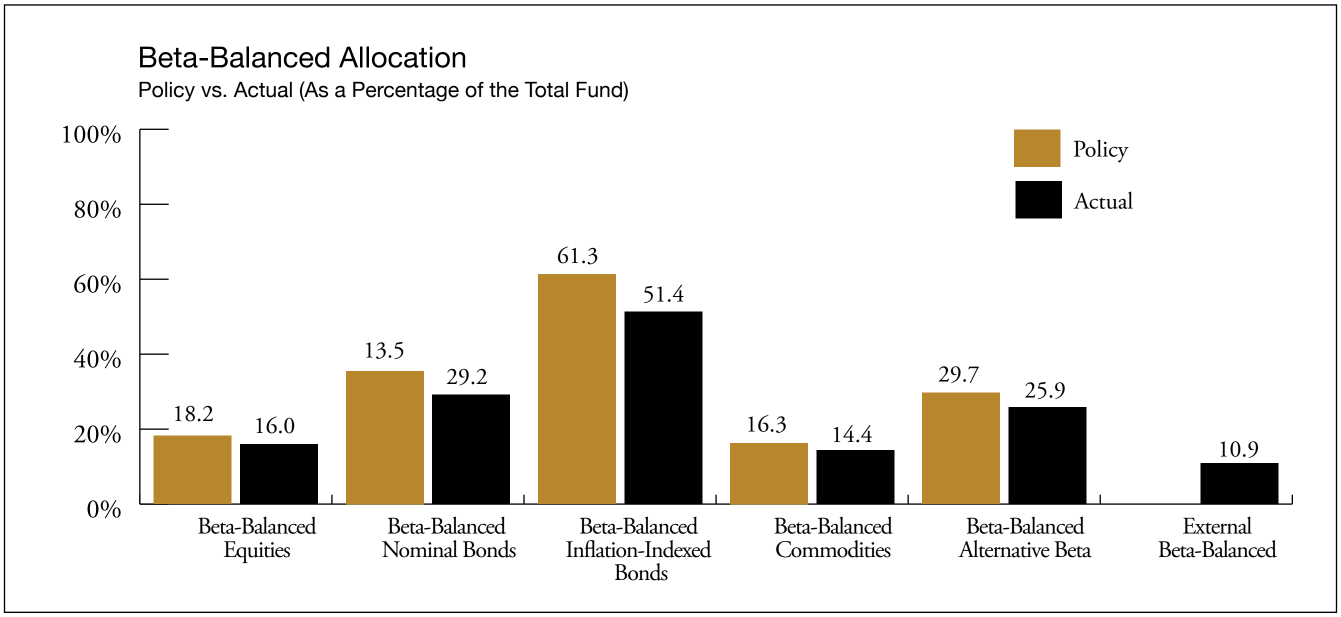
* *Time weighted rates of return on market values adjusted for cash flows.*
** *Beta-balanced inception date was September 1, 2012*

Total fund - As of June 30, 2014, the policy benchmark was comprised of the following components: 76.6% total beta-balanced policy benchmark, 19.2% total illiquids portfolio policy benchmark, and 4.2% total old portfolio policy benchmark. The individual asset class benchmarks, as listed below are used to generate the total fund policy benchmark.

- ***Beta-balanced*** - As of June 30, 2014, the total beta-balanced policy benchmark was comprised of the following components: 24% MSCI ACWI Net, 46% Barclays Long Treasuries, 21% S&P GSCI, 80% Barclays US TIPS 1-10 YR, and 39% AQR Delta. This program did not begin until September 2012.
- ***Illiquids*** - As of June 30, 2014, the illiquids benchmark was comprised of the following components: 100% S&P 500 + 3%. This program did not begin until September 2012.

Beta-Balanced

Asset Class Summary



As of June 30, 2014, the beta-balanced allocation returned 17.7% as a result of positive performance from every asset class. This is a 3.4% excess return relative to the policy benchmark performance of 14.4%.

Highlights

- External active managers contributed all of the 3.4% excess return relative to the policy benchmark. The external managers in the alternative beta allocation had a notable year, contributing 60% of all value added.
- While strategy was successful in the nominal treasury and alternative beta allocations, MOSERS' overweight to emerging markets in the global equities allocation offset the positive results and caused a 0.10% underperformance from strategy.

Portfolio Structure

The goal of the beta-balanced portfolio is to equalize the portfolio's risk exposure across economic environments through risk-balanced allocations to assets. The assets currently being used in the beta-balanced portfolio are global equities, U.S. nominal bonds, inflation-indexed bonds, commodities and alternative betas.

There is both an internal and external component to the beta-balanced portfolio. Bridgewater All Weather and AQR Global Risk Parity are utilized for the external portion of the risk-balanced portfolio. The internal portion is managed by staff utilizing NISA Investment Advisors to implement the trading and operational aspects of the program.

Market Overview

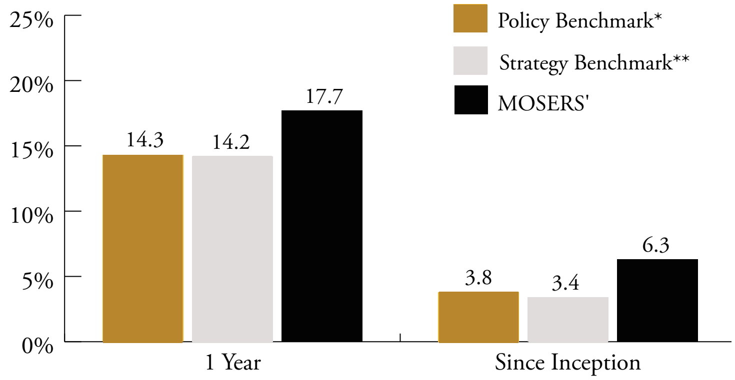
The markets had to contend with potential military operations in Syria and Ukraine, a U.S. government shut-down, the removal of quantitative easing (QE), another debt ceiling and a new Federal Reserve Chair. However, risk assets overcame these obstacles and posted above average returns for the year. The returns associated with corporate and economic risk performed well, with global equities returning 22.9%, 13.3% for REITS, 11.7% for high yield bonds, and 10.4% for commodities. While government bonds displayed reasonable performance, 6.3% for the long treasury benchmark and 3.6% for the intermediate TIPS index, their pattern was dramatically different than the constant upward trajectory of risk assets. The first six months of the year saw losses in long treasuries and TIPS, down (5.2)% and (0.4)%, respectively. Those losses were mitigated over the next six months by strong performance with long treasuries up 12.1% and TIPS up 4.0%. In general, risk assets performed well for the entire fiscal year, while interest rate only generated positive returns during the final six months.

Performance

For the fiscal year, the beta-balanced portfolio returned 17.7% versus 14.3% for the policy benchmark. These results represent higher-than-expected returns from markets, or beta, and value-added, or alpha. The balanced nature of the beta portfolio was detrimental during the first half of the year; a period when risk assets where positive and interest rates were negative performers. However, during the second half of the fiscal year, risk assets performed more modestly and interest rates picked up positive momentum, allowing continued portfolio growth into the end of the fiscal year. External managers contributed all of the 3.4% value added return. While the external beta-balanced managers did very well, the main contributor to value added was the hedge fund managers in the alternative beta allocation. The bar chart to the right illustrates actual performance as compared to the policy and strategy benchmarks since inception. A description of each asset class follows:

- **Equities:** The notional value (total value of a leveraged position's assets), of the equity portfolio on June 30, 2014, was $1,478,398,045, representing 16.0% of total notional exposure. For the fiscal year, the equity allocation returned 24.8% versus 23.2% for the global equity policy benchmark. While the strategy of being overweight emerging markets detracted from performance, out performance from external active management helped the equity portfolio exceed expectations. The external managers contributed about 10% of the total 3.4% excess return.
- **Long treasuries:** As of June 30, 2014, the notional value of the long treasury portfolio was $2,703,402,112, representing 29.2% of total notional exposure. For the fiscal year, the long treasury allocation returned 6.4% versus 6.1% for the long treasury policy benchmark. Being strategically short duration and preferring to own TIPS in lieu of nominal treasuries during the first half of the fiscal year positively contributed to the portfolio return.
- **TIPS:** As of June 30, 2014, the notional value of the TIPS portfolio was $4,756,627,818, representing 51.4% of total notional exposure. For the fiscal year, the TIPS allocation returned 3.3% versus 3.4% for the TIPS policy benchmark. There was no active management used in the portfolio this year, thus providing a return that closely matched the benchmark.
- **Commodities:** As of June 30, 2014, the notional value of the commodity portfolio was $1,336,078,631, representing 14.4% of total notional exposure. For the fiscal year, the commodity allocation returned 10.2% versus 10.3% for the commodity policy benchmark. The majority of the allocation was invested in the S&P GSCI index with the exception of a small strategic position in gold.
- **Alternative betas:** As of June 30, 2014, the notional value of the alternative beta portfolio was $2,399,184,991, representing 25.9% of total notional exposure. The alternative beta allocation returned 8.9% for the fiscal year versus 1.6% for alternative beta policy benchmark; thereby, contributing over 60% of the total 3.4% value added at the total fund level. The outperformance is entirely attributable to strong results from external hedge fund managers.
- **External beta-balanced:** This allocation is composed of AQR Global Risk Parity and Bridgewater All-Weather. As a portfolio they returned a strong 20.7% for the fiscal year and represented 10.9%, or $1,008,556,507, of market exposure. Similar to the internal portfolio, their strong performance was the result of positive returns from all asset classes. These two managers were responsible for over 20% of the 3.4% value added at total fund level.

Beta-Balanced Return vs. Benchmark Returns



* As of June 30, 2014, the total beta-balanced policy benchmark was comprised of the following components: 24% MSCI ACWI Net, 46% Barclays Long Treasuries, 21% S&P GSCI, 80% Barclays U.S. TIPS 1-10 YR, and 39% AQR Delta. All policy return components are adjusted for financing cost associated with the beta- balanced program. This program did not begin until September 2012.

** As of June 30, 2014, the total beta-balanced strategy benchmark was comprised of the following components: 23.6% MSCI ACWI Net, 44.2% Barclays Long Treasuries, 21.0% S&P GSCI, 77.8% Barclays U.S. TIPS 1-10 YR, and 37.3% AQR Delta. All strategy return components are adjusted for financing cost associated with the beta-balanced program. This program did not begin until September 2012.

Additional Portfolio Information

The tables, as titled below, show the brokerage activity and statistical performance that occurred within the beta-balanced portfolio in FY14. There were no commissions directed for soft dollar credits during the fiscal year ended June 30, 2014.

Beta-Balanced - Brokerage Activity

	Shares Traded	Volume of Trades	Commissions Paid
Credit Suisse (Europe) - London	$ 45,000	$ 508,469	$1,019
Barclays Capital - London	20,000	178,153	356
Credit Suisse (Europe) - London	10,000	104,044	209
Mizuho International PLC - London	9,500	84,107	168
Instinet Europe, Ltd. - London	5,000	52,521	105
Tachibaba Securities, Ltd. - Hong Kong	80,000	470,176	939
Totals	$169,500	$1,397,470	$2,796

Beta-Balanced - Statistical Performance

Portfolio Characteristics	1 Year	Since Inception (September 2012)
Return	17.7%	6.3%
Annualized standard deviation	6.0%	8.5%
Sharpe ratio	2.95	0.73
Excess return*	3.30%	2.50%
Beta*	1.02	1.04
Annualized alpha*	2.66%	2.25%
Correlation*	0.98	0.97

** As compared to the beta-balanced policy benchmark.*

Illiquids

Asset Class Summary

As of June 30, 2014, the illiquids investments portfolio returned 19.1%, net of fees with strong performance from both the growth sensitive and inflation sensitive sub-portfolios. While this one-year return is strong in absolute terms, it underperformed the return of the policy benchmark.

Highlights

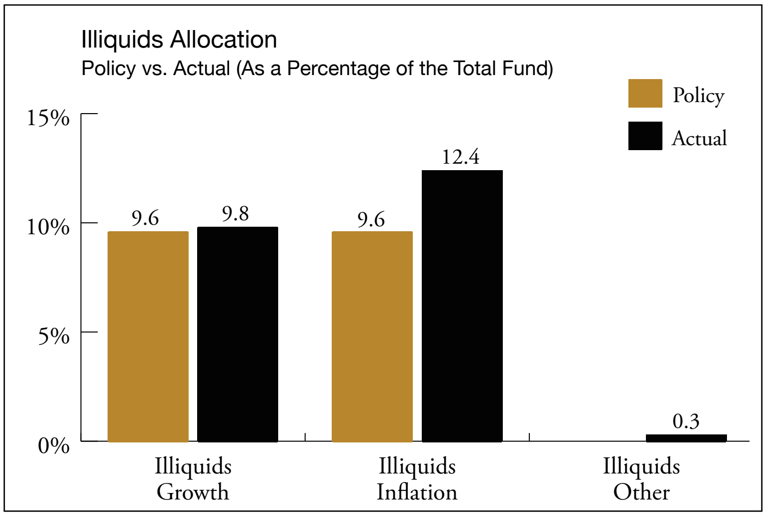
- The illiquids investments portfolio holds a broad set of investments comprising of a number of asset types, asset classes and geographic exposures. By holding a variety of assets, the portfolio is designed to reduce the risk of the illiquids allocation and to contribute to the diversification of the total portfolio.
- At the end of the fiscal year, illiquids investments made up 22.5% of the total portfolio, which was above its 20.0% target allocation.

Portfolio Structure

The illiquids investments portfolio, similar to the beta-balanced portfolio, seeks to distribute risk exposure across various economic environments. To achieve this objective, the portfolio is divided into two segments, one which invests in opportunities that will benefit from economic growth and the other which invests in opportunities that tend to perform well during periods of inflation.

This structure provides the flexibility to invest in a broad range of assets, some of which have characteristics that could place them in either the growth sensitive or inflation sensitive segment. The growth sensitive segment invests in asset categories such as private equity and private debt. Looking a bit deeper, these categories include: domestic buyout, European buyout, emerging market private equity and private debt in the U.S., Europe and Canada. The inflation sensitive segment holds assets in a number of asset classes including: real estate, timber, energy, infrastructure and royalties.

The illiquids investment strategy is implemented through a number of investments that are managed by 32 separate investment management firms. Many of the firms manage assets for the system within a single category; however, a few provide services across multiple asset categories.



Market Overview

The illiquids investments portfolio holds a variety of assets which, by design, are expected to behave differently from a risk/return perspective. The paragraphs below provide a brief description of the markets in which the illiquids investments portfolio has substantial exposure.

- **Private Investments:** Private investments, broadly, experienced a positive year. Private equity and distressed credit investments benefited from the positive performance of the public equity markets. The strong public markets led to a surge in initial public offerings, particularly in the U.S. and Europe. A number of these offerings involved companies that are backed by private equity investors seeking to exit at an opportune time. Fundraising for private investments was strong, as managers are capitalizing on increasing investor demand for alternative investments. This activity was particularly robust in both the U.S. and Europe, and slightly weaker in the Asia-Pacific region. Recent performance of private investments was well above expectations. For the one-year ended March 31, 2014, the ILPA Private Markets Benchmark-All Funds Index had a net return of 19.9%. This index is calculated by the Institutional Limited Partners Association, in partnership with Cambridge Associates, and lags public benchmarks due to reporting delays that are inherent to the asset class.
- **Real Estate:** Real estate is another asset class that covers a wide range of investment characteristics. Real estate investments vary by geography, type, stage of development, etc. The institutional real estate market, the portion of the real estate universe in which MOSERS invests, is represented by a number of segments, including office, industrial, retail, multi-family and hotel. The public real estate market, as represented by the Dow Jones U.S. Select REIT Index, an index of publicly traded domestic real estate investment trusts, performed well relative to its long-term average returning 13.3% for the year ended June 30, 2014. On the private side, as measured by the NCREIF Property Index, an index that is maintained by The National Council of Real Estate Investment Fiduciaries, returns were a bit lower.

For FY14, this index returned 11.2%, driven by strong results from the industrial and retail segments. The remaining segments; office, multi-family, and hotel, lagged somewhat.

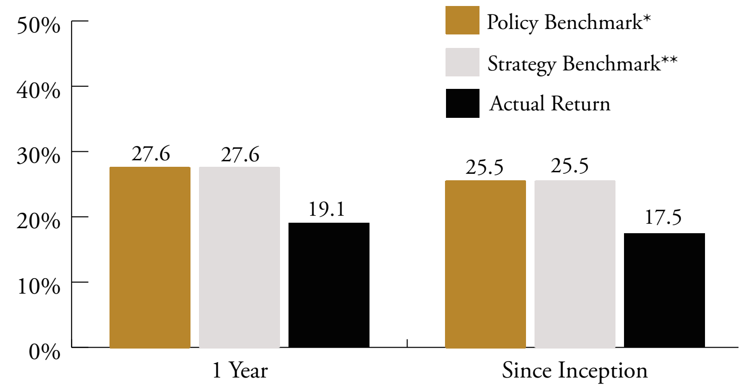
- **Timber:** Timber, as an asset class, possesses a number of characteristics that differentiate risk/return profile from that of other assets in the portfolio. Timber has an investment horizon that is long compared to other assets due to the extended growth cycle of trees. If properly managed, timber can provide investors with significant cash flow over long periods of time. Another differentiating characteristic of timber is that in periods of weak pricing for wood-related products, harvests can be postponed thereby allowing the tree to continue to grow and add volume, translating to additional revenue once prices recover. The NCREIF Timberland Index is one benchmark commonly used to measure the performance of private timberlands within the U.S. For FY14, the index returned 9.8%.
- **Energy:** Energy and energy-related infrastructure had a terrific year compared to the long term average as the energy landscape in North America continues to evolve. The year; however, was not without issues as geopolitical tensions in the Middle East weighed on the sector. The energy market, as measured by the Standard & Poor's Energy Select Sector Index, which consists of large U.S. energy companies with global operations, returned 27.8% for the year. Energy infrastructure also had a big year. The Standard & Poor's Master Limited Partnership Index, an index of publicly traded partnerships, returned 24.9% for the year ended June 30, 2014.

Performance

Benchmarking a portfolio of illiquids investments has always been a challenge. In order for a benchmark to be meaningful, it should satisfy a number of criteria including being identifiable in advance, investable, the ability to be calculated frequently, and consistent with the manager's investment style. Generally, in the case of private markets, these criteria are not met.

Despite a number of shortfalls, a common method to benchmark illiquids investments is to add a risk premium to an index of publicly traded equities, such as the S&P 500 Index. The rationale behind this approach is that an investor in private securities should expect to receive a premium above the return provided by the public markets. This incremental return is expected to compensate investors for the added risk of illiquidity associated with private investments.

Illiquids Return vs. Benchmark Returns



* As of June 30, 2014, the illiquids policy benchmark was comprised of the following components: 100% S&P 500 + 3%. This progam did not begin until September 2012.

** As of June 30, 2014, the illiquids policy benchmark was comprised of the following components: 100% S&P 500 + 3%. This program did not begin until September 2012.

For the fiscal year, the illiquids investments portfolio returned 19.1% (net of fees), as illustrated in the bar chart above, well above the system's long-term annualized expected return of 9.5% to 10.0%. While the portfolio's results were very strong from an absolute return standpoint, it was not able to keep pace with the S&P 500 Index-plus 3%, the policy benchmark, which returned 27.6% for the fiscal year. When evaluating the performance of illiquids investments it is important to use a long time frame. By looking at performance over extended periods, the short-term volatility associated with public markets is reduced and it provides time for managers of illiquids assets to build and possibly sell the asset resulting in more accurate valuations. Over a longer period, such as the latest ten years ending June 30, 2014, the portfolio returned 10.2%, which is just under the policy index return of 10.4%. It should be noted that the 10-year policy index is a blend of asset class policy indexes that were in place over this period.

As previously mentioned, the illiquids investments portfolio is made up of two distinct parts, a growth sensitive segment and an inflation sensitive segment. Additional information on each segment follows:

- **Growth Sensitive:** On June 30, 2014, the market value of the growth sensitive portfolio was $908,012,982, representing 9.8% of the total fund's capital. For the fiscal year, this segment returned 19.6%, net of fees, well above the expected annual rate of return for assets of this type. Of the various asset categories included in this sub-portfolio, domestic buyout private equity investments, on average, stood out as high performers.

- **Inflation Sensitive:** At the end of the fiscal year, the market value of the inflation sensitive portfolio was $1,149,401,842, representing 12.4% of the total fund's capital. For the 2014 fiscal year, the segment returned 18.8%, net of fees, well above the expected long-term annual return for assets such as these. The inflation sensitive segment contains a diverse set of investments, so a number of categories contributed to a strong return. Among them are infrastructure, royalties, international timber and recent vintage real estate investments.

The objective of the illiquids investment portfolio is to perform well during multiple economic environments. By combining assets with differing characteristics, the illiquids investments portfolio is positioned to generate an attractive return while providing diversification benefits to the total fund.

Additional Portfolio Information

The tables, as titled below, show the brokerage activity and statistical performance that occurred within the illiquids portfolio in FY14.

Illiquids - Brokerage Activity

	Shares Traded	Volume of Trades	Commissions Paid
Robert W Baird & Co., Inc.	20,928	$ 937,919	$ 477
Barclays Capital	184,769	6,427,455	1,975
Benchmark Company, LLC	5,953	339,390	179
BNY Convergex	3,350	108,322	98
BTIG, LLC	32,365	1,228,466	971
Cantor Fitzgerald & Co., Inc.	8,500	273,665	255
Citigroup Global Markets, Inc.	81,087	4,247,415	2,412
Credit Suisse Securities	14,335	850,102	143
Deutsche Bank Securities, Inc.	7,211	312,387	216
FBR Capital Markets & Company	5,484	119,903	165
Instinet Corporation	28,095	476,532	281
JP Morgan Securities, Inc.	31,222	1,179,487	651
Janney Montgomery Scott	7,819	254,504	235
Jonestrading Institutional Services, LLC	47,250	1,436,614	1,418
Liquidnet, Inc.	81,304	3,516,148	1,626
Merlin Securities, LLC	1,895,855	79,823,968	19,675
Merrill Lynch Pierce Fenner Smith, Inc.	9,123	321,282	274
Morgan Stanley & Co., Inc.	14,253	355,306	428
Raymond James & Associates, Inc.	60,587	1,752,580	1,818
Scotia Capital (USA), Inc.	808	43,109	24
UBS Securities, LLC	10,265	432,492	308
USCA Securities, LLC	121,683	4,396,153	3,650
Wedbush Morgan Securities, Inc.	14,998	246,778	450
Weeden & Co., LP	44,014	2,361,584	1,292
Wells Fargo Securities, LLC	79,583	3,202,577	2,387
	2,810,841	$114,644,138	$41,408

Illiquids - Statistical Performance

Portfolio Characteristics	1 Year	Since Inception (September 2012)
Return	19.1%	17.5%
Annualized standard deviation	3.6%	3.2%
Sharpe ratio	5.23	5.52
Excess return*	(8.55)%	(8.04)%
Beta*	0.18	0.13
Annualized Alpha*	13.24%	13.27%
Correlation*	0.46	0.34

* *As compared to the beta-balanced policy benchmark.*

Securities Lending Program

During the fiscal year ending June 30, 2014, MOSERS earned net income of $530,974 through its securities lending program. MOSERS lends its domestic equity, international equity and fixed income securities through Deutsche Bank which manages the program in an agent capacity. In an agent lending program, the agent lender is responsible for making the loans to various broker-dealers, investing the cash collateral associated with the loaned securities, marking the loans and collateral to market on a daily basis, and, in most cases, indemnifying the lender against the default of a broker-dealer to whom they have loaned securities on behalf of the beneficial owner.

In FY14, income from domestic equity and fixed income decreased due to a decrease in the average lendable balance and lending margin, and international equity income decreased as there were no securities to lend during the period. The tables as titled below show the activity for the securities lending program.

Domestic Equity

Year	Average Lendable	Average on Loan	Average Utilization	Lending Margin (basis points)	Net Income
FY14	$187,154,236	$ 62,768,614	33.5%	22.6	$ 422,422
FY13	238,024,131	69,543,634	29.2	25.1	596,941
FY12	424,041,044	145,373,164	34.3	19.1	810,972
FY11	376,047,357	111,263,248	29.6	16.5	619,648
FY10	321,114,801	83,944,408	26.1	26.9	864,401
FY09	307,082,718	114,261,769	37.2	52.0	1,596,245
FY08	440,025,347	195,971,154	44.5	36.6	1,611,536
FY07	711,856,029	281,338,681	39.5	14.0	994,416
FY06	856,712,658	377,314,359	44.0	14.2	1,218,245
FY05	775,821,287	247,175,198	31.9	8.4	648,218

International Equity

Year	Average Lendable	Average on Loan	Average Utilization	Lending Margin (basis points)	Net Income
FY14	$ 0	$ 0	0.0%	0.0	$ 0
FY13	192,359,434	49,525,171	25.7	5.6	108,379
FY12	309,052,299	47,666,253	15.4	7.5	230,655
FY11	320,082,404	88,623,017	27.7	10.4	333,000
FY10	277,251,343	19,736,528	7.1	4.0	109,946
FY09	342,215,198	32,267,851	9.4	14.9	510,622
FY08	467,893,205	56,944,925	12.2	15.5	726,565
FY07	485,230,034	41,033,858	8.5	8.1	395,017
FY06	483,512,648	48,077,237	9.9	12.9	605,315
FY05	360,790,809	39,881,555	11.1	13.2	476,226

Fixed Income

Year	Average Lendable	Average on Loan	Average Utilization	Lending Margin (basis points)	Net Income
FY14	$ 247,256,630	$185,527,243	75.0%	4.4	$ 108,552
FY13	622,620,959	427,442,773	68.7	5.1	315,060
FY12	776,256,144	516,553,974	66.5	6.4	496,074
FY11	805,579,308	505,690,676	62.8	7.2	581,875
FY10	836,242,270	190,547,907	22.8	2.8	230,031
FY09	859,512,525	517,356,516	60.2	43.3	3,722,523
FY08	1,082,813,165	894,372,380	82.6	56.4	6,104,526
FY07	950,069,746	695,743,093	73.2	15.5	1,469,860
FY06	1,183,366,350	776,959,063	65.7	15.7	1,853,181
FY05	1,091,262,589	776,038,981	71.1	19.5	2,126,695