

**Highway and Transportation Employees'
and Highway Patrol Retirement System**

2002

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2002



**Highway and Transportation Employees'
and Highway Patrol Retirement System**

**Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2002**



Norm Robinson
Executive Director

**105 W. Capitol
P.O. Box 1930
Jefferson City, MO 65102-1930
(800) 270-1271
(573) 751-4640**

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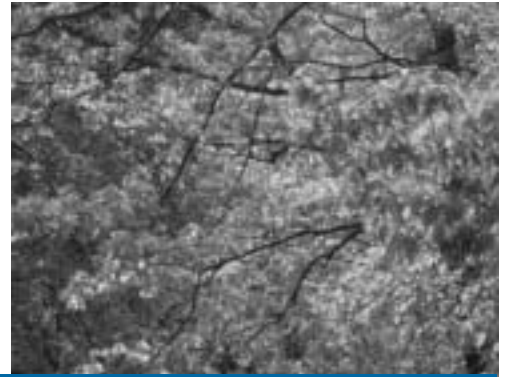
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Professional Services



LETTER OF TRANSMITTAL



Highway and Transportation Employees' and Highway Patrol Retirement System
Highway Patrol

Norm Robinson
Executive Director

October 15, 2002

The Board of Trustees
Highway & Transportation Employees' and Highway Patrol Retirement System
105 W. Capitol
Jefferson City, MO 65101

Dear Board Members:

It is again with great pleasure that I submit this year's annual report of the Highway and Transportation Employees' and Highway Patrol Retirement System (HTEHPRS).

Fiscal Year 2002 Highlights

Last year, HTEHPRS' staff began work on the implementation of legislation that provided for a Deferred Retirement Option Provision (BackDROP) available to all active members, which became effective January 1, 2002. As of June 30, 2002, 87 elected to retire utilizing the BackDROP feature and received \$10,771,392.16 in BackDROP payments. Included in these totals were 50 members who chose to directly rollover \$6,390,154.16 of their payments into another qualified plan or IRA and 24 members who opted to receive their BackDROP payment by combination cash and rollover in the amount of \$3,299,419.60 and 13 members who chose to receive their BackDROP payment with \$1,081,818.40 being paid in cash. Two members chose to receive their BackDROP payment in annual installments with \$49,481.90 being paid in the current fiscal year and \$55,078.78 to be paid in the future. Additional information regarding the BackDROP option is included in this annual report.

New federal legislation also went into effect January 1, 2002, that enabled members to directly rollover funds from their deferred compensation plan to purchase service credit in HTEHPRS. This resulted in a significant increase in service purchases processed by HTEHPRS staff. For the six months ending June 30, 2002, HTEHPRS received \$636,576.02 for the purchase of service credit, and of that total, \$564,127.06 came from direct rollovers. For the same time period ending June 30, 2001, HTEHPRS only received \$135,218.59 for the purchase of service credit.

Report Contents and Structure

This Comprehensive Annual Financial Report of the Highway and Transportation Employees' and Highway Patrol Retirement System for the fiscal year ended June 30, 2002, has been prepared to enhance knowledge and understanding of the retirement system. The material has been prepared in a manner to be useful and informative to the members, to the management of the Missouri Department of Transportation and Missouri State Highway Patrol, and to the elected officials of the state of Missouri.

Management of the retirement system is responsible for the accuracy and completeness of the information in this report. To the best of our knowledge and belief, the information presented is accurate in all material respects and is reported in a manner designed to fairly present the financial position of the fund. The report is also designed to comply with the

Introductory Section

reporting requirements of Sections 104.480, 104.1006, and 105.661 of the Revised Statutes of Missouri (RSMo) as amended. The report is divided into the following five sections:

- The **Introductory Section**, which contains general information regarding the operations of HTEHPRS.
- The **Financial Section**, which contains an in-depth explanation of the financial position of the plan, as well as the auditor's opinion of the system's financial records.
- The **Investment Section**, which outlines the value of the system's assets and the historical returns of the portfolio.
- The **Actuarial Section**, which certifies the recommended contribution rates and presents the assumptions used to arrive at those rates.
- The **Statistical Section**, which provides a statistical profile of our active, terminated vested, and retired members.

Background Information

The Highway and Transportation Employees' and Highway Patrol Retirement System was established by state statute in 1955. Under that legislation, employees of the Missouri Department of Transportation and Missouri State Highway Patrol became members of the retirement system on September 1, 1955. The system initially provided only regular retirement and disability benefits and required the employees to share in the cost of the plan.

While the participating employers in the system, the Missouri Department of Transportation and the Missouri State Highway Patrol, have remained the same since 1955, the plan provisions have changed many times. Today, at no cost to the employees, the system offers not only enhanced retirement and disability benefits, but also benefits for survivors of active and retired members, benefits for qualified terminated vested members, and death benefits.

Financial Information

Accounting System

This report has been prepared in accordance with generally accepted accounting principles for governmental accounting and reporting. Assets, liabilities, revenues, and expenses are reported on the accrual basis. Internal controls have been established by management to reasonably protect the assets from loss, theft, or misuse.

Revenues

Two sources of revenue are used to finance retirement, survivor, and long-term disability benefits: employer contributions and income on investments. During Fiscal Year 2002, revenues from those two sources totaled (\$6,252,091). The Missouri Department of Transportation and the Missouri State Highway Patrol contributed \$78,080,722. Investment income for the year was (\$84,332,813).

Expenses

Expenses of the system totaled \$138,752,960 in Fiscal Year 2002. Benefit payments represent the major expense of the retirement system. Expenses incurred to administer the plan include personal services provided by the staff and professional services for (1) investing the system's funds, (2) monitoring the system's investment guidelines, (3) providing actuarial information, and (4) auditing.

During Fiscal Year 2002, benefit payments totaled \$133,498,818. Administrative expenses during this period were \$5,254,142. During fiscal year 2002, expenses exceeded employer contributions and expenses by (\$145,005,051).

Investments

The state statutes allow the system to make investments using the same care, skill, and diligence that a prudent person acting in a similar capacity would use. In keeping with this prudent person rule, the Board of Trustees has established investment guidelines. The system's investment managers, UMB Investment Advisors, Rothschild Asset Management, and Alliance Capital Management are allowed full discretion in investment decisions within the confines of those guidelines and the statutory investment authority.

Introductory Section

The balanced stock and bond portfolio provided a -5.69% time-weighted rate of return for the 2002 fiscal year. Over the last ten fiscal years through June 30, 2002, our balanced fund earned a time-weighted rate of 7.30%.

Funding

The Board of Trustees certifies to the Missouri Department of Transportation and the Missouri State Highway Patrol the actuarially determined percentages of payroll necessary to meet the system's obligations. Realizing the importance of maintaining a financially sound system, the participating employers have never failed to contribute the amounts certified by the Board of Trustees.

Legislation Enacted During the 2002 Legislative Session

On July 11, 2002, Governor Bob Holden signed into law HR 1455 – legislation that involved minor modifications to and clarifications of The Closed Plan and The Year 2000 Plan. These changes were designed to enable HTEHPRS to more effectively administer these plans as well as ease some of the administrative burden associated with members and their beneficiaries applying for and receiving benefits. There were no benefit increases enacted in the fiscal year ending June 30, 2002.

Report Conclusion & Distribution

This report is a product of the combined efforts of the HTEHPRS' staff and advisors functioning under your leadership. It is intended to provide complete and reliable information, which will facilitate the management decision making process; serve as a means for determining compliance with legal requirements; and allow for the evaluation of responsible stewardship of the funds of the system.

Copies of this report are provided to the Governor, the State Auditor, and the Joint Committee on Public Employee Retirement. It is also being distributed to all Missouri Department of Transportation Division and District offices and Missouri State Highway Patrol General Headquarters and Troop offices. These offices form the link between HTEHPRS and its members, and their cooperation contributes significantly to the success of HTEHPRS. We hope all recipients of this report find it informative and useful. Copies to others will be furnished upon request.

Acknowledgments

I would like to take this opportunity to express my gratitude to you, the staff, the advisors, and other people who have worked so diligently to assure the continued successful operation of the system.

Respectfully submitted,



Norm Robinson
Executive Director

BOARD OF TRUSTEES

The Highway and Transportation Employees' and Highway Patrol Retirement System is governed by a Board of Trustees. As set out in Section 104.160 of the Revised Statutes of Missouri, the Board is comprised of the following ten members:

**William
McKenna**



Board Chairman

Highway & Transportation
Commissioner
Term Expires 10-13-2007

**James B.
Anderson**



Board Vice-Chairman

Highway & Transportation
Commissioner
Term Expires 10-13-2007

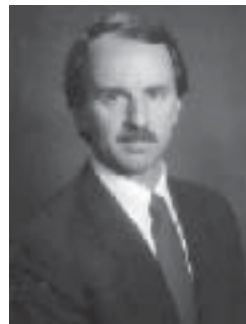
**W.L. "Barry"
Orscheln**



Commission Member

Highway & Transportation
Commissioner
Term Expires 12-1-2003

**Senator
Steve Stoll**



State Senator

District 22
Appointed by President
Pro-Tem of the Senate

**Representative
James P. O'Toole**



State Representative

District 20
Appointed by the
Speaker of the House

**Colonel Roger
Stottlemire**



**Superintendent of
The Missouri State
Highway Patrol**

Ex-Officio
Member

**Henry
Hungerbeeler**



**Director of the
Missouri Department
of Transportation**

Ex-Officio
Member

**Larry
Thompson**



**MoDOT Employees
Representative**

Elected by
MoDOT Employees
Term Expires 7-1-2002

**Major
Ed Bliefnick**



**Highway Patrol
Employees
Representative**

Elected by Patrol Employees
Term Expires 7-1-2002

**Bill
Shaw**



**Retiree
Representative**

Elected by Retired Members of
the System
Term expires 7-1-2002

Introductory Section

CHAIRMAN'S LETTER

Highway and Transportation Employees' and Highway Patrol RETIREMENT SYSTEM

William McKenna, *Chairman*
James B. Anderson, *Vice Chairman*
W.L. "Barry" Orscheln, *Member*
Sen. Steve Stoll, *Member*

Rep. James P. O'Toole, *Member*
Larry Thompson, *Member*
Major Ed Bliefnick, *Member*
Bill Shaw, *Member*

Henry Hungerbeeler, *Member*
Col. Roger Stottlemyre, *Member*
Norm Robinson, *Exec. Dir.*
Rich Tiemeyer, *Counsel*

July 16, 2002

Dear Members:

On behalf of the Board of Trustees, we are pleased to present the Comprehensive Annual Financial Report of the Missouri Highway and Transportation Employees' and Highway Patrol Retirement System for the fiscal year ended June 30, 2002. This report provides information on the financial status of your retirement system while also highlighting significant changes that occurred during the year.

A review of the report confirms that, though faced with a difficult investment environment this year, the system remains well funded. The preservation and long-term growth of system assets remains the primary focus of the board to ensure that future benefit obligations will be met. HTEHPRS is strong and your promised benefits are secure despite the difficult investment environment and sluggish economy. The board policy of preserving system assets and maximizing the long-term growth of those assets through diversification will continue to be our primary focus as we move into the next fiscal year.

The board experienced some turnover this past year due to the departure of Mr. Edward D. Douglas and Mr. William Gladden. We welcomed their replacements Mr. Bill McKenna and Mr. James B. Anderson. Another membership change was the filling of the elected position as patrol employee representative by Major Ed Bliefnick of MSHP General Headquarters. On behalf of the board, staff, and membership, I would like to express our collective thanks to these individuals for serving, and for their many valuable contributions to the system and for serving our membership so well.

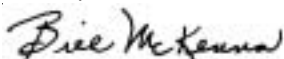
Perhaps the most important duty of trustees is that of prudent investment fiduciaries for the HTEHPRS' trust fund. The board has worked diligently to develop a diversified investment program that will allow the system to meet or exceed our actuarial requirements, ensuring that retirement benefits for our members are properly funded with the lowest possible cost to participants and, ultimately, Missouri's taxpayers. The trustees are constantly striving to better educate ourselves as to the prudent management of the assets to which we have been entrusted. The board policy of preserving system assets and maximizing the long-term growth of those assets through diversification will continue to be our primary focus as we move into the next fiscal year.

At the end of the fiscal year, our asset value was \$1,268,238,497 with 8,706 active members and 6,380 benefit recipients.

I am proud of the HTEHPRS and would like to take this opportunity to thank the members, retirees, advisors, and staff who assist the board in the operation of our retirement system. On behalf of the Board of Trustees, we will continue to prudently manage the system so as to provide for a secure retirement future for each of our members.

In closing, I would like to thank the retirement system staff for continuing to maintain a high level of commitment and service to our plan participants. If you have any questions regarding this report, please contact us a HTEHPRS, P. O. Box 1930, Jefferson City, MO 65102 or by calling 1-800-270-1271.

Sincerely,



William McKenna
Chairman

Introductory Section

ADMINISTRATIVE ORGANIZATION

PERSONAL SERVICES

The Executive Director of the Highway and Transportation Employees' and Highway Patrol Retirement System has charge of the offices and records of the system and hires such employees deemed necessary, subject to the direction of the Board of Trustees. The system employs ten full-time staff.

The Chief Counsel of the Highway and Transportation Commission furnishes legal services and provides legal opinions of the retirement statutes as necessary for implementation.

Work assignments related to the Retirement System that are performed by Missouri Department of Transportation and Missouri State Highway Patrol personnel are considered duties in connection with their regular employment.

RETIREMENT SYSTEM

DIRECTOR'S OFFICE

Norm Robinson
Executive Director

Susie Dahl
Assistant Executive Director

Lois Wankum
Executive Secretary

Michel Au Buchon
Retirement Clerk

Angel Meyer
Retirement Clerk

BENEFIT SERVICES

Marvin Klebba
Senior Benefit Specialist

Mariel Hale
Senior Benefit Specialist

Mary Jordan
Intermediate Account Technician

Ginger Miller
Senior Account Technician

Flo Schulte
Senior Account Technician

MISSOURI DEPARTMENT OF TRANSPORTATION

FINANCIAL SERVICES

Mary Sue Fontana*
Senior Business Specialist

LEGAL SERVICES

Rich Tiemeyer*
Chief Counsel

Paula Lambrecht*
Assistant Chief Counsel

Dan Pritchard*
Senior Assistant Counsel

MISSOURI STATE HIGHWAY PATROL

BENEFIT SERVICES

Captain Sandra K. Karsten**
Director, Human Resources Division

Theresa M. Backes**
Special Assistant

Brenda Thompson**
Personnel Records
Clerk II

* Employees of the Missouri Department of Transportation. The Retirement System reimburses the department for time spent by these individuals in performing retirement related duties.

** Employees of the Missouri State Highway Patrol.

Introductory Section

RETIREMENT SYSTEM

DIRECTOR'S OFFICE

The goal of the Highway and Transportation Employees' and Highway Patrol Retirement System is to provide quality customer service to its members. The interests of the taxpayers of the State of Missouri are safeguarded by the staff's ongoing review of retirement policies, procedures, investments, and legislation—all in an effort to improve the day-to-day business of the system.



Norm Robinson
Executive Director



Susie Dahl
Assistant Executive Director



Lois Wankum
Executive Secretary



Michel Au Buchon
Retirement Clerk



Angel Meyer
Retirement Clerk

RETIREMENT SYSTEM (CONTINUED)

BENEFIT SERVICES

The benefit services section processes retirement applications, handles retirement inquiries, and assists with pre-retirement seminars and new employee orientations. Marvin Klebba and Mariel Hale also work closely with the Executive Director to analyze and evaluate questions regarding prior service credit and eligibility for disability.

The payroll section of benefit services maintains the computerized membership records, obtains and calculates prior state service credit. Mary Jordan, Ginger Miller and Flo Schulte also prepare and review the payroll for accuracy.



Marvin Klebba
Senior Benefit Specialist



Mariel Hale
Senior Benefit Specialist



Mary Jordan
Intermediate Account Technician



Ginger Miller
Senior Account Technician



Flo Schulte
Senior Account Technician

MISSOURI DEPARTMENT OF TRANSPORTATION

FINANCIAL SERVICES

The financial services section handles the accounting functions of the Retirement System in the Controller's Office of the Missouri Department of Transportation. These duties are performed by the Retirement System accountant, Mary Sue Fontana.



Mary Sue Fontana
Senior Business Specialist

LEGAL SERVICES

Chief Counsel Rich Tiemeyer heads up the team handling legal matters affecting the Retirement System. The team reviews changes in retirement law and questions of interpretation affecting policy and procedure.



Rich Tiemeyer
Chief Counsel



Paula Lambrecht
Assistant Chief Counsel
Human Resources



Dan Pritchard
Senior Assistant Counsel

Introductory Section

MISSOURI STATE HIGHWAY PATROL

Human Resources employees of the Missouri State Highway Patrol assist retirement system staff in maintaining employment and prior service information for members of the system.



Captain Sandra K. Karsten
Director,
Human Resources Division



Theresa M. Backes
Special Assistant



Brenda Thompson
Personnel Records
Clerk II

PROFESSIONAL SERVICES

The following firms are retained by the Board of Trustees to serve in professional capacities or provide consultant services.

Actuary

Gabriel, Roeder, Smith
& Company
Southfield, Michigan

Auditor

Evers & Company, CPA's
Jefferson City, Missouri

Investment Managers

Alliance Capital Management
New York, New York

Artisan Partners
Milwaukee, Wisconsin

Rockwood Capital Advisors, LLC
St. Louis, Missouri

Rothschild Asset Management
New York, New York

UMB Investment Advisors
Kansas City, Missouri

Wachovia Corporation
Winston-Salem, North Carolina

Wellington Management Co.
Boston, Massachusetts

Investment Consultant

Randy Kirkland
Asset Consulting Group
St. Louis, Missouri

Legislative Consultant

Jack Pierce
Jefferson City, Missouri

Master Trustee/Custodian

UMB Bank
Kansas City, Missouri



Financial Section

In This Section

Independent Auditors' Report

Statement of Plan Net Assets

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Schedule of Administrative Expenses

Schedule of Investment Expenses

INDEPENDENT AUDITORS' REPORT



To the Board of Trustees of the
Highway and Transportation Employees' and Highway Patrol Retirement System
105 W. Capitol
Jefferson City, Missouri 65101:

We have audited the accompanying statements of the plan net assets of the Highway and Transportation Employees' and Highway Patrol Retirement System (the Retirement System) as of June 30, 2002 and 2001, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts of disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Highway and Transportation Employees' and Highway Patrol Retirement System as of June 30, 2002 and 2001, and the changes in the plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7 to the basic financial statements, the System adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments" and Statement No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments as of July 1, 2001". This results in the addition of Management's Discussion and Analysis.

The Management's Discussion and Analysis (MD&A) on pages 3 through 7 are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary schedules of funding progress and employer contributions on pages 13 through 16 are not a required part of the basic financial statements of the System, but are required by the Governmental Accounting Standards Board (GASB). The supplementary information included on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Retirement System. Such information, included on pages 13 through 17, have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

EVERS & COMPANY, CPAs, L.L.C.
Jefferson City, Missouri
January 14, 2003

A handwritten signature in cursive script that reads 'Evers & Company, CPAs, L.L.C.'.

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3938 Hwy. 54, Suite A • Osage Beach, Missouri 65065 • 573/348-4141 • FAX 573/348-0989

Member Affiliated Offices Worldwide

STATEMENT OF PLAN NET ASSETS

YEARS ENDED JUNE 30, 2002 AND 2001

	2002	2001
ASSETS:		
Cash	\$ 0	\$ 852,604
Receivables		
Contributions	1,250	687
Accrued interest and dividends	6,238,082	7,429,812
Investment sales	4,031,944	4,788,155
Total Receivables	10,271,276	12,218,654
Investments, at fair value (Note 2)		
Common & preferred stocks	753,881,954	878,252,240
Government and government agency securities	310,097,509	318,596,790
Corporate bonds	109,618,851	114,310,861
Timberland	36,085,257	36,747,417
Short term investments	53,408,293	59,227,132
Total Investments	1,263,091,864	1,407,134,440
Prepaid expenses	15,096	0
Fixed Assets, net of depreciation	693,000	12,407
TOTAL ASSETS	1,274,071,236	1,420,218,105
LIABILITIES:		
Cash overdraft	671,168	0
Accounts payable	1,281,241	1,164,956
Accrued BackDROP Payments Payable	55,079	0
Investment purchases	3,825,251	5,809,601
TOTAL LIABILITIES	5,832,739	6,974,557
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 1,268,238,497	\$ 1,413,243,548

(A schedule of funding progress is presented in the Supplemental Information.)
See accompanying notes to financial statements.

**STATEMENT OF CHANGES
IN PLAN NET ASSETS**

YEARS ENDED JUNE 30, 2002 AND 2001

	2002	2001
ADDITIONS		
Contributions	\$ 78,080,722	\$ 81,353,019
Investment income		
Net appreciation (depreciation) (gains/losses and changes in market value)	(125,251,536)	(74,163,327)
Interest and dividends	40,820,321	44,253,447
Securities lending net income	98,402	80,671
Total Investment Income	(84,332,813)	(29,829,209)
Less Investment Expenses	3,919,587	3,127,367
Net Investment Income (loss)	(88,252,400)	(32,956,576)
Total Additions	(10,171,678)	48,396,443
DEDUCTIONS		
Monthly benefits	133,498,818	111,985,064
Administrative expenses	1,334,555	835,215
Total Deductions	134,833,373	112,820,279
NET INCREASE (DECREASE)	(145,005,051)	(64,423,836)
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	1,413,243,548	1,477,667,384
End of Year	\$ 1,268,238,497	\$ 1,413,243,548

See accompanying notes to financial statements.

(A schedule of funding progress is presented in the Supplemental Information.)
See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

1. PLAN DESCRIPTION

General

The Missouri Highway and Transportation Employees' and Highway Patrol Retirement System (the Retirement System) was established by, and is administered by, a Board of Trustees in accordance with the Revised Statutes of Missouri (RSMo). The Retirement System is a single-employer public employee retirement system which provides retirement, death, and disability benefits to full-time (defined as anticipating at least 1,000 hours to be worked annually) employees of the Missouri Department of Transportation and the Missouri State Highway Patrol. Due to the nature of the Retirement System, reliance on the funding from the State of Missouri and the overall control of policies by state officials, the Retirement System is considered a part of the State of Missouri financial reporting entity. The Retirement System is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

Membership in the Retirement System at June 30, 2002 and 2001 consisted of the following:

	2002	2001
Retirees and beneficiaries currently receiving benefits	6,223	6,011
Disability recipients	86	111
Long-term disability recipients	71	70
Vested terminated employees	1,130	1018
Active with vested benefits	6,170	6,196
Active without vested benefits	2,536	2,910
Total	16,216	16,316

Benefits

Benefits in the Retirement System currently vest after five years of creditable service. For members retiring prior to August 28, 1994, normal retirement age is 65 with four years of creditable service (55 for members of the uniformed patrol), with the retirement annuity based on a formula which considers average final compensation and number of years of creditable service. Non-uniformed employees are eligible for an unreduced annuity at age 65 with four years of creditable service, or age 60 with fifteen years of creditable service, or age 50 with age and service equalling 80 or more. Non-uniformed employees may retire with a reduced annuity on or after age 55 with at least ten years of creditable service. Uniformed employees are eligible for an unreduced annuity at age 55 with four years of creditable service. See "Amendments to the Retirement System" for changes made in normal retirement age and other benefit changes effective August 18, 1994, or January 1, 1995.

State statutes provide for special consultant fees to be paid to certain retirees along with the normal retirement benefits. These retirees have been appointed by the Board of Trustees to serve as consultants on the problems of retirement, aging, and other state matters. For such services provided, special consultant fees are paid monthly in amounts equal to the incremental increases in retirement benefits that would have been received had those persons benefited from changes in the law that affected increases in the retirement formula enacted since their retirement. Benefit provisions are established by state statute and may be amended only by action of the Missouri State Legislature.

The Retirement System also provides survivor, disability, and lump-sum death benefits. Survivor benefits are payable to a surviving spouse or minor children of active employees who die after earning three years of creditable service (Closed Plan only). The annuity paid to the survivor is based on a percentage of the accrued benefit at the time of death. All disability benefits are offset by any workers' compensation benefits. Duty-related disability benefits are 70% (not to exceed 90%) of salary at the time of disability. Normal disability benefits are based on the accrued annuity at the date of disability. Long-term disability benefits are 60% of salary immediately prior to the disability, less any Social Security benefit. Those who retire from active employment subsequent to September 28, 1985, with an immediate pension, are provided a \$5,000 lump-sum death benefit to be paid to a designated beneficiary.

Financial Section

Contributions

Contributions to the Retirement System are made by the State of Missouri. Employees do not contribute to the Retirement System. The Retirement System's funding policy provides for actuarially determined employer contributions using the entry-age normal cost method on a closed group basis (consisting of normal cost and amortization of any unfunded accrued liabilities over a 34-year period). Actuarially determined rates, expressed as percentages of annual covered payroll, provide for amounts sufficient to fund those benefits designated by state statute to be funded in advance. Actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation as discussed in Note 3. Contributions for the special consultant fees are being funded on an actuarial basis.

Contributions totaling \$78,080,722 and \$81,353,019 for Fiscal Years 2002 and 2001, respectively, represent funding of normal costs and amortization of the unfunded accrued liability. Contribution rates determined by the Retirement System's actuary for the years ended June 30, 2002, and 2001 are as follows:

	2002		2001	
	<u>Non-uniformed</u>	<u>Uniformed</u>	<u>Non-uniformed</u>	<u>Uniformed</u>
Normal cost	11.24%	12.84%	10.68%	12.73%
Amortization of unfunded accrued liability	11.15	19.88	12.43	21.93
Expenses	.21	.21	.18	.28
Total contribution rate	22.60%	32.93%	23.29%	34.94%

The system decided not to change the actual contribution rates from 2001 and charged 23.29% for non-uniformed and 34.94% for uniformed employees.

Amendments to the Retirement System

Benefits of the Retirement System, as discussed above, were effected by House Bill 1149 (HB 149) which was approved and made effective, for most provisions, August 28, 1994, with the remainder effective January 1, 1995. The Bill provides the following changes.

- Normal Retirement--members 50 or older are entitled to retire with a normal annuity and elect any of the survivor benefits if the sum of their age and service totals 80 or more. This provision was effective August 28, 1994.
- Increase In Formula Multiplier--the multiplier utilized in the retirement benefit formula increased from 1.5% to 1.6% effective January 1, 1995. This increase is also retroactive to individuals whose retirement date is before January 1, 1995.
- Survivor's Cost of Living Adjustment (COLA)--beneficiaries receiving benefits qualify for the annual minimum 4% to a maximum 5% COLA. Those beneficiaries now receiving a benefit are limited to 65% of the benefit they are receiving in total COLAs. Those who begin receiving COLAs after the effective date are limited to 65% of their initial benefit.
- Pop-Up Provision--retired members and future retirees whose spouse precedes them in death who have chosen a spouse option that reduced their initial retirement benefit will have their monthly benefit adjusted to the amount they would be receiving if they had not chosen the option. This provision was effective August 28, 1994.
- Minimum Benefit--effective January 1, 1995, the minimum benefit increased to \$15 from the prior level of \$12. As a result, a member's normal annuity amount cannot be less than the total years of service multiplied by \$15.
- Purchase of service for uniformed patrol--effective August 28, 1994, uniformed patrol members who previously served in the police force of any city will be allowed to purchase creditable service time of up to four years maximum.

Benefits of the Retirement System were also affected by House Bill 356 effective August 28, 1997. The amended provisions are as follows:

Financial Section

- For current active and inactive employees, annual COLA's continue at 80% of the change in the CPI, limited to the 4%-5% range. After the 65% cap, COLA's will be 80% of the change in the CPI limited to a range of 0%-5%.
- For employees hired after August 28, 1997, the COLA will be 80% of the change in the CPI, with a range of 0%-5%.

On July 10, 1999, Governor Mel Carnahan signed into law Senate Bills 308 and 314 (SB308)-legislation that creates a new retirement plan for eligible state employees. The new retirement plan, effective July 1, 2000, is commonly referred to as the Year 2000 Plan. This new plan is for employees hired on or after July 1, 2000, that would otherwise be participants in the existing Closed Plan that is administered by the Highway and Transportation Employees' and Highway Patrol Retirement System. All retired members prior to July 1, 2000, will be allowed to participate in the Year 2000 Plan. Furthermore, employees covered by the Closed Plan, who are active on the effective date of the new plan, and terminated-vested members will be able to elect which plan they wish to retire under at the time of retirement.

SB308 also makes the following changes to the Year 2000 Plan as well as the existing Closed Plan:

- Effective July 1, 2000, a member who is not married at retirement but marries thereafter will be allowed to designate a spouse as beneficiary upon completion of one year of marriage. In addition, the member can designate a new spouse as beneficiary upon completion of one year of marriage in the event of the death of a spouse the member was married to at the date of retirement. These designations, however, must occur within six months after the completion of one year of marriage;
- The definition of average compensation is modified to allow the system to consider the compensation an employee would have earned during a medical leave of absence just as if the employee had been able to work. Allows the Final Average Pay (FAP) to be calculated properly based on a state payroll system (lag payroll) adopted on or after January 1, 2000;
- Effective August 28, 1999, SB308 will provide a minimum annuity in the amount of 50% of a member's FAP to a survivor or unemancipated children under age 21 in the event of duty-related death. In such instances, there is no minimum length of service requirement.

BackDROP

Legislation effective January 1, 2002 provides a Deferred Retirement Option Provision (BackDROP) to members of the System. It is available in both the Closed Plan and the Year 2000 Plan.

To be eligible to participate in the BackDROP, a member must have been eligible to retire under normal age and/or service conditions for at least two years. A retroactive starting date is established for BackDROP purposes which, at the earliest, is the later of: 1) the member's normal retirement date or 2) five years prior to the annuity starting date under the retirement plan selected by the member.

The BackDROP period for the accumulation of the BackDROP account is from the retroactive starting date to the annuity starting date. This results in a BackDROP period of two to five years depending upon the individual situation.

A theoretical BackDROP account is accumulated that includes 90% of the value of the benefit payments that would have been paid during the BackDROP period had the member retired at the retroactive starting date with their respective option election. These payments include applicable post-retirement benefit increases.

The member is paid the resulting lump sum value of the BackDROP account as of the annuity starting date or as three equal installments beginning at the annuity starting date.

The annuity benefit payable from the actual retirement date is computed with years of service and average pay as of the retroactive starting date for the BackDROP. Post-retirement benefit increases that occurred during the BackDROP period are applicable in the calculation of the monthly annuity.

Financial Section

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements were prepared using the accrual basis of accounting. Plan member contributions are recognized as revenues in the period in which employee services are performed. Expenses are recorded when the corresponding obligations are incurred.

Method Used to Value Investments

Investments are reported at fair value on a trade date basis. Bonds and stocks traded on a national or international exchange are valued at the reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

Dividend income is recognized when dividends are declared. Interest income is recognized when earned.

Investments

	2002		2001	
	<u>Carrying Amount</u>	<u>Market Amount</u>	<u>Carrying Amount</u>	<u>Market Amount</u>
Government and government agency securities	\$ 300,337,373	\$ 310,097,509	\$ 313,290,564	\$ 318,596,590
Corporate bonds	108,957,980	109,618,851	113,082,946	114,310,861
Common and preferred stocks	814,952,986	753,881,954	851,132,311	878,252,240
Timberland	30,000,000	36,085,257	30,000,000	36,747,417
Short-term investments	53,032,326	53,408,293	58,957,794	59,227,132
Total investments	\$1,307,280,665	\$1,263,091,864	\$1,366,463,615	\$1,407,134,440

The timberland investments consist of forestland with trees suitable for harvesting timber.

Cash

As of June 30, 2002, and 2001, the Retirement System had cash with a book balance of (\$671,168) and \$852,604, respectively, and a bank balance of \$298 and \$317, respectively. The bank in which this cash is held is required to pledge securities sufficient to collateralize these accounts. As of June 30, 2002, and 2001, the market value of this collateral was sufficient.

Categories of Asset Risks

The investments of the Retirement System are governed primarily by an investment authority known as the "prudent person rule". The prudent person rule, as set forth by State Statute, establishes a standard for all fiduciaries, which includes anyone that has authority with respect to the fund. The Retirement System's investments are categorized to give an indication of the level of risk assumed by the fund at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Retirement System or its agent in the Retirement System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Retirement System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Retirement System's name. As of June 30, 2002, and 2001, all investments of the Retirement System, except real estate mortgages, are classified in Category 3. Real estate investments are not considered securities and, as such, are not categorized for credit risk.

Related-Party Transactions

The Retirement System reimburses the Missouri Highway and Transportation Commission for accounting, management, legal, data processing services, office space, and utilities. This amounted to \$559,721 for June 30, 2002, and \$437,156 for June 30, 2001.

Financial Section

Office Equipment and Fixtures

The office equipment and fixtures which are presented at cost, are depreciated on the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Furniture and Equipment	5 years - 10 years
Building and Improvements	30 years

Receivables

Receivables consist primarily of contributions owed and yet to be remitted by the employer, pending investment trades and interest and dividends.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. CONCENTRATIONS:

No investment in any organization (other than those issued by the U.S. Government) represent five percent of plan net assets.

4. COMPENSATED DEFERRED ABSENCES:

Expenses for accumulated annual leave earned by employees are recorded when earned by the employee. The balance owed was \$65,144 and \$23,389 as of June 30, 2002, and 2001, respectively.

5. RETIREMENT PLAN:

On July 1, 2001, the Retirement System employed six (6) people - four (4) full-time and two (2) part-time. On October 1, 2001, five (5) full-time employees transferred to the system from MoDOT. On June 30, 2002, the System employed ten (10) full-time employees and one (1) part-time employee. Full-time employees are covered by the Retirement System. Upon retirement, benefits paid to Retirement System employees are considered to be administrative expenses of the System.

6. SECURITIES LENDING PROGRAM:

Under the "prudent person" authority of the governing statutes and in accordance with the policies set by the Board of Trustees, the System lends its securities to broker-dealers and banks pursuant to a form of loan agreement. The System's custodial bank is authorized to lend available securities to approved broker-dealers and banks subject to the receipt of acceptable collateral.

During the fiscal year, the System lent securities and received cash, securities insured or guaranteed by the US government or its agencies, and irrevocable bank letters of credit as collateral. The System did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (1) in the case of loaned securities denominated in dollars or whose primary trading market was located in the United States, 102% of the market value of the loaned securities; and (2) in the case of loaned securities not denominated in US dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

The System did not impose any restrictions during the fiscal year on the amount of the loans that the custodial bank made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the year. There were no losses during the year resulting from a default of the borrowers or the custodial bank.

The System and borrowers maintained the right to terminate all securities lending transactions on demand. The average duration of cash collateral in a collective investment pool was unavailable as of the report date. Because the loans were terminable at will, their duration did not match the duration of the investments made with the cash collateral. On June 30, 2002 and 2001, the System had no credit risk exposure to borrowers.

At June 30, 2002 and 2001, the System earned \$98,402 and \$80,671 respectively on the securities lending program.

7. IMPLEMENTATION OF NEW PRONOUNCEMENT:

In 2002, the System implemented GASB Statement No. 34 "*Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,*" and Statement No. 37, "*Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments.*" Those statements established new financial reporting requirements for all governments. As a result of the implementation of the new pronouncements, the system added Management's Discussion Analysis.

SCHEDULE OF FUNDING PROGRESS ⁽¹⁾

REQUIRED SUPPLEMENTARY INFORMATION

Date of Valuation	Actuarial Asset Value (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
06/30/1993	\$ 688,963,225	\$ 1,000,704,491	\$ 311,741,266	68.85%	\$ 228,032,159	136.71%
06/30/1994	746,964,221	1,204,313,635	457,367,414	62.02	236,748,214	193.19
06/30/1995	831,031,253	1,330,909,279	499,878,026	62.44	243,561,510	205.24
06/30/1996	916,553,828	1,429,910,844	513,357,016	64.10	254,712,739	201.54
06/30/1997	1,015,906,708	1,651,811,690	635,904,982	61.50	271,070,643	234.59
06/30/1998	1,126,961,804	1,744,052,411	617,090,607	64.62	278,690,426	221.43
06/30/1999 ⁽³⁾	1,242,744,403	2,052,700,427	809,956,023	60.54	288,068,083 ⁽²⁾	281.17
06/30/2000 ⁽⁴⁾	1,339,228,528	2,180,963,695	841,735,167	61.41	301,421,805 ⁽²⁾	279.25
06/30/2000 ⁽⁵⁾	1,422,796,011	2,188,826,322	766,030,311	65.00	301,421,805 ⁽²⁾	254.14
06/30/2001	1,520,800,409	2,301,402,527	780,602,118	66.08	323,400,023 ⁽²⁾	241.37
06/30/2002	1,450,507,432	2,358,452,163	907,944,731	61.50	308,654,237	294.16

⁽¹⁾ Since the Long-Term Disability (LTD) Plan uses the aggregate funding method, this schedule is not required for the LTD Plan and the assets and liabilities have been excluded.

⁽²⁾ Estimated.

⁽³⁾ Introduction of Year 2000 Plan; change in actuary.

⁽⁴⁾ Old assumptions.

⁽⁵⁾ New assumptions adopted.

Financial Section

SCHEDULE OF EMPLOYER CONTRIBUTIONS⁽¹⁾ AND DEVELOPMENT OF NET PENSION OBLIGATIONS

YEAR ENDED JUNE 30, 2002
REQUIRED SUPPLEMENTARY INFORMATION

Uniformed

Fiscal Year Ending	Covered Payroll	Actual Employer Contributions	Actual Employer Contribution %	Required Contribution (ARC)%	Annual Pension Cost (APC)	Annual Percentage of APC Contributed	Net Pension Obligation
06/30/1993	\$31,004,803	\$9,868,829	31.83%	31.83%	\$9,868,829	100.00%	0
06/30/1994	32,715,429	9,739,383	29.77	29.77	9,739,383	100.00	0
06/30/1995	35,232,287	14,462,854	41.05	41.05	14,462,854	100.00	0
06/30/1996	39,557,621	15,743,114	39.17 ⁽³⁾	39.17	15,743,114	100.00	0
06/30/1997	42,242,106	16,546,233	39.17	39.17	16,546,233	100.00	0
06/30/1998	43,987,039	16,600,708	37.74	37.74	16,600,708	100.00	0
06/30/1999 ⁽⁴⁾	43,882,573 ⁽²⁾	13,901,999	31.68	31.68	13,901,999	100.00	0
06/30/2000 ⁽⁵⁾	44,297,237 ⁽²⁾	13,484,079	30.44	30.44	13,484,079	100.00	0
06/30/2001	50,088,675 ⁽²⁾	17,500,983	34.94	34.94	17,500,983	100.00	0
06/30/2002	47,681,511 ⁽²⁾	16,659,920	34.94	34.94 ⁽⁶⁾	16,659,920	100.00	0

⁽¹⁾ Contributions for the Long-Term Disability Plan are de minimus and are excluded from this schedule.

⁽²⁾ Estimated.

⁽³⁾ 41.05% 7/1/95-10/31/95 & 39.17% 11/1/95-6/30/96

⁽⁴⁾ Introduction of Year 2000 Plan; change in actuary.

⁽⁵⁾ New assumptions adopted.

⁽⁶⁾ The ARC is the rate adopted by the Retirement System, the actuarially calculated rate was 32.93%.

Non-Uniformed

Fiscal Year Ending	Covered Payroll	Actual Employer Contributions	Actual Employer Contribution %	Annual Required Contribution (ARC)%	Annual Pension cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/1993	\$197,027,356	\$41,454,556	21.04%	21.04%	\$41,454,556	100.00%	0
06/30/1994	204,032,785	40,949,380	20.07	20.07	40,949,380	100.00	0
06/30/1995	208,329,222	56,144,725	26.95	26.95	56,144,725	100.00	0
06/30/1996	215,155,118	56,842,321	26.15 ⁽³⁾	26.15	56,842,321	100.00	0
06/30/1997	228,828,537	59,838,662	26.15	26.15	59,838,662	100.00	0
06/30/1998	234,703,387	61,140,232	26.05	26.05	61,140,232	100.00	0
06/30/1999 ⁽⁴⁾	244,185,511 ⁽²⁾	54,990,577	22.52	22.52	54,990,577	100.00	0
06/30/2000 ⁽⁵⁾	257,124,568 ⁽²⁾	56,567,405	22.00	22.00	56,567,405	100.00	0
06/30/2001	273,311,348 ⁽²⁾	63,654,213	23.29	23.29	63,654,213	100.00	0
06/30/2002	260,972,726 ⁽²⁾	60,780,548	23.29	23.29 ⁽⁶⁾	60,780,548	100.00	0

⁽¹⁾ Contributions for the Long-Term Disability Plan are de minimus and are excluded from this schedule.

⁽²⁾ Estimated.

⁽³⁾ 26.95% 7/1/95-10/31/95 & 26.15% 11/1/95-6/30/96

⁽⁴⁾ Introduction of Year 2000 Plan; change in actuary.

⁽⁵⁾ New assumptions adopted.

⁽⁶⁾ The ARC is the rate adopted by the Retirement System, the actuarially calculated rate was 22.60%.

NOTES THE SCHEDULES OF TREND INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2002	<u>Actuarial Assumptions:</u>	
Actuarial Cost Method	Entry Age Normal	Investment Rate of Return	8.25%
Amortization Method	Level Percent, Closed	Projected Salary Increases	4.3% to 8.0%*
Remaining Amortization Period	34 Years	*Includes Inflation at	4.0%
Asset Valuation Method	3-Year Smooth Market Average	Cost-of-living Allowances	3.5%

SCHEDULE OF ADMINISTRATIVE EXPENSES

**YEAR ENDED JUNE 30, 2002
REQUIRED SUPPLEMENTARY INFORMATION**

	2002	2001
PERSONAL SERVICES		
Salary	\$ 320,267	\$ 156,203
Employee Fringe Benefits	162,170	52,883
Total Personal Services	482,437	209,086
 PROFESSIONAL SERVICES		
Actuary	60,250	35,000
Audit	7,800	6,300
Insurance Consultant	4,125	0
Government Consultant	15,000	15,000
Total Professional Services	87,175	56,300
 MISCELLANEOUS		
Agency expense	559,721	437,156
Depreciation	6,893	13,355
Board & Staff Development	55,641	25,461
Office supplies	26,030	16,955
Postage	62,438	36,915
Insurance premium	343	343
Bank service charge	5,308	5,132
Other	45,040	34,512
Total Miscellaneous	764,943	569,829
Total Administrative Expenses	\$ 1,334,555	\$ 835,215

SCHEDULE OF INVESTMENT EXPENSES

YEAR ENDED JUNE 30, 2002

	Assets Under Management at 6/30/02 (market value)	Fees Accrued During FY02
<u>Investment Manager Fees:</u>		
Alliance Capital	\$ 107,468,154	\$ 464,768
Artisan Partners	60,140,614	480,379
Rockwood Capital Advisors	172,587,602	277,530
Rothschild Asset Management	87,727,872	504,309
United Missouri Bank of Kansas City, N.A.	665,478,045	734,618
Wachovia Timberland Investment Management	36,085,257	282,601
Wellington Management Company	133,742,256	<u>602,987</u>
Total Investment Manager Fees		3,347,191
<u>Other Investment Fees:</u>		
Asset Consulting Group		95,000
Investment Expenses		345,378
Investment Custodian (UMB)		<u>132,018</u>
Total Other Investment Fees		572,396
 Total Investment Expense		 <u><u>\$ 3,919,587</u></u>



Investment Section

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LETTER FROM CONSULTANTS



Asset Consulting Group, Inc.
7700 Bonhomme Avenue, Suite 650
St. Louis, Missouri 63105

September 30, 2002

Mr. Norman Robinson
Executive Director
Highway and Transportation Employees'
and Highway Patrol Retirement System
P.O. Box 1930
Jefferson City, MO 65102-1930

Dear Mr. Robinson:

As we conclude the fiscal year ending June 30, 2002, we would like to summarize the overall performance of the Missouri Highway Transportation Employees' and Highway Patrol Retirement System (HTEHPRS) investment portfolio.

As of June 30, 2002 the total investment portfolio had a market value of \$1,273,145,661. Equities represented 59.3% of the total investment portfolio, with the balance of the portfolio being comprised of domestic fixed-income (34.6%), timber (3.1%) and cash equivalents (3.0%).

During the 12 months ending June 30, the Fund had a total return (comprised of both income and price change) of -5.7%, compared to an overall pension fund median return of -4.9% over the same interval. By comparison, an allocation index consisting of unmanaged index returns comprising the same asset allocation as the overall Fund returned -5.1% over the same 12 months. During this interval, large cap US stocks suffered setbacks in a difficult market environment significantly lagging excellent returns from bonds. The S&P 500 posted a -18% return, compared to the Lehman Aggregate bond index at 8.6%. The Fund's domestic equity portfolio outpaced the overall US stock market (-14.4%, compared to the S&P 500 at -18%). During the previous 12 month period, the Board restructured the overall equity portfolio, which resulted in what we believe will be a better diversified structure leading to more competitive returns.

International equities outpaced US equities during this 12 month period, with the MSCI EAFE index posting a return of -9.2%. The Fund's international equity manager modestly underperformed the EAFE index, however, with a return of -9.9%.

The Fund's fixed income allocation is diversified among different styles, ranging from limited duration to core duration. In general, the overall fixed income composite posted returns of 8.0%, compared to bond index returns for intermediate to core duration accounts slightly in excess of 8.6%. Performance for the limited duration portfolios over the past 12 months ranged from 7.5% to 9.2%. whereas the core duration bond manager posted a 12-month return of 6.8%, lagging the Lehman Aggregate bond index at 8.6%.

Overall Fund returns for the trailing 3 and 5 year periods ending June 30 were -1.7% and 3.8%, respectively, on an annualized basis. These returns lag the median returns of other pension funds (0.7% and 5.7%, respectively over the 3 and 5 year intervals).

We appreciate the opportunity to be of service to the Missouri HTEHPRS and look forward to working with you and your colleagues.

Sincerely,

Randall L. Kirkland, CFA
Managing Director
Asset Consulting Group, Inc.

Investment Section

INVESTMENT SUMMARY

YEAR ENDED JUNE 30, 2002

	6/30/2001		Purchased	Sales & Redemptions	6/30/2002		% of Total Market	Projected Income	Projected Yield
	Book Value	Market Value			Book Value	Market Value			
Fixed Income									
US Gov't. & Agency	\$ 326,514,313	\$ 334,357,680	\$ 158,380,189	\$ (203,383,753)	\$ 308,643,426	\$ 318,585,928	25.15%	\$19,454,781	6.11%
Corporate	96,710,709	106,216,861	52,330,431	(55,226,375)	111,862,291	112,644,085	8.89	7,332,642	6.51
Foreign	5,965,328	5,998,465	0	0	3,861,764	3,932,123	0.31	280,344	7.13
Total Fixed Income	429,190,350	446,573,006	210,710,620	(258,610,128)	424,367,481	435,162,136	34.35	27,067,767	6.22
Equity									
Consumer Staples	60,779,781	61,869,824	29,746,066	(33,504,526)	57,333,504	64,472,048	5.09	1,063,635	1.65
Health Care	97,293,628	111,619,511	47,992,812	(52,953,686)	94,719,634	93,879,076	7.41	876,362	0.93
Consumer Discretionary	117,727,021	133,551,782	60,254,988	(52,091,985)	129,091,734	123,526,965	9.75	1,131,114	0.92
Info Technology	156,374,763	139,914,162	56,241,652	(45,319,108)	150,076,576	102,183,889	8.07	385,506	0.38
Industrials	93,564,248	99,275,462	41,093,806	(44,227,117)	80,172,320	77,202,223	6.09	1,408,899	1.82
Materials	30,363,364	29,927,138	17,586,705	(19,054,213)	38,776,969	43,835,727	3.46	934,146	2.13
Energy	58,065,466	60,335,694	26,061,374	(31,359,228)	48,360,833	51,216,660	4.04	992,174	1.94
Utilities	30,421,536	29,463,384	13,242,845	(10,095,315)	30,867,890	27,053,035	2.14	1,041,644	3.85
Telecom Services	54,790,944	51,184,557	18,432,006	(20,831,425)	38,278,768	28,906,385	2.28	792,323	2.74
Finance	150,096,721	160,038,779	70,617,000	(74,624,617)	148,009,337	141,743,889	11.19	2,518,605	1.78
Total Equity	849,477,472	877,180,293	381,269,253	(384,061,220)	815,687,565	754,019,897	59.51	11,144,408	1.48
Total Short Term	34,650,415	45,561,777	431,629,904	(438,036,179)	37,960,203	37,962,523	3.00	526,378	1.39
Total Real Estate	30,000,000	35,006,571	0	0	30,000,000	39,832,379	3.14	0	0.00
Total Investments	\$1,343,318,237	\$1,404,321,647	\$1,023,609,777	\$(1,080,707,527)	\$1,308,015,249	\$1,266,976,935	100.00%	\$38,738,553	3.06%

This Schedule uses book and market values as shown on the financial statement. Short term purchases are increased by the amount bonds becoming less than 1 year; sales represent sales of bonds due in 1 year. Similar adjustments have been made to the respective Bond categories.

Investment Section

TIME WEIGHTED PERCENTAGE RATES OF RETURN

FISCAL YEAR ENDED JUNE 30, 2002

Long-Term Averages

	5-Year	10-Year	1998	1999	2000	2001	2002
Total Fund	3.92%	7.30%	14.07%	11.72%	4.49%	(3.51)%	(5.69)%
Equities	.75	8.16	19.80	14.83	3.71	(15.64)	(13.73)
Fixed Income	7.49	6.98	8.51	5.04	4.96	10.56	8.48
Short Term	4.68	4.61	5.62	5.14	4.95	5.50	2.25
MO/Small Business	N/A	N/A	26.02	N/A	N/A	N/A	N/A

LARGEST INVESTMENT HOLDINGS

FISCAL YEAR ENDED JUNE 30, 2002

Largest Equity Securities

Shares	Security	Market Value
450,160	Citigroup Inc.	\$17,443,700
351,054	Exxon Mobil Corp.	14,365,130
238,300	Microsoft Corp.	13,035,010
345,425	Pfizer Inc.	12,089,875
358,400	General Electric Co.	10,411,520
139,719	American International Group	9,533,027
150,500	Wal-Mart Stores Inc.	8,279,005
178,800	Merrill Lynch & Co. Inc.	7,241,400
176,760	Verizon Communications	7,096,914
94,800	Federal National Mortgage Association	6,991,500

Largest Fixed Income Securities

Par	Security	Market Value
16,273,378	Gov't. National Mtg. Assn., 7.50%, 12/15/2028	\$17,260,196
15,000,000	US Treasury Note, 6.5%, 8/15/2005	16,335,900
14,350,000	Federal Home Loan Mortgage Corp., 6.25%, 7/15/2004	15,264,813
12,801,786	Gov't. National Mtg. Assn., 5.50%, 2/15/2017	12,930,572
11,760,676	Gov't. National Mtg. Assn., 5.50%, 1/15/2017	11,878,988
10,372,903	Federal Home Loan Mortgage Corp., 7%, 10/1/2031	10,755,767
6,500,000	Federal Home Loan Mortgage Corp., 5.75%, 3/15/2009	6,816,875
6,400,000	Federal National Mortgage Assn., 3.125%, 11-15-2003	6,464,000
5,878,347	Federal Home Loan Mortgage Corp., 7%, 1/1/2030	6,098,609
5,370,000	U.S. Treasury Note, 5.75%, 11/15/2005	5,730,810

Space and cost restrictions make it impractical to print the entire investment portfolio in this report. However, a portfolio listing is available for review in the office of the Executive Director of the Highway and Transportation Employees' and Highway Patrol Retirement System.

Investment Section

SCHEDULE OF BROKERAGE COMMISSIONS

Investment Brokerage Firm	Units	Commission	Commission Rate
A.B. Watley, Inc.	400	\$ 16.00	\$ 0.040
ABN AMRO Incorporated	396,275	16,337.77	0.041
Adams, Harkness & Hill, Inc.	17,400	668.00	0.038
Arnhold & S. Bleichroeder, Inc.	30,400	1,470.00	0.048
Autranet A Division of BNY ESI & Co.	20,400	991.00	0.049
Baird, Robert W., & Company Incorporated	311,100	12,157.00	0.039
Banc/America Secur.LLC, Montgomery DI	524,255	20,650.75	0.039
Barrington Res. Assoc./BCC CLRG	21,259	1,023.77	0.048
Beal, M.R. & Company	7,800	390.00	0.050
Bear Stearns & Co Inc.	1,290,200	59,273.00	0.046
BNY Clearing Services LLC	143,300	4,751.00	0.033
BNY Clearing Services LLC (BNY)	3,600	180.00	0.050
Boston Institutional Services, Inc.	3,000	150.00	0.050
Bridge Trading Company	215,534	8,570.68	0.040
Broadcort Cap Corp./Sub of MLPF & S	40,300	2,015.00	0.050
Brown Brothers Harriman & Co.	60,200	1,910.00	0.032
BTN Research/Equity/Broadcort Cap. C	29,100	1,526.00	0.052
B-Trade Services LLC	229,900	5,383.00	0.023
Buckingham Research Group, Inc.	60,500	2,984.00	0.049
Buttles Corp./Equity/Broadcort Cap. C	5,000	250.00	0.050
C.L. Glazer & Company, Inc.	11,900	595.00	0.050
Cantor Fitzgerald & Co.	150,000	3,330.00	0.022
Capital Asset Advisors	6,200	310.00	0.050
Capital Institutional Services, Inc.	64,700	2,185.00	0.034
CIBC Wood Gundy - A Unit of CIBC OPC	13,800	690.00	0.050
CIBC World Markets Corp	187,900	8,935.00	0.048
Citation Group/BCC CLRG	64,500	3,225.00	0.050
CJS Securities	20,900	1,045.00	0.050
Conning & Co/BCC CLRG	3,200	160.00	0.050
Correspondent Services Corporation	1,600	51.00	0.032
Credit Lyonnais Securities (USA) Inc.	4,900	147.00	0.030
Credit Suisse First Boston Corporation	1,419,230	52,954.50	0.037
Davidson, D.A., & Co. Incorporated	67,000	3,091.00	0.046
Davis, Mendel & Regenstein, Inc.	6,500	325.00	0.050
Dematted Monness LLC	5,500	258.00	0.047
Deutsche Bank Securities, Inc.	1,142,700	50,448.00	0.044
Donaldson Lufkin & Jenrette Sec Corp	294,937	15,529.11	0.053
Dowling & Partners Securities, LLC.	10,000	500.00	0.050
Dresdner Kleinwort Wasserstein Sec.	92,700	4,635.00	0.050
Edwards, A.G., & Sons, Inc.	201,388	9,013.40	0.045
Engelmat Securities	700	21.00	0.030
Factset Data Systems (thru Bear Stearns)	159,800	7,403.50	0.046
Factset Data Systemes Inc./BCC CLRG	26,000	1,100.00	0.042
First Albany Corporation	25,700	1,285.00	0.050
First Analysis Securities Corp.	35,800	1,452.00	0.041
First Clearing Corp.	96,400	2,852.00	0.030
First Tennessee Securities Corp.	43,200	2,074.00	0.048
First Union Capital Markets	349,600	16,720.00	0.048
Fox-Pitt Kelton Inc.	56,800	2,830.00	0.050
Friedman Billings & Ramsey	82,700	3,842.00	0.046
Frost Securities	200	10.00	0.050
Fulcrum Global Partners LLC	600	30.00	0.050
Gerard Klauer Mattison & Company	47,300	1,785.00	0.038
Goldman, Sachs & Co.	1,501,989	64,115.08	0.043
Harborside Securities	400	8.00	0.020
Heflin & Co., LLC	30,600	1,530.00	0.050
Hoak Breedlove Wesneski & Co.	3,900	195.00	0.050
Hoenig & Company Inc.	147,800	6,771.00	0.046
Howard Weil Division - Legg Mason	49,900	2,441.00	0.049
Instinet	325,601	5,466.70	0.017
Institutional Services Unlimited	6,600	330.00	0.050
Investec Ernst & Company	18,300	754.00	0.041

Investment Section

SCHEDULE OF BROKERAGE COMMISSIONS (continued)

Investment Brokerage Firm	Units	Commission	Commission Rate
Investment Technology Group, Inc.	447,370	\$ 8,925.40	\$ 0.020
ISI Group Inc.	39,300	1,965.00	0.050
J.P. Morgan Securities, Inc.	291,500	13,557.00	0.047
Jackson Partners & Associates, Inc.	2,100	105.00	0.050
Janney Montgomery Scott Inc.	67,300	3,510.00	0.052
Jefferies & Company	458,800	13,411.00	0.029
Johnson Rice & Co.	64,100	3,205.00	0.050
Jones & Associates	294,000	9,953.00	0.034
Kaufman Brothers	2,800	140.00	0.050
Keefe Bruyette and Woods Inc.	156,288	6,228.40	0.040
King, CL, & Associates Inc.	11,300	565.00	0.050
Knight Securities Broadcort Cap Clea	23,800	70.42	0.003
KV Execution Services LLC	155,300	4,251.00	0.027
La Branche Financial Services, Inc.	19,300	579.00	0.030
Lazard Freres & Co.	63,298	2,604.90	0.041
Leerink Swann & Co./IPO	12,100	666.00	0.055
Leerink Swann and Company	500	25.00	0.050
Legg Mason Wood Walker, Inc.	41,400	2,035.00	0.049
Lehman Brothers Inc.	1,344,051	57,472.70	0.043
Loop Capital Markets LLC	3,400	170.00	0.050
Lynch Jones & Ryan Inc	410,775	18,492.38	0.045
Lynch, Jones & Ryan	3,100	155.00	0.050
McDonald & Company Securities, Inc.	145,953	5,687.65	0.039
McMahan Securities Co., L.P.	3,600	180.00	0.050
Merrill Lynch Professional Clearing	42,400	1,739.75	0.041
Merrill Lynch, Pierce, Fenner & Smith	2,532,399	88,526.52	0.035
Monness, Crespi, Hardt & Co., Inc.	7,000	350.00	0.050
Moors & Cabot, Inc./IPO Tracking	209,500	6,285.00	0.030
Morgan Keegan & Company Inc.	71,200	3,490.00	0.049
Morgan Stanley & Co., Incorporated	1,511,705	63,218.83	0.042
National Investor Services Corp.	6,900	345.00	0.050
Needham & Company	33,600	1,530.00	0.046
Nomura Securities International, Inc.	13,200	1,400.29	0.106
Pacific Crest Securities	25,600	792.00	0.031
Pali Capital, LLC	7,500	305.00	0.041
Paribas Corporation	120,501	3,794.96	0.031
PCS Securities, Inc.	17,400	870.00	0.050
Percival Financial Partners, LTD	2,800	140.00	0.050
Pershing Division of DLJ	32,100	1,430.00	0.045
Precursor Group	7,400	370.00	0.050
Precursor Group Inc. (the)	19,800	990.00	0.050
Prudential Securities Incorporated	410,100	15,268.00	0.037
Putnam Lovell Securities, Inc.	16,600	830.00	0.050
Raymond James & Associates Inc.	91,400	4,185.00	0.046
RBC Dain Rauscher Inc.	39,600	1,601.00	0.040
Reynders, Gray & Co., Incorporated	600	30.00	0.050
Robertson Stephens, Inc.	455,400	16,806.00	0.037
Ryan Beck & Co.	24,000	1,130.00	0.047
Salomon Smith Barney Inc.	1,490,411	66,202.55	0.044
Sanders Morris Mundy	6,400	320.00	0.050
Sandler O'Neill & Partners, LP	9,200	305.00	0.033
Sanford C. Bernstein & Co., LLC	231,900	12,467.00	0.054
Scotia Capital (USA) Inc.	40,700	2,035.00	0.050
Scott & Stringfellow, Inc.	298,700	9,820.00	0.033
Seslia Securities	2,400	120.00	0.050
SG Cowen Securities Corp.	442,400	21,294.00	0.048
Sidoti and Company, LLC	13,100	655.00	0.050
Soundview Technology Group Inc.	300,400	8,271.00	0.028
Southwest Securities, Inc.	13,900	695.00	0.050
Spear, Leeds & Kellogg	5,500	55.00	0.010

Investment Section

SCHEDULE OF BROKERAGE COMMISSIONS (continued)

Investment Brokerage Firm	Units	Commission	Commission Rate
Spear, Leeds & Kellogg Capital Market	46,700	\$ 1,203.00	\$0.026
Standard & Poors Securities Inc	131,700	5,764.00	0.044
State Street Global Markets, LLC	2,700	62.00	0.023
Stephens, Inc.	71,419	3,195.95	0.045
Sturdivant & Co., Inc.	7,600	380.00	0.050
Suntrust Capital Markets, Inc.	111,950	5,352.50	0.048
Thomas Weisel Partners, LLC	79,000	2,640.00	0.033
Thomson Institutional Services, Inc.	37,000	1,850.00	0.050
Tucker Anthony Cleary Gull	4,000	200.00	0.050
U.S. Bancorp Piper Jaffray Inc	117,900	4,634.00	0.039
UBS Painewebber Inc.	60,951	2,048.00	0.034
UBS Warburg LLC	857,720	37,105.00	0.043
Vandham Securities Corp	98,500	2,955.00	0.030
Veritas Securities	86,600	2,625.00	0.030
Wedbush Morgan Securities, Inc.	31,800	1,384.00	0.044
Weeden and Co.	259,600	12,451.50	0.048
Weiss, Peck & Greer L.L.C.	3,800	190.00	0.050
Wells Fargo INVT LLC	13,800	828.00	0.060
Wells Fargo Van Kasper, LLC	28,800	1,728.00	0.060
Wexford Clearing Svcs. Corp/IPO Track	2,000	60.00	0.030
William Blair & Company, LLC	17,100	855.00	0.050
Wilshire Associates Incorporated	526,285	15,097.21	0.029
Total Brokerage Fees	<u>25,401,444</u>	<u>1,015,368.17</u>	<u>0.040</u>

NOTES



Actuarial Section

In This Section

Actuary's Certification Letter
Summary of Actuarial Methods and Assumptions
Schedule of Active Member Valuation Data
Summary of Plan Provisions
Legislative Changes

ACTUARY'S CERTIFICATION LETTER



GABRIEL, ROEDER, SMITH & COMPANY
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February 19, 2003

The Retirement Board
Highway and Transportation Employees
and Highway Patrol Retirement System
P.O. Box 1930
Jefferson City, Missouri 65102-1930

Dear Board Members:

The basic financial objective of the Highway and Transportation Employee's and Highway Patrol Retirement System (HTEHPRS) is to establish and receive contributions which:

- (1) when expressed in terms of percents of active member payroll will remain approximately level from generation to generation of Missouri citizens, and which
- (2) when combined with present assets and future investment return will be sufficient to meet the present and future financial obligations of HTEHPRS.

In order to measure progress toward this fundamental objective, HTEHPRS has annual actuarial valuations performed. The valuations (i) measure present financial position, and (ii) establish contribution rates that provide for the current cost and level percent of payroll amortization of unfunded actuarial accrued liabilities over a reasonable period. An actuarial valuation was performed based upon data and assumptions as of June 30, 2002. This valuation indicates that the contribution rates, established by the Board of Trustees for the benefits scheduled to be in effect on July 1, 2003, meet the basic financial objective. The calculated contribution rates are 25.54% of payroll for the 7,660 non-uniformed employees, 38.4% of payroll for the 1,035 uniformed patrol employees.

The actuarial valuations are based upon financial and participant data which is prepared by retirement system staff, assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death, and disability among HTEHPRS' members and their beneficiaries. We review the data for internal and year-to-year consistency as well as general reasonableness prior to its use in the actuarial valuations. It is also summarized and tabulated for the purpose of analyzing trends. The assumptions were adopted by the Board of Trustees and were based upon actual experience of HTEHPRS during the period July 1, 1994 to June 30, 1999. Assets were valued using the three-year smoothing method. The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by Governmental Accounting Standards Board Statement No. 25.

The current benefit structure is outlined in the introductory section. We provided the information used in the supporting schedules in the actuarial section and the Schedules of Funding Progress in the financial section, as well as the employer contribution rates shown in the Schedule of Employer Contributions in the financial section.

Based upon the valuation results, it is our opinion that the Highway and Transportation Employees' and Highway Patrol Retirement System for the State of Missouri continues in sound condition in accordance with actuarial principles of level percent of payroll financing.

Brian B. Murphy, F.S.A.
Senior Consultant & Actuary

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

METHODS

Asset Valuation Method

Valuation assets were determined using a three-year smoothed market value method. This method recognizes assumed investment return fully each year. Differences between actual and assumed investment return are phased in over a closed three-year period.

Actuarial Cost Method

The Entry Age Normal actuarial cost method was used for determining liabilities and normal cost. Normal costs were computed as a level percent of pay and were based on the Year 2000 Plan. Unfunded Actuarial Accrued Liabilities were amortized as a level percent of payroll over 34 years. For this purpose, covered payroll is assumed to increase 4% per year. Continued yearly reductions in the amortization period will result in a 30-year period being used for the June 30, 2006 valuation. This is consistent with GASB amortization period requirements.

ASSUMPTIONS

<u>Interest Rate:</u>	8.25% per annum, net of administrative fees.
<u>Administrative Expenses:</u>	0.45% of payroll, based upon actual results from previous year.
<u>Surviving Spouses:</u>	90% of employees dying in-service will have an eligible beneficiary.
<u>Post-Retirement Benefit Increases:</u>	The annual Consumer Price Index is assumed to be 3.5%.
<u>Applicable Disability Benefit:</u>	All future disabilities are assumed covered by LTD benefits.
<u>Offsets to LTD Benefits:</u>	It was assumed Workers Compensation Indemnity Benefits would be zero and that Social Security Disability PIA benefits would always apply.
<u>Mortality:</u>	Rates used in evaluating allowances to be paid to non-disabled pensioners were the 1971 Group Annuity Mortality (GAM) tables projected to the year 2000 set back one year for males and seven years for females. Pre-retirement mortality used was 50% of the 71GAM2000 tables set back one year for males and seven years for females. Disabled pension mortality was based on PBGC Disabled Mortality tables.

Actuarial Section

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

Salary Increase Assumptions for an Individual Member

Age	Non-Uniformed			Uniformed		
	Merit & Seniority	Base (Economic)	Increase Next Year	Merit & Seniority	Base (Economic)	Increase Next Year
20	3.00%	4.00%	7.00%	4.00%	4.00%	8.00%
25	3.00	4.00	7.00	3.50	4.00	7.50
30	2.85	4.00	6.85	2.60	4.00	6.60
35	2.20	4.00	6.20	1.70	4.00	5.70
40	1.70	4.00	5.70	0.90	4.00	4.90
45	1.30	4.00	5.30	0.40	4.00	4.40
50	0.80	4.00	4.80	0.30	4.00	4.30
55	0.60	4.00	4.60	0.30	4.00	4.30
60	0.30	4.00	4.30	0.30	4.00	4.30

Severance Assumptions Annual Terminations Per 100 Employees

	Less Than 5 Years of Service		More Than 5 Years of Service	
	Service	Number Terminating	Sample Age	Number Terminating
Non-Uniformed Males	0-1	20	25	4.0
	1-2	10	35	2.5
	2-3	7	45	1.3
	3-4	6	55	0.4
	4-5	5	-	-
Non-Uniformed Females	0-1	16	25	5.5
	1-2	9	35	4.6
	2-3	8	45	3.0
	3-4	7	55	1.4
	4-5	6	-	-
Uniformed Patrol	0-1	5	25	2.5
	1-2	4	35	1.4
	2-3	3	45	0.9
	3-4	2	55	0.2
	4-5	2	-	-

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

**Retirement Assumptions
Percents of Eligible Members Retiring Within Next Year**

Retirement Age	Non-Uniformed		Uniformed
	Male	Female	All
50	12%	12%	50%
51	12	12	20
52	12	12	25
53	12	12	15
54	12	12	25
55	12	12	30
56	12	12	30
57	12	12	30
58	12	15	30
59	12	15	30
60	16	10	100
61	18	10	
62	50	50	
63	40	15	
64	30	15	
65	40	50	
66	35	50	
67	35	50	
68	35	50	
69	35	50	
70	100	100	

Actuarial Section

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Actuarial Valuation Date	Number	Covered Payroll	Average Pay	% Change in Average Pay from Prior Year
06/30/1993	8,658	236,236,082	27,285	2.6%
06/30/1994	8,849	242,864,780	27,445	0.6
06/30/1995	8,904	250,529,253	28,137	2.5
06/30/1996	9,023	264,196,115	29,280	4.1
06/30/1997	8,997	280,209,116	31,145	6.4
06/30/1998	8,871	284,889,796	32,115	3.1
06/30/1999	9,140	298,673,247	32,678	1.8
06/30/2000	9,171	312,532,009	34,078	4.3
06/30/2001	9,087	327,049,257	35,991	5.6
06/30/2002	8,695	312,747,492	35,969	(0.1)
			Ten Year Average	3.1%

Actuarial Section

SUMMARY OF PLAN PROVISIONS *

AS OF JUNE 30, 2002

Comparison of the Closed Plan and the Year 2000 Plan

Plan Provision	Closed Plan	Year 2000 Plan
Membership Eligibility	Members who work in a position normally requiring at least 1,000 hours of work a year.	Members hired for the first time on or after July 1, 2000, in a position requiring at least 1,000 hours of work a year. Members who left state employment prior to becoming vested and return to work on or after July 1, 2000, in a position normally requiring at least 1,000 hours of work a year.
Normal Retirement Eligibility	Age 65 & active with 4 years of service. Age 65 with 5 years of service. Age 60 with 15 years of service. "Rule of 80"/minimum age 50. Age 55 with 4 years of service. (active uniformed members only)	Age 62 with 5 years of service. "Rule of 80"/minimum age 50. Age 60 (mandatory with 5 years of service -active uniformed members only).
Early Retirement Eligibility	Age 55 with 10 years of creditable service.	Age 57 with 5 years creditable service.
Benefit: Life Benefit	1.6% x FAP** x service. (Base benefit is increased by 33 1/3% for uniform patrol members only)	1.7% x FAP** x service
Temporary Benefit	Not available.	0.8% x FAP** x service (until age 62 - only if retiring under "Rule of 80").
Vesting	5 years of service.	5 years of service.
COLA (Cost-of-Living Adjustment)	If hired before August 28, 1997, annual COLA is a minimum of 4%, maximum 5%. Based on 80% of the increase in the CPI over the previous year, up to a maximum of 65% of original benefit. After 65% cap is reached, annual COLA increases will be equal to 80% of the change in the CPI, with a maximum of 5%. If hired after the above date, annual COLAs will be equal to 80% of the increase in the CPI, maximum 5%, with no guaranteed minimum.	Annual COLA is equal to 80% of the change in the CPI with a maximum rate of 5%.
Survivor Benefit (Death before retirement) Non duty-related Death	Survivor benefit to eligible spouse calculated using the Joint and 100% survivor option or 50% of the member's life income annuity paid to eligible children. In addition to the above, a survivor benefit to eligible spouse or children if you have 3 years service calculated using 25% of your base benefit and increased 5/12 of 1% for each month of service in excess of 5 years to a maximum of 50% of your base benefit.	Survivor benefit to eligible spouse calculated using the Joint & 100% survivor option or 80% of the member's life income annuity paid to eligible children.
Duty-related Death	Survivor benefit to eligible spouse or children equal to 50% of current pay (no service requirement).	Survivor benefit to eligible spouse or children equal to 50% of current pay (no service requirement).
Optional Forms of Payment (Death after retirement)	Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include: Life Income Annuity Unreduced Joint & 50% Survivor Joint & 100% Survivor 60 or 120 Guaranteed Payments BackDROP	Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include: Life Income Annuity Joint & 50% Survivor Joint & 100% Survivor 120 or 180 Guaranteed Payments BackDROP
Disability	Long-Term Disability, Work Related and Normal Disability	Long-Term Disability and Work Related Disability

* This summary describes the plan provisions of the Revised Statutes of Missouri (RSMo.), as amended, that governed the programs, which HTEHPRS administered during the period covered by this report. It does not overrule any applicable statute or administrative rule and, in the event of a conflict, the applicable statute or rule would apply. The Year 2000 Plan is effective July 1, 2000.

** Final Average Pay - highest 36 consecutive months of pay.

LEGISLATIVE CHANGES

On July 11, 2002, Governor Bob Holden signed into law HB 1455 – legislation involved minor changes to the existing BackDROP provisions of both plans to allow members to select the amount of the BackDROP period in 12-month increments, from one year up to the total amount of time worked beyond normal retirement eligibility (maximum 5 years). Previously, members were required to select the maximum number of months for which they were qualified.

Other minor changes implemented by HB 1455 were designed to enable HTEHPRS to more effectively administer The Closed Plan and The Year 2000 Plan as well as ease some of the administrative burden associated with members and their beneficiaries applying for and receiving benefits.

Senate Bill 1202 was enacted by Executive Order of the Governor – this involved employees of the Motor Carrier Department and Highway Reciprocity Commission to be moved under the MoDOT umbrella and given the choice of staying with the MOSERS plan or choosing HTEHPRS. This election by members will be effective January 1, 2003.

There were no benefit increases enacted in fiscal year 2002.



Statistical Section

In This Section

Active Member Data

Terminated Vested Member Data

Schedule of Retired Members by Type of Benefit

Schedule of Average Monthly Benefit Payments

Retired Members Data (Ten-Year Averages)

Benefit Recipients

Membership Distribution



Statistical Section

ACTIVE MEMBER DATA

BY AGE

Age	Total	Department of Transportation	Civilian Patrol	Uniformed Patrol	Retirement System
< 21	47	44	3	-	-
21-25	491	388	50	52	1
26-30	927	642	97	187	1
31-35	1,249	849	119	279	2
36-40	1,419	1,086	152	181	-
41-45	1,552	1,236	189	124	3
46-50	1,400	1,075	195	129	1
51-55	989	751	163	75	-
56-60	460	375	72	11	2
61-65	152	131	21	-	-
>65	20	13	7	-	-
Total	8,706	6,590	1,068	1,038	10
Average Age		41	43	37	42

BY YEARS OF SERVICE

Years of Service	Total	Department of Transportation	Civilian Patrol	Uniformed Patrol	Retirement System
< 1	622	518	83	21	-
1-5	2,241	1,750	271	218	2
6-10	1,826	1,295	206	324	1
11-15	1,178	858	151	167	2
16-20	1,143	936	126	81	-
21-25	865	636	113	114	2
26-30	505	344	79	80	2
31-35	224	169	29	25	1
36-40	82	64	10	8	-
41-45	17	17	-	-	-
> 45	3	3	-	-	-
Total	8,706	6,590	1,068	1,038	10
Average Service		11	12	12	18

Statistical Section

TERMINATED VESTED MEMBER DATA

BY AGE

Age	Total	Department of Transportation	Civilian Patrol	Uniformed Patrol
< 21	-	-	-	-
21-25	2	1	1	-
26-30	42	26	6	10
31-35	167	124	18	25
36-40	267	213	29	25
41-45	242	197	33	12
46-50	184	135	32	17
51-55	158	122	22	14
56-60	57	43	12	2
61-65	11	9	2	-
>65	-	-	-	-
Total	1,130	870	155	105
Average Age		43	44	40

BY YEARS OF SERVICE

Years of Service	Total	Department of Transportation	Civilian Patrol	Uniformed Patrol
<1	-	-	-	-
1-5	188	140	27	21
6-10	518	410	62	46
11-15	273	204	43	26
16-20	112	87	17	8
21-25	35	27	5	3
26-30	4	2	1	1
31-35	-	-	-	-
Total	1,130	870	155	105
Average Service		10	11	10

Statistical Section

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

ALL MEMBERS

Amount of Monthly Benefit	Type of Benefit				Survivor	Total Recipients
	Retirement		Disability			
	Normal	Early	Normal	Long-Term		
1-200	24	15	8	5	326	378
201-400	71	73	17	20	397	578
401-600	180	65	11	18	261	535
601-800	231	31	12	10	169	453
801-1000	249	19	8	9	125	410
1001-1200	287	10	6	4	76	383
1201-1400	294	5	8	5	57	369
1401-1600	308	8	6	-	57	379
1601-1800	302	2	3	-	42	349
1801-2000	308	2	3	-	31	344
2001-2200	281	2	1	-	36	320
2201-2400	280	1	1	-	24	306
2401-2600	219	-	1	-	19	239
2601-2800	200	-	-	-	17	217
2801-3000	185	-	1	-	13	199
>3000	891	-	-	-	30	921
TOTALS	4,310	233	86	71	1,680	6,380

MISSOURI DEPARTMENT OF TRANSPORTATION

Amount of Monthly Benefit	Type of Benefit				Survivor	Total Recipients
	Retirement		Disability			
	Normal	Early	Normal	Long-Term		
1-200	19	11	8	2	306	346
201-400	55	61	15	20	370	521
401-600	153	59	9	14	238	473
601-800	198	26	12	9	144	389
801-1000	224	17	8	9	104	362
1001-1200	254	9	5	3	55	326
1201-1400	264	4	8	4	42	322
1401-1600	265	8	3	-	47	323
1601-1800	253	2	1	-	24	280
1801-2000	270	2	3	-	23	298
2001-2200	250	2	1	-	25	278
2201-2400	247	1	-	-	17	265
2401-2600	188	-	-	-	14	202
2601-2800	172	-	-	-	15	187
2801-3000	157	-	-	-	11	168
>3000	424	-	-	-	19	443
TOTALS	3,393	202	73	61	1,454	5,183

Statistical Section

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

CIVILIAN PATROL

Amount of Monthly Benefit	Type of Benefit				Survivor	Total Recipients
	Retirement		Disability			
	Normal	Early	Normal	Long-Term		
1-200	4	4	-	3	17	28
201-400	14	12	1	-	16	43
401-600	21	6	2	4	14	47
601-800	31	5	-	1	11	48
801-1000	23	2	-	-	11	36
1001-1200	29	1	1	1	12	44
1201-1400	26	1	-	1	4	32
1401-1600	37	-	2	-	-	39
1601-1800	44	-	1	-	3	48
1801-2000	35	-	-	-	1	36
2001-2200	27	-	-	-	2	29
2201-2400	23	-	-	-	1	24
2401-2600	18	-	-	-	-	18
2601-2800	8	-	-	-	1	9
2801-3000	5	-	-	-	-	5
>3000	43	-	-	-	2	45
TOTALS	388	31	7	10	95	531

UNIFORMED PATROL

Amount of Monthly Benefit	Type of Benefit				Survivor	Total Recipients
	Retirement		Disability			
	Normal	Early	Normal	Long-Term		
1-200	-	-	-	-	3	3
201-400	2	-	1	-	11	14
401-600	6	-	-	-	9	15
601-800	2	-	-	-	14	16
801-1000	2	-	-	-	10	12
1001-1200	4	-	-	-	9	13
1201-1400	4	-	-	-	11	15
1401-1600	6	-	1	-	10	17
1601-1800	5	-	1	-	15	21
1801-2000	3	-	-	-	7	10
2001-2200	4	-	-	-	9	13
2201-2400	10	-	1	-	6	17
2401-2600	13	-	1	-	5	19
2601-2800	20	-	-	-	1	21
2801-3000	23	-	1	-	2	26
>3000	424	-	-	-	9	433
TOTALS	528	-	6	-	131	665

Statistical Section

SCHEDULE OF AVERAGE MONTHLY BENEFIT PAYMENTS

BY YEARS OF SERVICE

Retired In Fiscal Year		0-10	11-15	16-20	21-25	26-30	31-35	36-40	41+
MISSOURI DEPARTMENT OF TRANSPORTATION									
1998	Average Benefit	210	521	730	1,077	1,581	1,843	2,393	2,678
	Current Retirees	3	6	8	22	46	48	48	20
1999	Average Benefit	394	565	820	1,192	1,663	2,055	2,611	2,777
	Current Retirees	3	6	12	22	39	43	46	13
2000	Average Benefit	202	633	795	1,150	2,020	2,595	2,732	2,783
	Current Retirees	3	10	12	19	70	76	54	24
2001	Average Benefit	274	485	678	1,312	2,127	2,479	2,387	1,535
	Current Retirees	17	8	9	26	99	155	89	57
2002	Average Benefit	322	647	692	1,525	2,091	2,512	2,745	1,756
	Current Retirees	1	8	10	30	69	65	37	22
CIVILIAN PATROL									
1998	Average Benefit	0	557	592	1,319	1,571	2,035	2,305	2,943
	Current Retirees	0	3	4	1	6	7	3	2
1999	Average Benefit	0	402	448	1,129	1,051	2,419	2,195	0
	Current Retirees	0	3	1	3	4	12	5	0
2000	Average Benefit	246	508	584	1,094	1,721	2,489	2,985	1,971
	Current Retirees	2	1	2	6	7	10	5	2
2001	Average Benefit	311	80	673	1,532	2,187	2,104	3,001	1,634
	Current Retirees	3	1	1	3	19	19	12	2
2002	Average Benefit	167	293	776	1,207	1,757	1,729	2,326	0
	Current Retirees	2	3	1	4	9	7	4	0
UNIFORMED PATROL									
1998	Average Benefit	0	0	0	3,144	3,477	3,728	4,656	0
	Current Retirees	0	0	0	1	13	14	2	0
1999	Average Benefit	0	0	0	0	3,150	3,825	4,005	0
	Current Retirees	0	0	0	0	20	27	1	0
2000	Average Benefit	0	0	0	0	3,444	3,464	4,102	0
	Current Retirees	0	0	0	0	7	17	4	0
2001	Average Benefit	0	0	0	0	3,072	2,984	4,224	2,658
	Current Retirees	0	0	0	0	8	15	2	4
2002	Average Benefit	0	0	1,368	1,600	3,193	3,781	4,323	3,963
	Current Retirees	0	0	1	2	11	15	4	2

Statistical Section

RETIRED MEMBERS DATA (TEN-YEAR AVERAGES)

RETIREMENT AGE / YEARS OF SERVICE / BENEFIT INFORMATION

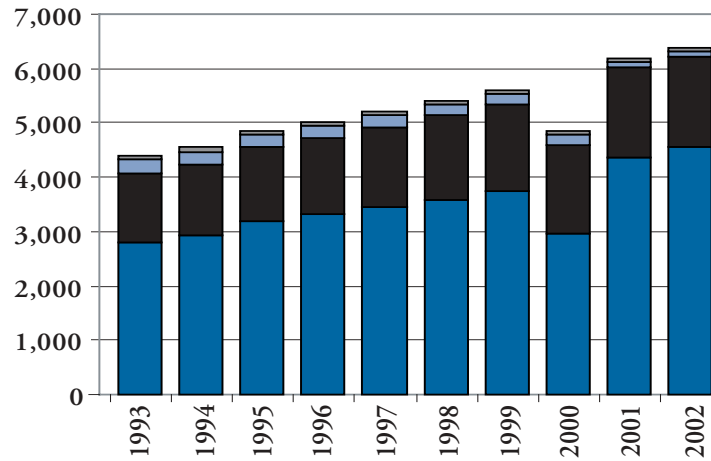
(The information contained in this tabulation relates to current retirees who retired in the years indicated)

Retired in Fiscal Year	Current Retirees	Average Age at Retirement	Average Service	Average Initial Benefit	Average Benefit on June 30, 2002	Percent of Increase
MISSOURI DEPARTMENT OF TRANSPORTATION						
1993	181	60.30	32.08	\$ 1,201.56	\$ 1,869.21	55.56
1994	160	60.34	31.70	1,277.90	1,907.26	49.25
1995	250	58.44	32.00	1,289.31	1,858.03	44.11
1996	182	59.08	32.35	1,443.91	1,931.44	33.76
1997	186	58.54	30.57	1,342.37	1,782.89	32.82
1998	201	59.55	31.79	1,438.50	1,805.76	25.53
1999	184	58.80	31.35	1,510.96	1,902.42	25.91
2000	268	58.08	31.94	1,685.18	2,206.31	30.92
2001	460	55.71	32.66	1,961.49	2,050.45	4.54
2002	242	57.90	31.26	2,056.99	2,090.52	1.63
CIVILIAN PATROL						
1993	19	60.68	28.05	\$ 988.03	\$ 1,529.14	54.77
1994	20	61.50	26.95	1,028.41	1,530.08	48.78
1995	30	58.87	27.23	991.81	1,471.18	48.33
1996	25	60.96	26.28	953.58	1,328.59	39.33
1997	28	60.18	28.75	1,171.38	1,528.62	30.50
1998	26	59.46	28.54	1,273.80	1,608.83	26.30
1999	28	58.75	29.39	1,320.16	1,758.81	33.23
2000	35	58.91	29.09	1,375.81	1,843.80	34.02
2001	60	58.13	31.07	2,014.69	2,118.21	5.14
2002	30	57.73	26.97	1,486.73	1,467.88	-1.27
UNIFORMED PATROL						
1993	17	56.18	32.41	\$ 2,468.75	\$ 3,837.16	55.43
1994	26	56.12	31.38	2,498.12	3,725.35	49.13
1995	67	54.12	32.28	2,455.50	3,493.86	42.29
1996	22	54.36	32.32	2,649.40	3,413.63	28.85
1997	34	54.76	31.79	2,772.15	3,448.27	24.39
1998	30	54.03	31.37	3,039.48	3,661.60	20.47
1999	48	54.46	31.73	3,082.83	3,547.51	15.07
2000	28	54.71	33.07	3,203.21	3,550.11	10.83
2001	29	57.66	34.10	2,755.74	3,048.87	10.64
2002	35	52.97	32.46	3,255.96	3,474.99	6.73

NOTE: Annual cost-of-living adjustments for the Closed Plan range between 4% and 5%. Annual cost-of-living adjustments for the Year 2000 Plan are 80% of the CPI.

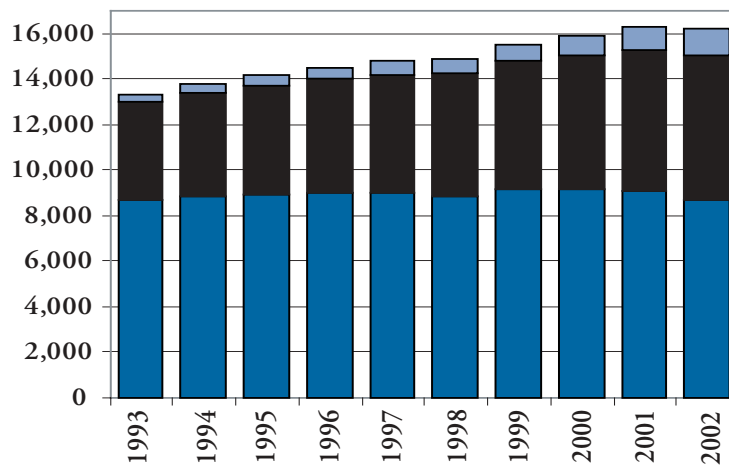
Statistical Section

BENEFIT RECIPIENTS



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
LTD	69	79	59	62	71	79	77	76	70	71
Disabilities	236	224	218	207	201	196	186	186	111	86
Survivors	1,269	1,307	1,365	1,405	1,486	1,549	1,590	1,641	1,637	1,680
Retirees	2,811	2,932	3,201	3,329	3,445	3,585	3,747	2,954	4,374	4,543

MEMBERSHIP DISTRIBUTION



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Terminated Vested Members	311	372	416	498	574	660	762	912	1,018	1,130
Benefit Recipients	4,385	4,542	4,843	5,003	5,203	5,409	5,600	5,857	6,192	6,380
Active Members	8,658	8,849	8,904	9,023	8,997	8,849	9,172	9,171	9,106	8,695