Missouri Department of Transportation and Highway Patrol Employees' Retirement System

A Component Unit of the State of Missouri

Celebrating 50 Years

Comprehensive Annual Financial Report
for the Fiscal Year Ended 2006

In 1955, Senate Bill 66 was passed, and the Highway Employees' and Highway Patrol Retirement System was established. Senate Bill 66 became effective August 29, 1955. On October 1, 1955 the system accepted 109 retirements.

Legislation to grant retirement benefits to long-term employees was the result of work done by some industrious employees of the State Highway Commission, the State Highway Patrol, and the Highway Employees' Association. Those involved negotiated an arrangement with the State Highway Commission to forego a future employee raise in order to fund the first contributions of the retirement system. In the initial negotiations, it was agreed that the new retirement system would be funded by contributions from the employees of the State Highway Commission and Missouri State Highway Patrol and by contributions from the two agencies. The initial contribution rate for both employees and employers was 4%.

In the late 1970's, legislation was passed to make the retirement system non-contributory for members, with the only contributions being made by the Highway Commission and Highway Patrol. The system remains non-contributory for employees today.

The retirement system's Board of Trustees, identified in the initial legislation, consisted of the Missouri Highway Commission, the Chief Engineer of the Highway Department, and the Superintendent of the State Highway Patrol. In 1955, the state highway commission consisted of four members with the state geologist being an ex-officio member of the board. Additional legislative changes were made in 1965, 1981, 1988, 1992, and 1999 -- culminating in the current board structure.

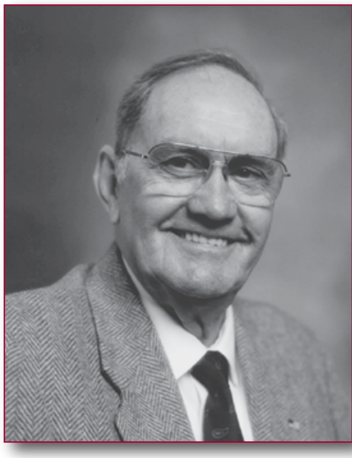
Today, the ten-member board is made up of three Missouri Highways and Transportation Commissioners, the director of the Missouri Department of Transportation (MoDOT), the superintendent of the Missouri State Highway Patrol (MSHP), a state representative, a state senator, an active MoDOT employee, an active MSHP employee, and a retired member of the system.

For the first 35 years of its existence, the retirement system was operated as a unit of the State Highway Commission. Highway staff was assigned on a part-time basis to carry out the system's business.

In 1988, the first executive director position was established. As the membership base and the assets of the system grew, it became clear that full-time staff would be required to provide continuity and direction to improve and advance the system. Since that time, numerous staff positions have been added. Today, the system employs 12 full-time staff. Recent additions to the staff include the chief investment officer, general counsel, and senior financial officer.

Today, the system operates as an independent trust fund under the direction of the Board of Trustees. In August 2002, a building was purchased to provide a permanent home for the retirement system. This step was taken to ensure the system could provide a comfortable, accessible environment for members to meet with staff to discuss their benefits.

The system is now known as the MoDOT and Patrol Employees' Retirement System (MPERS) and provides retirement, survivor, and disability benefits to over 17,000 members. The assets of the trust recently achieved $1.6 billion with investment returns for the fiscal year achieving 14.97%.



We dedicate this annual report to Mr. William H. Shaw, MPERS Board Member Emeritus, for his loyal service to the members of the MoDOT and Patrol Employees' Retirement System.

As MPERS celebrates the 50th anniversary of the retirement system, it is fitting to pay tribute and say thank you to all the men and women who have served the system as trustees during the last 50 years.

In addition to being charged with the general duty of managing and directing the high-level operations of the system, members of the Board of Trustees are charged with the responsibility of overseeing and safekeeping the investment of the funds held in trust for plan participants. Trustees have a duty of loyalty that runs directly to the participants. The actions of fiduciaries must always first represent the best interests of the plan beneficiaries.

Being a fiduciary of a public retirement system is a tremendously responsible job. The duty of undivided loyalty to the plan participants requires trustees, who come from diverse backgrounds, to set aside their individual differences to work towards the common goal of ensuring the payment of promised benefits to plan participants.

As MPERS reflects on the last 50 years and looks to the future, the system extends gratitude and heart-felt thanks to those who have given of their time and talents to selflessly serve the system's beneficiaries.

MPERS staff would like to dedicate this annual report to one of these respected fiduciaries -- an individual who epitomizes the dedication and loyalty of a public fund trustee — Mr. Bill Shaw.

Bill was instrumental in the establishment of the MPERS system in 1955 and continues to be proactive in issues related to retirement. Bill was the first elected retiree member of the board, beginning his 13-year tenure in January 1993. Bill served on the board until June 2006 when he chose not to run for re-election. At the July 2006 Board of Trustee's meeting, Bill was named Board Member Emeritus in honor of his service and contributions to the board.

Bill celebrated his 81st birthday in March 2006, and he and his wife, Marta, recently moved to a new home in Columbia, Missouri. On behalf of the members of the system, we thank Bill for his hard work and dedication.

Table of Contents

Introductory Section

Financial Section

Investment Section

Table of Contents

Actuarial Section

Statistical Section

Mailing Address
P.O. Box 1930
Jefferson City, Missouri 65102-1930

Street Address
1913 William Street
Jefferson City, Missouri 65109

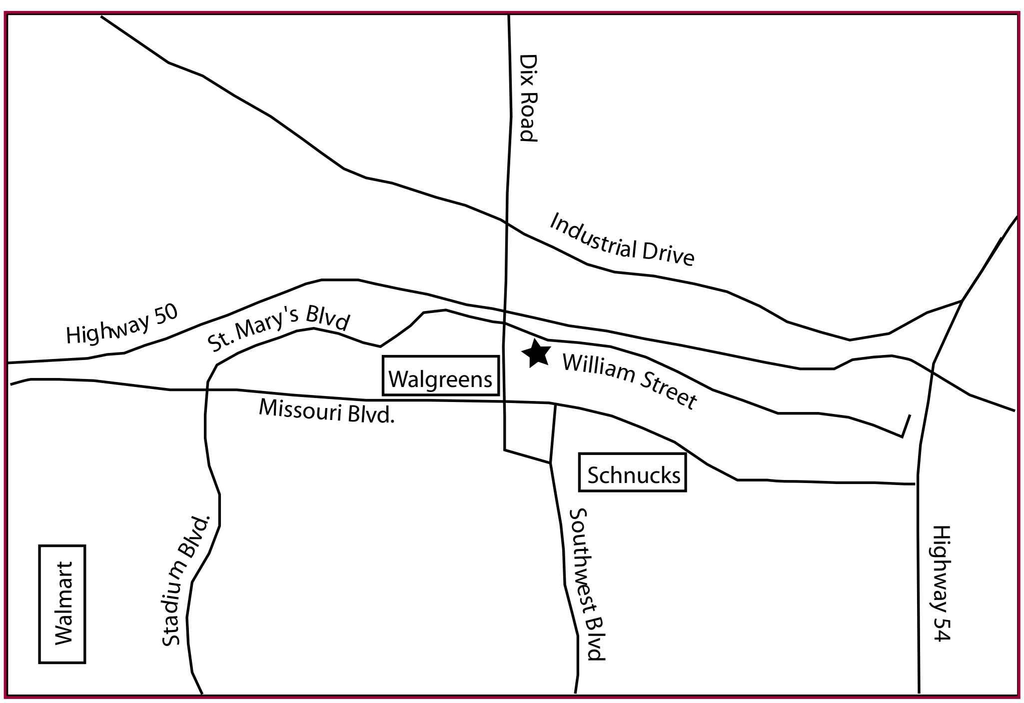
Phone Numbers

Main Line	*Toll Free*	*Office Directory*
(573) 751-4640	(800) 270-1271	(573) 751-5533

Fax Numbers

Administrative	*Benefits*
(573) 526-5895	(573) 522-6111

E-Mail Address
mpers@modot.mo.gov



Introductory Section

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Missouri Department of Transportation and Highway Patrol Employees' Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Public Pension Coordinating Council

Public Pension Standards

2005 Award

Presented to

Missouri Department of Transportation and Highway Patrol Employees' Retirement System

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

Norm Robinson
Executive Director

MoDOT & Patrol
Employees' Retirement System

Susie Dahl
Assistant Executive Director

October 1, 2006

To the Board of Trustees and System Members:

We are pleased to present the MoDOT and Patrol Employees' Retirement System (MPERS) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006.

Report Contents and Structure

This Comprehensive Annual Financial Report of MPERS for the fiscal year ended June 30, 2006, has been prepared to enhance the 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 (MoDOT) and the Missouri State Highway Patrol (Highway Patrol), and to the elected officials of the State of Missouri.

MPERS management 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. This report is also designed to comply with the reporting requirements of Sections 104.190, 104.1006 and 105.661 of the Revised Statutes of Missouri (RSMo.) as amended. This report is presented in five sections:

- The **Introductory Section** contains the letter of transmittal and general administrative and operational information about MPERS.
- The **Financial Section** contains the independent auditor's letter, management's discussion and analysis, the financial statements, and other required supplementary information.
- The **Investment Section** contains information on the management of investments, a report from the chief investment officer and a report from our investment consultant.
- The **Actuarial Section** includes the actuary's certification of the recommended contribution rates and presents the assumptions used to arrive at those rates.
- The **Statistical Section** provides various tables and schedules of significant data pertaining to MPERS.

Background Information

MPERS was established by Senate Bill 66 in 1955. Under that legislation, employees of MoDOT and the Highway Patrol became members of the retirement system on September 1, 1955. Effective October 1, 1955, the system accepted 109 retirements. The system initially provided only regular retirement and disability benefits and required the employees to share in the cost of the plan.

The plan provisions have changed many times over the years. 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.

A ten-member Board of Trustees is responsible for the oversight of MPERS. MPERS is a separate legal entity and instrumentality of the state, and as such, is not subject to the state's legislative appropriations process, although the system's administrative spending is governed by a Board-approved "internal" budget. The system's financial information is included in the state's Comprehensive Annual Financial Report as a component unit.

MPERS is financed by employer contributions and investment earnings. All funding from MoDOT and approximately 85% of funding from the Highway Patrol comes from the State Highway and Transportation Fund. Although Missouri, like most of the country, is facing budget constraints, the employers continue to provide the required contributions.

Fiscal Year 2006 Highlights

In recognition of the desire to improve the funded status of the MPERS system, the Board of Trustees approved an increase in the Fiscal Year 2006 contribution rate of one-half of one percent. This increase was over and above the actuarially established rate. This increased rate, along with an outstanding investment return, resulted in an improvement in the plans' funded status from 53.9% for Fiscal Year 2005 to 55.5% for Fiscal Year 2006.

As a further step in addressing the funded status, the Board of Trustees adopted a funded level policy that requires the Board to oppose any benefit enhancements if the system is less than 80% funded before the change. In addition, the board will oppose any benefit enhancements if the change results in MPERS being less than 75% funded.

During the 2006 legislative session, a proposal was introduced in the Missouri General Assembly to consolidate MPERS into the Missouri State Employees' Retirement System (MOSERS). Governor Blunt subsequently appointed a study group to explore the feasibility of consolidation. The study group was unable to reach a consensus on the issue and the proposed legislation was not passed by the legislature.

Financial Information

This report has been prepared in accordance with generally accepted accounting principles for governmental accounting and reporting. The independent firm of Williams-Keepers LLC has issued an unqualified opinion (meaning no audit findings) on MPERS financial statements. Internal controls have been established by management to provide reasonable assurance that the financial statements are free of any material misstatements.

As reported in the Financial Section, the system's net assets improved by $157 million during the fiscal year. The Management's Discussion and Analysis, beginning on page 23 assesses the financial position of the system, and provides an overview of the year's financial activities.

Actuarial Funding Status
MPERS engages an independent actuarial firm to perform an annual actuarial valuation to determine the actuarial accrued liability of the system. In our most recent valuation dated June 30, 2006, our actuary concluded that the System is operating on an actuarially sound basis.

During Fiscal Year 2006 the Board of Trustees approved an actuarial audit which was performed by the firm of Cavanaugh Macdonald Consulting, LLC. The audit reinforced the assumptions and valuation methods used by MPERS actuarial firm, Gabriel, Roeder, Smith & Company (GRS).

The June 30, 2006 valuation, determined the funding ratio to be 55.5%, recognizing an Unfunded Actuarial Accrued Liability (UAAL) of $1,219 million.

Investment Activities
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 fulfilling this obligation, the Board of Trustees has established a formal investment policy to clearly define the roles and responsibilities of the Board, staff and consultants, and to ensure that system assets are invested in a diversified portfolio following prudent investment standards. The Board of Trustees determines the broad asset allocation policies and return objectives of the Plan, and retain investment staff, consultants, a master custodian and other advisors to implement and execute these policies.

Led by the performance of international equities and real estate, MPERS' fiscal year 2006 return of 14.97% ranks in the top two percent of all funds in the ICC public fund universe (MPERS' peer universe). This year's investment section begins on page 50, and contains additional performance information along with discussion from our chief investment officer regarding initiatives currently underway that we believe will enhance future returns.

Certificate of Achievement
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Missouri Department of Transportation & Highway Patrol Employees' Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Public Pension Standards Award
The MoDOT and Patrol Employees' Retirement System also received the Public Pension Coordinating Council's Public Pension Standards 2005 Award. It is the second consecutive year during which MPERS applied for and received the Council's award in recognition of meeting professional plan design and administration standards. The Public Pension Coordinating Council is a confederation of the National Association of State Retirement Administrators, the National Conference on Public Employee Retirement Systems, and the National Council on Teacher Retirement.

Acknowledgements
This report, prepared by the MPERS staff, is intended to provide comprehensive and reliable information about the System, to demonstrate compliance with legal provisions, and to 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 MoDOT divisions and district offices and Highway Patrol general headquarters and troop headquarters. These offices form the link between MPERS and its members, and their cooperation contributes significantly to the success of MPERS. We hope all recipients of this report find it informative and useful. Additional copies will be furnished upon request.

We express our gratitude to the members of the Board, the staff, the consultants, and the many people who have worked so diligently to assure the continued successful operation of MPERS.

Respectfully submitted,

Norm Robinson R.D. Stottlemyre

Norm Robinson
Executive Director

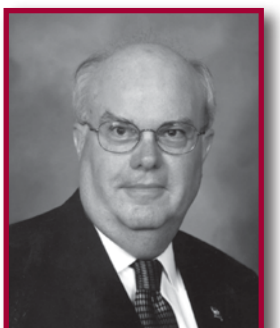
Colonel Roger Stottlemyre
Chairman

Board of Trustees

MPERS 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 ten members:

Colonel Roger Stottlemyre
Board Chairman & Superintendent of the Missouri State Highway Patrol
Ex-Officio Member

Duane Michie
Board Vice-Chairman
Highways & Transportation Commissioner
Term Expires 3-1-2009



James B. Anderson
Commission Member
Highways & Transportation Commissioner
Term Expires 3-1-2009

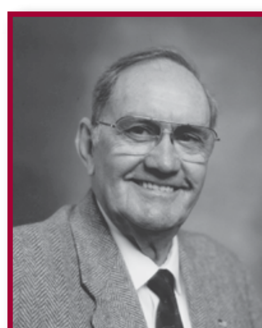
Senator John Griesheimer
State Senator
District 26
Appointed by President Pro-Tem of the Senate

Mike Kehoe
Commission Member
Highways & Transportation Commissioner
Term Expires 3-1-2011

Pete Rahn
Director of the Missouri Department of Transportation
Ex-Officio Member

Harold Reeder
MoDOT Employees' Representative
Elected by MoDOT Employees
Term Expires 7-1-2006

Representative Charlie Schlottach
State Representative
District 111
Appointed by the Speaker of the House



Bill Shaw
Retiree Representative
Elected by Retired Members of MPERS
Term expires 7-1-2006

Lieutenant Juan Villanueva
Highway Patrol Employees' Representative
Elected by Patrol Employees
Term Expires 7-1-2006

Retirement System Staff

Our Mission is to provide a foundation for financial security to plan participants by delivering quality benefits and exceptional member service through professional plan administration and prudent management of assets, at a reasonable cost to the taxpayers of Missouri.

Bottom Row: Lois Wankum, Bev Wilson & Jennifer Even
Middle Row: Dan Pritchard, Susie Dahl, Norm Robinson & Larry Krummen
Top Row: Mariel Hale, Jennifer Schmitz, Mary Jordan, Ginger Miller & Angel Backes

Director's Office
The Director's Office provides administrative support in the major legislative, operational, and oversight functions of the retirement, benefit, and investment programs.

Financial Services
The Financial Services section is responsible for maintaining all the financial records of MPERS. The senior financial officer (accountant) interacts with the investment custodian, the Office of Administration, MoDOT's and the Highway Patrol's payroll/personnel departments, the actuary, auditors, the depository bank, Missouri's Department of Revenue, and the Internal Revenue Service. In addition, the accountant assists the chief investment officer in tracking and predicting target cash balances, participates in annual budget development, prepares monthly budget-to-actual reports, and calculates monthly premium payments to the long-term disability insurer. The accountant also processes MPERS semi-monthly office payrolls, reconciles monthly benefit payments and contributions/payrolls posted, and reconciles investment activity.

Benefit Services
The Benefit Services section is responsible for all contact with the membership regarding the benefit programs administered by MPERS, which include retirement; and disability. The benefit staff is responsible for preparing and delivering the pre-retirement and retirement basics seminars in addition to assisting with the development of member communication material.

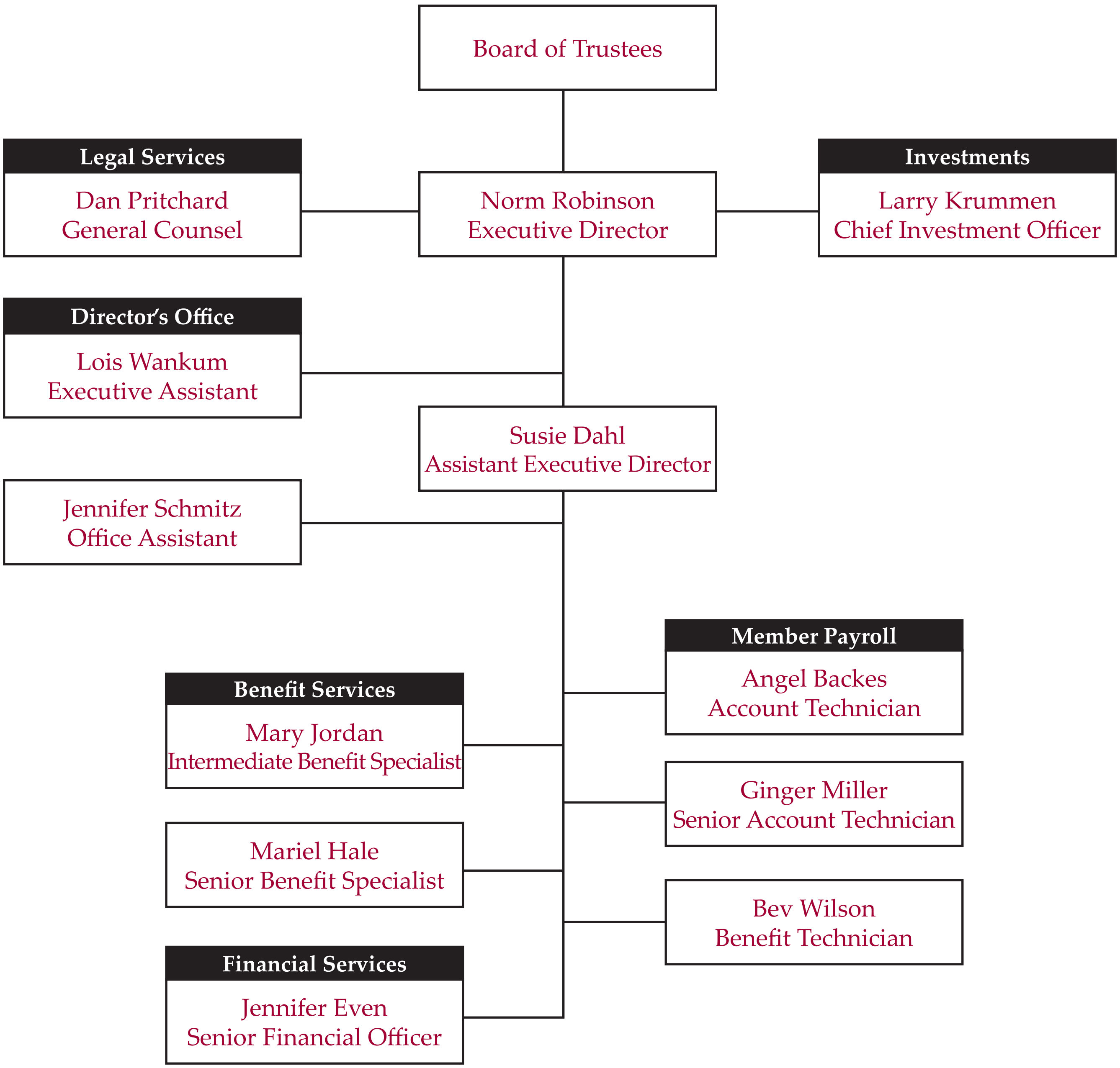
Member Payroll
The Member Payroll section is responsible for establishing and maintaining all membership records including maintenance of member data on the retirement master and verifying retirement calculations; balancing payroll deductions for insurance, taxes, and credit unions; interacting with SAM II; and entering the payroll, service, and leave data into the system's computerized database.

Legal Services
The Legal Services section is responsible for reviewing contracts (including investment contracts) for any legal problems, defending and prosecuting lawsuits, giving legal advice to staff on the application of state and federal statutes and cases to the operation of the retirement system and responding to legal inquiries from members and their attorneys.

Investments
The Investment section works closely with the general investment consultant to oversee the investment portfolio and provide consulting services to the board and the executive director. This includes, but is not limited to: a) formulating investment policy and asset recommendations; b) providing recommendations on the selection, monitoring and evaluation of external investment advisors; c) measuring and reporting on investment performance; d) conducting market research on political, financial, and economic developments that may affect the system; and e) serving as a liaison to the investment community.

Administrative Organization

The Executive Director of MPERS has charge of the offices and records of the system and hires such employees deemed necessary, subject to the approval of the Board of Trustees. The system employs twelve full-time staff.



Professional Services

The following firms were retained at fiscal year-end by the Board of Trustees to serve in professional capacities or provide consultant services. Please refer to pages 59 and 60 in the Investment Section for the Schedule of Investment Expenses and Brokerage Commissions for the investment professionals.

Actuary

Gabriel, Roeder, Smith & Company
Southfield, Michigan

Auditor

Williams-Keepers
Jefferson City, Missouri

Business Consultant

MAXIMUS
Waltham, Massachusetts

Investment Consultant

Summit Strategies Group
St. Louis, Missouri

Legislative Consultant

Jim Moody
Jefferson City, Missouri

Master Trustee/Custodian

The Northern Trust Company
Chicago, Illinois

Risk Management/Insurance Consultant

The Standard Insurance Company
Portland, Oregon

Charlesworth Benefits
Overland Park, Kansas

Investment Managers

Aberdeen Asset Management
Philadelphia, Pennsylvania

Acadian Asset Management
Boston, Massachusetts

AEW Partners
Boston, Massachusetts

Albourne America
San Francisco, California

Apollo Real Estate
New York, New York

AQR Capital Management
Greenwich, Connecticut

Artisan Partners
Milwaukee, Wisconsin

AXA Rosenberg
Orinda, California

Barclays Global Investors
San Francisco, California

BlackRock, Inc.
New York, New York

Bridgewater Associates
Westport, Connecticut

Enhanced Investment Technologies (INTECH)
Palm Beach Gardens, Florida

GMO
Boston, Massachusetts

Investment Managers

Grove Street Advisors
Wellesley, Massachusetts

ING Clarion
New York, New York

Julius Baer Investment Management
New York, New York

Och-Ziff Real Estate
New York, New York

Pinnacle Associates
New York, New York

Principal Global Investors
Des Moines, Iowa

RMK Timberland
Winston-Salem, North Carolina

Rothschild Asset Management
New York, New York

Silchester International Investors Limited
New York, New York

The Northern Trust Company
Chicago, Illinois

Urdang
Plymouth Meeting, Pennsylvania

Western Asset Management Company
Pasadena, California

Notes

Financial Section

WILLIAMS
KEEPERS LLC
3220 West Edgewood, Suite E ▪ Jefferson City, MO 65109 ▪ 573/635-6196 ▪ 573/635=8394 fax
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

JEFFERSON CITY
COLUMBIA
MEXICO

The Board of Trustees of the
Missouri Department of Transportation and
Highway Patrol Employees' Retirement System

We have audited the accompanying statement of plan net assets of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (the System) as of June 30, 2006 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the System as of June 30, 2005, were audited by other auditors whose report dated September 14, 2005, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. These 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 and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Missouri Department of Transportation and Highway Patrol Employees' Retirement System at June 30, 2006 and the changes in plan net assets for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 2 through 4 and the schedules of funding progress and employer contributions on pages 19 and 20 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The required supplementary information is the responsibility of management of the System. Limited procedures were applied by other auditors to the required supplemental information for the years ended June 30, 2005, 2004, 2003, 2002, and 2001 and the management's discussion and analysis for the years ended June 30, 2005 and 2004. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information, for the year ended June 30, 2006. 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 information included on pages 21 through 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the System. Such information has 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.

Williams-Keepers

September 15, 2006

The management of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (the System, or MPERS) provides this discussion and analysis of the System's financial performance during fiscal year 2006 (FY06) and fiscal year 2005 (FY05). While this discussion is intended to summarize the financial status of the System, readers should consider this information in conjunction with the information that is furnished in the more detailed financial statements.

BASIC FINANCIAL STATEMENTS DESCRIPTIONS

As required by the Governmental Accounting Standards Board (GASB) accounting standards, this financial report consists of Management's Discussion and Analysis (this section), the basic financial statements (including notes to the basic financial statements), and other required supplementary information.

Financial Statements report information about the System, using accounting methods similar to those used by private-sector companies, by using the economic resources measurement focus and accrual basis of accounting. These statements provide both long-term and short-term information about the System's overall financial status. These statements follow this Management's Discussion and Analysis section:

- The *Statement of Plan Net Assets* includes all the System's assets and liabilities, with the difference between the two reported as net assets.
- The *Statement of Changes in Plan Net Assets* accounts for all the current year's additions (income) and deductions (expenses), regardless of when cash is received or paid.

Notes to the Financial Statements are included following the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Required Supplementary Information follows the notes and further supports the information in the financial statements.

FINANCIAL ANALYSIS

Following is summarized data from the financial statements for the years ending June 30, 2006, 2005 and 2004. The section titled "Assessment of Overall Financial Position and Results of Operations" provides explanation and analyses of the major reasons for changes in the condensed financial statements.

CONDENSED FINANCIAL STATEMENTS

The System's combined net assets were $1.598 billion at the end of FY06, an increase of $157 million over the beginning balance of $1.441 billion.

The System's investments represent the main component (92%) of total assets. The System's investments include holdings of stock, government sponsored enterprises, bonds, mortgages, real estate, timber, securities lending collateral, limited partnerships, and other fixed income investments.

The largest component within accounts payable is securities lending collateral. This represents the amount owed for collateral to be returned as the result of securities lent, which is a direct offset to the corresponding asset, included in cash and receivables.

Summarized Statement of Plan Net Assets
(in thousands of dollars)

	6/30/2006	6/30/2005	6/30/2004
Cash and Receivables	$ 18,259	$ 32,942	$ 23,486
Investments	1,595,468	1,416,616	1,335,423
Invested Securities Lending Collateral	118,819	158,193	150,085
Capital Assets	653	691	708
Other Assets	2	8	157
Total Assets	$ 1,733,201	$ 1,608,450	$ 1,509,859
Accounts Payable	16,452	9,188	6,319
Securities Lending Collateral	118,819	158,193	150,085
Long-Term Debt	10	14	18
Total Liabilities	$ 135,281	$ 167,395	$ 156,422
Total Net Assets	**$ 1,597,920**	**$ 1,441,055**	**$ 1,353,437**

Net investment income, a primary component of plan additions, resulted in a gain of $212.2 million. This is a 46.71% increase over the net gain of $144.6 million in FY05. The section below further describes and analyzes the major changes between the fiscal years.

Summarized Statement of Changes in Plan Net Assets
(in thousands of dollars)

	6/30/2006	6/30/2005	6/30/2004
Contributions	$ 111,543	$ 102,605	$ 87,568
Net Investment Income	212,206	144,641	180,911
Other Income	41	31	34
Total Additions	$ 323,790	$ 247,277	$ 268,513
Benefits	164,997	157,742	154,987
Administrative Expenses	1,928	1,917	1,639
Total Deductions	$ 166,925	$ 159,659	$ 156,626
Change in Net Assets	$ 156,865	$ 87,618	$ 111,887
Net Assets, Beginning of Year	1,441,055	1,353,437	1,241,550
Net Assets, End of Year	**$ 1,597,920**	**$ 1,441,055**	**$ 1,353,437**

ASSESSMENT OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Overall, the financial position of the Retirement System improved by $157 million, reported as the "change in net assets."

The main component of the increase in contributions to the System is in employer contributions. The contribution rate, based on an actuarial recommendation approved by the Board of Trustees, increased effective July 1, 2005. The rate applied to non-uniformed payroll (MoDOT, Civilian Patrol, and MPERS) increased from 28.28% to 30.49%. The rate applied to Uniformed Patrol payroll increased from 43.54% to 44.27%. Similar rate increases occurred in FY05 compared to FY04. These increases were to improve the funded ratio of the System.

Net Investment Income totaled $212.2 million in FY06, representing a 14.97% return for the period. This return compares very favorably to the System's assumed actuarial rate of return of 8.25%, with the total income showing an increase of 46.71% relative to FY05. The return of the System's policy benchmark (the return that would have been earned by investing passively across the broad investment markets) was 12.43% in FY06, up 1.23% when compared to an 11.2% return in FY05. Annual fluctuations within the broad investment markets are outside of the control of the System, and are expected to fluctuate from year to year. The Board of Trustees has approved a diversified asset allocation that, over time, is expected to realize the assumed actuarial rate of return of 8.25%.

CURRENTLY KNOWN FACTS AND RECENT EVENTS

The Board of Trustees approved an increase in the required state contribution, effective July 1, 2006. The rate applied to non-uniformed payroll (MoDOT, Civilian Patrol, and MPERS) will increase from 30.49% to 31.10%. The rate applied to Uniformed Patrol payroll will increase from 44.27% to 44.28%. This increase is intended to improve the funded ratio of the System.

CONTACTING THE SYSTEM'S MANAGEMENT

This financial report is designed to provide a general overview of the System's finances. Questions about this report or requests for additional financial information should be sent to the MoDOT and Patrol Employees' Retirement System, P.O. Box 1930, Jefferson City, MO 65102-1930.

Statement of Plan Net Assets

	2006	2005
ASSETS:		
Cash	$ 43,242	$ 1,503,493
Receivables		
Contributions	4,705,398	4,349,255
Accrued interest and income	3,264,658	3,021,777
Investment sales	9,695,370	23,613,763
Other	549,847	453,272
Total receivables	18,215,273	31,438,067
Investments, at fair value (Note 2)		
Stocks and rights/warrants	$ 755,607,984	$ 767,671,130
Government obligations	19,995,631	21,313,643
Corporate bonds	20,290,346	26,048,372
Timberland	24,928,148	27,913,195
Real estate	206,226,030	162,914,638
Mortgages and asset-backed securities	51,035,766	54,494,644
Absolute return	249,143,634	236,467,800
Tactical fixed income	75,289,564	104,082,785
Short term investments	140,652,835	15,709,943
Venture capital & partnerships	52,298,214	-
Total investments	1,595,468,152	1,416,616,150
Invested securities lending collateral	$ 118,819,364	$ 158,192,848
Prepaid expenses	1,914	8,025
Capital assets		
Land	84,000	84,000
Building	581,619	581,619
Equipment	122,751	120,989
Accumulated depreciation	(135,560)	(95,831)
Net capital assets	652,810	690,777
TOTAL ASSETS	**$ 1,733,200,755**	**$ 1,608,449,360**
LIABILITIES:		
Capital lease	$ 10,206	$ 14,202
Accounts payable	2,112,487	1,911,766
Accrued BackDROP payments payable	5,970	44,865
Security lending collateral	118,819,364	158,192,848
Investment purchases	14,332,658	7,231,106
TOTAL LIABILITIES	**$ 135,280,685**	**$ 167,394,787**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**$ 1,597,920,070**	**$ 1,441,054,573**

(A schedule of funding progress is presented on page 44.)

See accompanying Notes to Financial Statements.

Statement of Changes in Plan Net Assets

	2006	2005
ADDITIONS:		
Contributions-employer	$ 111,271,679	$ 102,240,145
Contributions-other	271,038	364,680
Total contributions	111,542,717	102,604,825
Investment income - from investing activities		
Net appreciation and income	$ 224,165,361	$ 152,402,693
Less: investment expenses	(12,453,181)	(8,268,303)
Net investment income	211,712,180	144,134,390
Investment income - from securities lending activities		
Security lending gross income	$ 5,592,832	$ 3,793,092
Less: investment expenses	(5,098,774)	(3,286,414)
Net investment income	494,058	506,678
Other income	$ 41,542	$ 31,104
TOTAL ADDITIONS	**$ 323,790,497**	**$ 247,276,997**
DEDUCTIONS:		
Monthly benefits	$ 164,997,406	$ 157,742,337
Administrative expenses	1,927,594	1,916,592
TOTAL DEDUCTIONS	**$ 166,925,000**	**$ 159,658,929**
NET INCREASE (DECREASE)	$ 156,865,497	$ 87,618,068
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	**1,441,054,573**	**1,353,436,505**
End of year	**$ 1,597,920,070**	**$ 1,441,054,573**

See accompanying Notes to Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

As established under Section 104.020, the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) is a body corporate and an instrumentality of the State of Missouri. Due to the nature of MPERS reliance on funding from MoDOT and the Highway Patrol, and control of the overall plan document by the legislative and executive branches of state government, MPERS is considered a part of the State of Missouri financial reporting entity and is included in the state's financial reports as a component unit shown as a pension trust fund.

Note 1 (a) - Basis of Accounting

The financial statements were prepared using the accrual basis of accounting. Contributions are due to MPERS when employee services have been performed and paid. Contributions are recognized as revenues when due, pursuant to statutory requirements. Benefits are recognized when due and payable and expenses are recorded when the corresponding obligations are incurred. Dividend income is recognized when dividends are declared. Interest income is recognized when earned.

Note 1 (b) - 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 and timber investments are based on net asset value estimates provided by the general partners' administrators or portfolio managers, which are compared to independent appraisals. Investments that do not have an established market are reported at estimated fair value. The fair value of the absolute return and venture capital and partnership portfolios are based on valuations of the underlying companies as reported by the general partner or portfolio manager.

Note 1 (c) - Capital Assets

MPERS capitalizes assets with an expected useful life greater than one year with a cost of greater than $1,000. Capital assets 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 – 10 years
Building and Improvements	30 years

Note 1 (d) - Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

NOTE 2 – PLAN DESCRIPTION:

MPERS, established under Section 104.020, is a body corporate and an instrumentality of the state as a multiple-employer, public employee retirement system with two primary benefit structures known as the Closed Plan and the Year 2000 Plan. These plans provide retirement, survivor, and disability benefits for employees of MoDOT, the Highway Patrol, and MPERS staff. These plans are administered in accordance with the requirements of a cost sharing, multiple-employer, public employee retirement plan and in accordance with the Revised Statutes of Missouri. In MPERS are vested the powers and duties specified in sections 104.010 to 104.312 and 104.601 to 104.805 and 104.1003 to 104.1093, RSMo., and such other powers as may be necessary or proper to enable it, its officers, employees, and agents to carry out fully and effectively all the purposes outlined pursuant to these sections. Responsibility for the operation and administration of the system is vested in the Board of Trustees. Detailed information regarding contributions can be found in Note 5.

Generally, all covered employees hired before July 1, 2000 are eligible for membership in the Closed Plan. Generally, all covered employees hired on or after July 1, 2000 are eligible for membership in the Year 2000 Plan.

Membership in the Closed and Year 2000 Plans consists of the following:

	FY06		FY06	FY05
	Closed	Year 2000	Total	Total
Retirees, beneficiaries, and disabilities currently receiving benefits	5,216	1,755	6,971	6,835
Terminated employees entitled to but not yet receiving benefits	1,483	19	1,502	1,370
Active employees				
Vested	5,987	685	6,672	6,439
Non-Vested	629	1,709	2,338	2,727
Total membership	13,315	4,168	17,483	17,371

Closed Plan Description
Employees covered by the plan are fully vested for benefits upon receiving five years of creditable service. Under the Closed Plan, MoDOT and civilian employees may retire with full benefits upon the earliest of attaining:

- Age 65 with 4 or more years of creditable service (active);
- Age 65 with 5 or more years of creditable service (terminated & vested);
- Age 60 with 15 or more years of creditable service (active or terminated & vested); or
- "Rule of 80" – at least age 48 with sum of your age and service equaling 80 or more (active or terminated & vested).

For uniformed patrol members the following provisions apply:

- Age 55 with 4 or more years of creditable service (active);
- Age 55 with 5 or more years of creditable service (terminated & vested);
- "Rule of 80" – at least age 48 with sum of your age and service equaling 80 or more (active or terminated & vested); or
- Mandatory retirement at age 60 (active).

All non-uniformed members may retire early with reduced benefits at age 55 with at least 10 years of creditable service.

The base benefit in the Closed Plan is equal to 1.6% multiplied by the final average pay multiplied by years of creditable service. For members of the uniformed patrol, the base benefit is calculated by applying the same formula and then multiplying the product by 1.333333.

Retired uniformed members will receive an additional benefit of $90 per month (plus COLAs) until attainment of age 65. This payment however, is reduced by any amount earned during gainful employment. This benefit is not available to uniformed members hired after January 1, 1995.

For members employed prior to August 28, 1997, cost-of-living adjustments (COLAs) are provided annually based on 80% of the change in the consumer price index for all urban consumers for the United States (CPI-U) with a minimum rate of 4%, and a maximum rate of 5%, until the cumulative amount of COLAs equals 65% of the original benefit. Thereafter the 4% minimum rate is eliminated and the annual COLAs rate will be equal to 80% of the increase in the CPI-U with an annual maximum of 5%. For members employed on or after August 28, 1997, COLAs are provided annually based on 80% of the increase in the CPI-U up to a maximum rate of 5%.

The BackDROP is a payment option that is available to eligible members upon retirement. This option provides for a benefit to be calculated as if the member elected to retire at a previous date. If the BackDROP is elected, the monthly benefit payable on the actual retirement date is based on the benefit that would have been received by the member had he/she left employment and retired on the BackDROP date. In addition, the member will receive a lump sum payment equal to 90% of the life income annuity amount the member would have received during the BackDROP period. This lump sum amount includes any temporary benefits, COLAs and other benefit increases; also, credit will be received for the unused sick leave balance as of the date of retirement.

The life income annuity payment option (which contains no provision for survivorship) and the life income with 60 or 120 month guaranteed payment options are available to all members. Joint and 50% or 100% survivor options are available if married at the time of retirement. In the Closed Plan, the reduction for the joint & 100% survivor option is based on the difference between the age of the member and the survivor. There is no reduction for the joint and 50% survivor option.

If a reduced joint and survivor option is chosen at the time of retirement and the spouse precedes the member in death, the benefit will revert back (pop-up) to a normal annuity.

Members may name a new spouse if:

- They were single at retirement and since married;
- They elected a spouse option at the time of retirement and the spouse preceded the member in death and then a remarriage occurred.

The member has one year from the date of marriage to re-elect and name a new spouse.

All members who retire from active employment or begin receiving normal or work-related disability benefits on or after September 28, 1985, are provided a $5,000 death benefit payable to designated beneficiaries.

Year 2000 Plan Description
Employees covered by the plan are fully vested for benefits upon receiving five years of creditable service. Under the Year 2000 Plan, MoDOT and civilian employees may retire with full benefits upon the earliest of attaining:

- Age 62 and with 5 or more years of creditable service (active or terminated & vested);
- "Rule of 80" – at least age 48 with sum of your age and service equaling 80 or more (active or terminated & vested).

For uniformed patrol members the following provisions apply:

- "Rule of 80" – at least age 48 with sum of your age and service equaling 80 or more (active or terminated & vested);
- Mandatory retirement at age 60 with 5 or more years of creditable service (active only).

All members may retire early with reduced benefits at age 57 with at least 5 years of creditable service.

The base benefit in the Year 2000 Plan is equal to 1.7% multiplied by the final average pay multiplied by years of creditable service. For those retiring under the Rule of 80, an additional temporary benefit equivalent to 0.8% multiplied by final average pay multiplied by years of creditable service is payable until age 62.

COLAs are provided annually based on 80% of the change in the CPI-U up to a maximum rate of 5%.

The BackDROP is a payment option that may be available to members upon retirement. This option provides for a monthly benefit to be calculated as if the member elected to retire at a previous date. If the BackDROP is elected, the monthly benefit payable on the actual retirement date is based on the benefit that would have been received by the member had they left employment and retired on the BackDROP date. In addition, the member will receive a lump sum payment equal to 90% of the life income annuity amount the member would have received during the BackDROP period. This lump sum amount includes any temporary benefits, COLAs and other benefit increases; also, credit will be received for the unused sick leave balance as of the date of retirement.

The life income annuity payment option (with no provision for survivorship) and the life income with 120 or 180 months guaranteed payment options are available to all members. Joint and 50% or 100% survivorship options are available if married at the time of retirement. The reduction for the joint and 50% or 100% survivor options are based on the member's age at retirement, as well as the age difference between the age of the member and the survivor.

If a reduced joint and survivor option is chosen at the time of retirement and the spouse precedes the member in death, the benefit will revert back (pop-up) to a normal annuity.

Members may name a new spouse if:

- They were single at retirement and since married;
- They elected a spouse option at the time of retirement and the spouse preceded the member in death and then a remarriage occurred.

The member has one year from the date of marriage to re-elect and name a new spouse.

All members who retire from active employment or begin receiving work related disability benefits on or after July 1, 2000, are provided a $5,000 death benefit payable to designated beneficiaries.

Additionally, administrative expenses for both plans are financed through the contribution rate.

NOTE 3 – DEPOSITS AND INVESTMENTS:

The Board of Trustees has established policies and procedures by which funds are invested by bank custodians and investment managers. Section 104.150, RSMo., provides the authority for the Board to invest System funds.

Note 3 (a) - Deposit and Investment Policies

Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. Unless otherwise permitted under an investment management agreement, MPERS policies limit each equity manager to investing a maximum of 5% of the market value of the portfolio in any single company. Similarly, fixed income managers are limited to investing 3% of the portfolio into obligations of a single corporation unless authorized in the investment management agreement. Obligations of the U.S. Government or U.S. Government agencies may be held in any amount.

Investment Custodial Credit Risk
Custodial credit risk is an investment risk in that, in the event of the failure of the counterparty to a transaction, MPERS will not be able to recover the value of its investment or the collateral securities in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in MPERS name, and are held by either: a) the counterparty or b) the counterparty's trust department or agent but not in MPERS name. It is MPERS policy to require all investments be clearly marked as to ownership and, to the extent possible, registered in MPERS name.

Cash Deposit Custodial Credit Risk
Cash deposit custodial credit risk is the risk that, in the event of the failure of depository financial institution, MPERS will not be able to recover deposits or will not be able to recover collateral securities in the possession of an outside party. Missouri state law requires all public funds be collateralized with acceptable securities having market values of at least 100% of the amount of funds on deposit (less any amount covered by FDIC insurance).

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. MPERS' formal investment policy does not limit investment maturities as a means of managing its exposure to interest rates. Interest rate risk is most prevalent within the fixed income allocation, where the Board of Trustees has set a target allocation as reflected in the investment policy. MPERS investments include terms related to interest rate changes. These options are incorporated into individual manager strategies. The investments include benchmark indices, reset dates, and embedded options such as calls, puts, and mortgage prepayments. All such items are reported at fair value on the Statement of Plan Net Assets.

Investment Credit Risk
Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Unless otherwise permitted under an investment management agreement, it is MPERS policy to limit fixed income managers to purchasing securities possessing a minimum credit rating of "Baa" by Moody's and "BBB" by Standard & Poor's. Issues subsequently downgraded below these ratings must be sold as soon as is prudently possible unless the Board of Trustees approves retention.

Foreign Currency Risk
Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. MPERS is subjected to foreign currency risk through its exposure to fixed income and equity investments that are denominated in a foreign currency. While the valuation of assets denominated in foreign currencies are clearly impacted by movements in exchange rates, they also provide diversification within the overall investment portfolio by offering protection against a depreciating U.S. dollar. To manage foreign currency risk, the Board of Trustees established a formal investment policy that includes target and permissible ranges of foreign securities within the investment portfolio.

Note 3 (b) - Cash Deposits

Cash balances include short-term securities held by the custodial bank to meet future obligations and operating balances held by the depository bank. As of June 30, 2006 and 2005, MPERS had carrying amount of deposits of ($1,314,549) and ($1,396,770), respectively, and a bank balance of $219 and $280, respectively. The FDIC covered the bank balances. To maximize investment income, cash is invested in overnight repurchase agreements, thus causing the negative cash amounts disclosed above. The balances in these repurchase agreements for 2006 and 2005 were $1,357,791 and $2,900,263 respectively. As of June 30, 2006 and 2005, no investments were held as repurchase agreements that were uninsured or unregistered, with securities held by the counter party or by its trust department or agent but not in MPERS name.

Note 3 (c) - Concentrations

No investments in any one organization (other than those issued or sponsored by the U.S. government and those in pooled investments) represent five percent of plan net assets.

Note 3 (d) – Investments

The following table presents the summary of MPERS investments by type at June 30, 2006 and 2005.

	2006 Carrying Amount	2006 Fair Value	2005 Carrying Amount	2005 Fair Value
Government Obligations	$ 20,504,263	$ 19,995,631	$ 20,976,036	$ 21,313,643
Corporate Bonds	21,212,711	20,290,346	25,896,948	26,048,372
Stock and Rights/Warrants	671,472,494	755,607,984	678,266,889	767,671,130
Real Estate	163,032,421	206,226,030	146,464,302	162,914,638
Timber	19,664,395	24,928,148	20,491,194	27,913,195
Mortgages & Asset-Backed Securities	52,186,516	51,035,766	54,164,832	54,494,644
Absolute Return	231,509,903	249,143,634	231,134,646	236,467,800
Tactical Fixed Income	70,786,773	75,289,564	100,379,667	104,082,785
Venture Capital & Partnerships	54,019,467	52,298,214	0	0
Short-term Investments	142,020,754	142,010,626	18,615,157	18,610,206
Securities Lending Collateral	118,819,364	118,819,364	158,192,848	158,192,848
Total Investments	$1,565,229,061	$1,715,645,307	$1,454,582,519	$1,577,709,261
Reconciliation to Statement of Plan Net Assets:				
Less: Repurchase Agreements		$ (1,357,791)		$ (2,900,263)
Less: Securities Lending Collateral		(118,819,364)		(158,192,848)
Investments per Statement of Plan Net Assets		$1,595,568,152		$1,416,616,150

Note 3 (e) – Investment Interest Rate Risk

The following table summarizes the maturities of government obligations, corporate bonds, mortgages and asset-backed securities, and tactical fixed income on the Statement of Plan Net Assets, which are exposed to interest rate risk.

Investment Type	Fair Value	Investment Maturities (in years) Less than 1	1 - 5	6 - 10	More than 10
Asset-Backed Securities	$ 7,096,297	$ 0	$ 691,518	$ 0	$ 6,404,779
Commercial Mortgage-Backed Securities	30,624,244	0	0	586,170	30,038,074
Corporate Bonds	20,290,346	0	4,494,598	4,354,120	11,441,628
Government Bonds	13,921,439	1,945,963	4,468,783	4,187,759	3,318,934
Government Mortgage' Backed Securities	13,315,224	0	300,174	1,184,088	11,830,962
Municipal/Provincial Bonds	6,074,192	593,544	0	3,478,824	2,001,824
Total	$ 91,321,742	$2,539,507	$9,955,073	$13,790,961	$65,036,201
Pooled Investments	75,289,564				
Grand Total	$166,611,306				

Note 3 (f) – Investment Credit Ratings

The following tables summarize the credit ratings of government obligations, corporate bonds, mortgages and asset-backed securities, and tactical fixed income on the Statement of Plan Net Assets.

Investment Type	S&P Rating	6/30/06 Fair Value	6/30/05 Fair Value
Asset-Backed Securities	A	$ 135,349	$ 3,125,623
Asset-Backed Securities	AAA	6,960,948	3,430,348
Commercial Mortgage-Backed Securities	AA	495,208	0
Commercial Mortgage-Backed Securities	AAA	23,558,547	4,654,481
Commercial Mortgage-Backed Securities	not rated	6,570,489	1,035,427
Corporate Bonds	A	1,904,163	8,405,818
Corporate Bonds	A-	3,252,305	0
Corporate Bonds	A+	1,195,382	0
Corporate Bonds	AAA	1,215,170	2,683,941
Corporate Bonds	BB+	1,229,877	1,541,104
Corporate Bonds	BBB	2,467,475	11,607,742
Corporate Bonds	BBB-	2,813,368	0
Corporate Bonds	BBB+	2,718,072	0
Corporate Bonds	not rated	3,494,534	1,809,767
Government Agencies	Agency	0	477,357
Government Bonds	Treasury	0	413,192
Government Bonds	AAA	13,921,439	12,382,384
Government Bonds	B	0	243,252
Government Mortgage-Backed Securities	Agency	11,782,250	36,854,354
Government Mortgage-Backed Securities	not rated	1,532,974	1,566,140
Municipal/Provincial Bonds	A	931,930	1,026,140
Municipal/Provincial Bonds	AAA	5,142,262	0
Pooled Investments	A	0	63,386,772
Pooled Investments	AAA	0	40,696,013
Pooled Investments	not rated	75,289,564	0
Total		$166,611,306	$205,939,444

Note 3 (g) – Investment Foreign Currency Risk

MPERS exposure to foreign currency risk as of June 30, 2006 and 2005 was as follows:

Foreign Currency	Cash and Equivalents	Equities	6/30/06 Total	6/30/05 Total
Australian dollar	$ 811,433	$ 8,838,346	$ 9,649,779	$ 20,315,231
British pound sterling	1,117,142	50,166,965	51,284,107	50,381,507
Canadian dollar	67,787	16,654,840	16,722,627	16,267,164
Czech koruna	(704,605)	2,135,043	1,430,438	71,673
Danish krone	128,337	1,070,889	1,199,226	1,724,925
Euro	720,191	137,257,900	137,978,091	91,851,985
Hong Kong dollar	714,508	10,665,116	11,379,624	12,258,472
Hungarian forint	0	0	0	(380,329)
Indonesian rupiah	0	202,866	202,866	588,265
Japanese yen	9,621,072	56,712,548	66,333,620	67,199,547
Lithuanian litas	0	0	0	43,958
Mexican peso	9,842	631,678	641,520	851,916
New Zealand dollar	24,183	461,980	486,163	503,522
Norwegian krone	1,710,820	2,477,091	4,187,911	9,205,827
Philippine peso	0	131,754	131,754	303,119
Polish zloty	(816,441)	0	(816,441)	(1,497,667)
Singapore dollar	14,389	1,132,336	1,146,725	1,919
South African rand	3,676	0	3,676	1,867,100
South Korean won	11,332	2,465,690	2,477,022	1,088,466
Swedish krona	276,972	6,551,156	6,828,128	11,015,388
Swiss franc	96,744	19,125,896	19,222,640	21,099,496
Thai baht	254	241,901	242,155	234
Turkish lira	(430,474)	4,486,978	4,056,504	8,714,298
Total Exposure Risk	$13,377,162	$321,410,973	$334,788,135	$313,476,016

Note 3 (h) – Securities Lending

In accordance with the Board of Trustees' investment policy, MPERS participates in a securities lending program. The Northern Trust Company administers the program. There are no restrictions on the amount of securities that may be lent.

Securities that may be loaned include U.S. government and agency securities, corporate equity, and fixed income securities. Collateral may include cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned in exchange for collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned in exchange for collateral valued at 105% of the market value of the securities plus any accrued interest. On June 30, 2006 and 2005 MPERS had no credit risk exposure to borrowers, since the amount of collateral exceeded the amount of the loans.

Non-cash collateral cannot be pledged or sold unless the borrower defaults. The average term of the System's loans was approximately 108 days and 99 days, as of June 30, 2006 and June 30, 2005, respectively. Cash open collateral is invested in a short-term investment pool, which had an interest sensitivity of 41 days and 28 days, as of June 30, 2006 and June 30, 2005, respectively. Cash collateral may also be invested separately in "term loans", in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower. There were no known violations of legal or contractual provisions, or borrower or lending agent default losses. There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited on approximately the fifteenth day of the following month.

Indemnification deals with a situation in which a client's securities would not be returned due to the insolvency of a borrower and Northern Trust would fail to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral.

The collateral held (including both cash collateral recognized in the Statement of Plan Net Assets and non-cash collateral) were as follows:

Investment Type	2006	2005
Equities	$104,319,294	$147,714,305
Government & government sponsored securities	13,934,935	12,758,545
Corporate bonds	6,012,091	3,964,701
	$124,266,320	$164,437,551

NOTE 4 – RECEIVABLES:

Receivables consist primarily of pending investment trades, interest and dividends, and employer contributions to be remitted in July 2006.

Type	2006	2005
Contributions-MoDOT	$ 3,224,827	$ 2,990,566
Contributions-MSHP Non-Uniformed	476,568	426,150
Contributions-MSHP Uniformed	995,356	924,830
Contributions-Retirement System	8,647	7,709
Commission Recapture	1,952	1,372
Securities Lending	545,315	417,370
Amounts Due From Members	2,580	34,530
Investment Interest & Income	3,264,658	3,021,777
Investment Sales	9,695,370	23,613,763
	$18,215,273	$31,438,067

NOTE 5 – CONTRIBUTIONS:

MoDOT, the Highway Patrol, and MPERS make contributions to the System. As a non-contributory defined benefit plan, employees do not contribute to the System. MPERS 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 30-year period, beginning July 1, 2006). (The objective is to reduce the period by one year each year.) 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.

Required employer contributions totaling $111,271,679 and $102,240,145 for fiscal years 2006 and 2005, respectively, represent funding of normal costs and amortization of the unfunded accrued liability. Actual contributions made were 100% of required contributions. Contribution rates determined by the System's actuary for the years ended June 30, 2006 and 2005 are shown below. The Board established actual rates to be the same as the actuarially determined rates.

Total Contribution Rate			
2006		2005	
MoDOT, MPERS & Civilian Patrol	Uniformed Patrol	MoDOT, MPERS & Civilian Patrol	Uniformed Patrol
30.49%	44.27%	28.28%	43.54%

NOTE 6 – RELATED PARTY TRANSACTIONS:

MPERS reimbursed the Missouri Department of Transportation for accounting services in FY06, and for accounting, legal and information technology services in FY05. This amounted to administrative expenses of $52,304 and $113,946 during FY06 and FY05, respectively.

The Missouri Department of Transportation rents office space from MPERS. This contract is effective from June 2003 through May 2007. This amounted to other income of $31,104 during both FY06 and FY05, respectively.

NOTE 7 – PERSONAL SERVICES AND RETIREMENT PLAN:

MPERS employed 12 full-time employees on June 30, 2006 and 2005. Three former MPERS employees have retired. Full-time employees are also members of the System. For these employees, MPERS accrued 30.49% of payroll during FY06, amounting to $209,301; and 28.28% of payroll during FY05, amounting to $174,226. This amount has been recorded as both a contribution and administrative expense. Information regarding the retirement plans can be found in Notes 2 and 5.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS:

In addition to the retirement benefits described above, MPERS provides a portion of health care insurance, in accordance with Missouri state statutes, for its employees who retired from the System with a minimum of 5 years of state service and who participate in the MoDOT and Patrol Insurance Plan. MPERS and participant contributions are established by the Insurance Plan's Board of Trustees and are approved by the Missouri Highways and Transportation Commission. There are currently two eligible participating retirees. Costs are recognized on a pay-as-you-go basis, with a cost of $4,055 and of $2,681 for FY06 and FY05, respectively, representing approximately 48% of the total insurance cost.

NOTE 9 – CAPITAL ASSETS:

Changes in capital assets are summarized below (in thousands):

	06/30/05 Balance	Additions	Deletions/ Retirements	06/30/06 Balance
Land	$ 84	$ 0	$0	$ 84
Buildings	582	0	0	582
Office Equipment	121	2	0	123
Less: Accumulated Depreciation	96	40	0	136
Total	$691	$(38)	$0	$653

	06/30/04 Balance	Additions	Deletions/ Retirements	06/30/05 Balance
Land	$ 84	$ 0	$0	$ 84
Buildings	582	0	0	582
Office Equipment	110	19	8	121
Less: Accumulated Depreciation	68	35	7	96
Total	$708	$(16)	$1	$691

NOTE 10 – LONG-TERM OBLIGATIONS - CAPITAL LEASES:

MPERS entered into a capital lease-purchase agreement in 2004 for a Xerox Workcentre Pro requiring monthly installments of $413 through September 30, 2008, interest at 7.774%. The cost of the copier/printer is $22,490 and is included in capital assets. Changes in long-term obligations were as follows:

Type	6/30/05 Balance	Additions	Reductions	6/30/06 Balance
Capital Lease	$14,202	$0	$3,996	$10,206

Type	6/30/04 Balance	Additions	Reductions	6/30/05 Balance
Capital Lease	$17,899	$0	$3,697	$14,202

Future principal and interest requirements for the lease-purchase are as follows:

Year Ending June 30	Amount
2007	$ 4,959
2008	4,959
2009	1,240
Total minimum lease payments	$11,158
Less: interest amount	(952)
Present value of minimum lease payments	$10,206

NOTE 11 – OPERATING LEASES:

MPERS is committed to three leases for a copier/printer, a postage machine, and investment technology services (including equipment) through October 2007. Expenditures for the years ended June 30, 2006 and 2005 amounted to $28,864 and $27,975 respectively. Future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
2007	$29,775
2008	7,735
Total minimum lease payments	$37,510

NOTE 12 – RISK MANAGEMENT:

MPERS is exposed to various risks of loss related to natural disasters, asset theft or damage, errors and omissions, torts, and employee injuries.

MPERS has purchased commercial insurance related to capital asset loss and damage. Ancillary coverage provided through the property policy includes coverage for accounts receivable, loss of money and securities, employee dishonesty, and forgery and alterations. MPERS carries a $2 million umbrella liability policy. MPERS has coverage through Missouri Highway and Transportation Commission's Self-Insurance Fund related to workers' compensation. The State's Legal Expense Fund covers all state employees and officers, and MPERS has purchased surety bonds for the director and staff.

Schedule of Funding Progress [1]

Year Ended June 30	Actuarial Asset Value	Accrued Liability Entry Age	Unfunded Accrued Liability (UAAL)	Funded Ratio	Actuarial Covered Payroll	UAAL as a Percentage of Covered Payroll
2001	$1,520,800,409	$2,301,402,527	$ 780,602,118	66.08%	$323,400,023 [2]	241.37%
2002	1,450,507,432	2,358,452,163	907,944,731	61.50	308,654,239 [2]	294.16
2003	1,363,952,522	2,418,145,741	1,054,193,219	56.20	319,345,949 [2]	330.11
2004	1,331,588,207	2,492,918,976	1,161,330,769	53.41	316,224,468 [2]	367.25
2005 [3]	1,417,348,982	2,627,409,025	1,210,060,043	53.94	334,030,151 [2]	362.26
2006	1,521,142,953	2,740,437,837	1,219,294,884	55.51	341,227,890 [2]	357.33

(1) Prior to 2003 this schedule was not required for the LTD Plan because it used the aggregate funding method. Therefore the assets and liabilities were excluded prior to 2003. In 2003 the LTD Plan was merged into the base plan. Assets and liabilities for existing LTD members are included beginning in 2003.

(2) Values are estimated from contribution rate and amount.

(3) New assumptions adopted.

Notes to 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, 2006
Actuarial Cost Method .... Entry Age Normal
Amortized Method .... Level percent of payroll
Remaining Amortization Period .... 29 years from July 1, 2007
Amortization Approach .... Closed
Asset Valuation Method .... 3-year smoothing
Actuarial Assumptions:
  Investment Rate of Return 8.25%
  Projected Salary Increase .... 3.75% to 11.75%
  Cost-of-Living Adjustments .... 2.6% Compound
  Includes Wage Inflation at 3.75%

Schedule of Employer Contributions [1]

Uniformed Patrol

Year Ended June 30	Estimated Covered Payroll	Actual Employer Contributions	Actual Employer Contribution %	Annual Required Contribution (ARC) %	Annual Pension Cost	Percentage of APC Contributed
2001	$50,088,675 [2]	$17,500,983	34.94%	34.94%	$17,500,983	100.00%
2002	47,681,512 [2]	16,659,920	34.94	34.94 [4]	16,659,920	100.00
2003	48,172,519 [2]	16,831,478	34.94	34.94 [4]	16,831,478	100.00
2004	46,333,484 [2]	17,792,058	38.40	38.40	17,792,058	100.00
2005 [3]	50,959,490 [2]	22,187,762	43.54	43.54	22,187,762	100.00
2006	54,443,639 [2]	24,102,199	44.27	44.27	24,102,199	100.00

(1) Prior to 2003 this schedule was not required for the LTD Plan because it used the aggregate funding method. Therefore the assets and liabilities were excluded prior to 2003. In 2003 the LTD Plan was merged into the base plan. Assets and liabilities for existing LTD members are included beginning in 2003.

(2) Values are estimated from contribution rate and amount.

(3) New assumptions adopted.

(4) The ARC is the rate adopted by the Retirement Board. This rate exceeded the actuarially calculated rate.

MoDOT, Civilian Patrol & MPERS [5]

Year Ended June 30	Estimated Covered Payroll	Actual Employer Contributions	Actual Employer Contribution %	Annual Required Contribution (ARC) %	Annual Pension Cost	Percentage of APC Contributed
2001	$273,311,348 [2]	$63,654,213	23.29%	23.29 %	$63,654,213	100.00%
2002	260,972,727 [2]	60,780,548	23.29	23.29 [4]	60,780,548	100.00
2003	271,173,431 [2]	63,156,292	23.29	23.29 [4]	63,156,292	100.00
2004	269,890,983 [2]	68,932,856	25.54	25.54	68,932,856	100.00
2005 [3]	283,070,661 [2]	80,052,383	28.28	28.28	80,052,383	100.00
2006	286,784,251 [2]	87,440,518	30.49	30.49	87,440,518	100.00

(1) Prior to 2003 this schedule was not required for the LTD Plan because it used the aggregate funding method. Therefore the assets and liabilities were excluded prior to 2003. In 2003 the LTD Plan was merged into the base plan. Assets and liabilities for existing LTD members are included beginning in 2003.

(2) Values are estimated from contribution rate and amount.

(3) New assumptions adopted.

(4) The ARC is the rate adopted by the Retirement Board. This rate exceeded the actuarially calculated rate.

(5) Includes non-uniformed employees of MoDOT, Patrol, and MPERS.

MoDOT & Patrol Employees' Retirement System

Schedule of Administrative Expenses

For the Years Ended June 30, 2006 and 2005

	2006	2005
PERSONAL SERVICES:		
Salary expense	$ 635,650	$ 623,977
Employee benefit expense	405,779	314,951
Total personal services	**$ 1,041,429**	**$ 938,928**
PROFESSIONAL SERVICES:		
Actuarial services	103,680	75,800
Actuary audit services	39,000	
Computer services	199,722	270,443
Audit expense	17,000	9,725
Disability program	36,723	35,632
Consultant fees	75,175	124,330
Other	1,829	2,430
Total professional services	**$ 473,129**	**$ 518,360**
MISCELLANEOUS:		
MoDOT reimbursement	52,304	113,947
Depreciation	39,729	34,126
Meetings/travel/education	105,411	109,346
Equipment/supplies	30,106	35,565
Printing/postage	91,089	93,733
Insurance premium	9,303	4,559
Bank service charge	6,290	5,499
Building expenses	35,694	28,144
Other	43,110	34,385
Total miscellaneous	**$ 413,036**	**$ 459,304**
TOTAL ADMINISTRATIVE EXPENSES	**$ 1,927,594**	**$ 1,916,592**

MoDOT & Patrol Employees' Retirement System

Schedule of Investment Expenses

For the Years Ended June 30, 2006 and 2005

	2006	2005
INVESTMENT INCOME EXPENSES:		
Management fees		
Acadian Asset Management	$ 964,705	$ 878,042
AEW	234,375	
Apollo	205,890	
AQR	427,697	166,278
Albourne	40,000	
Artisan Partners	107,726	564,028
AXA Rosenberg	61,642	
Barclays Global Investors	1,165,514	771,528
Blackrock , Inc.	103,163	94,700
Bridgewater Associates	1,178,335	802,900
Deutsche Asset Management	242,349	181,984
GMO	704,632	174,811
Grove Street	2,000,000	
ING Clarion	612,638	275,399
Intech	417,396	446,091
Julius Baer Investment Management	801,729	735,252
Och-Ziff Real Estate	225,000	112,500
Pinnacle	50,106	
Principal Global Investors	1,104,516	736,893
RMK Timberland	205,989	263,448
Rockwood Capital Advisors		70,816
Rothschild Asset Management	200,438	659,275
Silchester International Investors	482,173	292,125
The Northern Trust Company		13,529
UMB Investment Advisors		42,943
Urdang	187,500	187,500
Western Asset Management Co.	160,472	114,710
Total management fees	**$ 11,883,985**	**$ 7,584,752**
Investment custodial fee	$ 306,951	$ 289,869
Performance management	35,854	29,125
General consultant (monitoring) fee	150,000	150,000
Other investment expenses	76,391	214,557
TOTAL INVESTMENT EXPENSES	**$ 12,453,181**	**$ 8,268,303**
SECURITIES LENDING EXPENSES:		
Borrower rebates	$ 4,887,160	$ 3,069,413
Bank fees	211,614	217,002
TOTAL SECURITIES LENDING EXPENSES	**$ 5,098,774**	**$ 3,286,414**

MoDOT & Patrol Employees' Retirement System

Schedule of Professional and Consultant Expenses

For the Years Ended June 30, 2006 and 2005

	2006	2005
Actuarial services	$ 103,680	$ 75,800
Actuary audit services	39,000	
Computer services	199,722	270,443
Audit services	17,000	9,725
Disability administrative services	36,723	35,632
Legislative consultant	20,000	22,500
Customer service, benefit delivery, and technology improvement project	48,295	95,330
Insurance consultant	6,000	6,500
Salary and benefits study	880	
Other	1,829	2,430
TOTAL PROFESSIONAL AND CONSULTANT EXPENSES	**$ 473,129**	**$ 518,360**

Investment Section

Norm Robinson
Executive Director

MoDOT & Patrol
Employees' Retirement System

Susie Dahl
Assistant Executive Director

October 1, 2006

To the Members of the MoDOT & Patrol Employees' Retirement System:

It is my pleasure to provide you with the investment section of this year's comprehensive annual financial report. This section is a supplement to the comprehensive report and provides an overview of developments and performance within the investment portfolio.

Fiscal year 2006 witnessed a number of significant events which, taken individually, could have easily been the focus of this year's report. The year kicked off with several natural disasters hitting the United States including Hurricane Katrina, the most expensive natural disaster ever on record. Throughout the year, surging worldwide demand for energy sent inflation-adjusted oil prices to the highest levels since the mid 1970's, the news media frequently discussed the impending "housing bubble" and the potential implications on the U.S. economy, and the Federal Reserve raised the Fed Funds rate eight times. The year ended with added tensions in the Middle East, including North Korea testing out their nuclear missile arsenal by launching them into the Sea of Japan. So with all these negative pressures, how does the economy manage to add millions of jobs? How does inflation manage to remain in check? And how does MPERS' investment portfolio manage to grind out a 15% investment return? The answer lies with one very powerful theme, and the focus of this year's investment report: globalization.

Today's economy has officially gone global. No longer do businesses have to look within their own borders to find a workforce, or demand for their product. The continual supply of cheap labor from China, India and other emerging markets, along with advances in technology and communications, allows firms to deploy capital in a more efficient manner. The net result is that U.S. companies have been able to reduce costs, improve productivity, and improve profitability amidst all the negative influences that took place over the past year. And U.S. consumers, regardless of how they feel about the political ramifications of a global workforce, are happy to spend their dollars on the end product. Driven in part by the attractiveness of cheap products at the store, the typical U.S. consumer continues to spend money at a record pace.

The globalization theme was clearly evident within the investment portfolio, as international equities easily outpaced the returns of domestic equity markets. For the fiscal year, the international equity benchmark returned 28.4%, easily outperforming the domestic equity benchmark of 9.6%. Emerging Markets were even more impressive, closing the year with a 35.9% return. One explanation of this return spread lies within the trend of globalization, as international companies reaped the benefits of strong global demand for their goods and services. Foreign securities also benefited from a depreciating U.S. Dollar, as the dollar ended the year lower against most major currencies. Improved regulatory and accounting standards has also led to greater stability within international markets, increasing their attractiveness relative to domestic equities.

Fortunately, MPERS' investment portfolio was positioned to take advantage of this trend. Among the many changes in recent years was an increased allocation to international equities, which was a key driver in this year's investment results. MPERS' international equity portfolio generated a 34.7% return over the fiscal year, topping its' respective benchmark by 7.6%. The combination of the overweight status to the asset class, along with strong manager performance, was the dominant factor in MPERS' relative performance for the fiscal year.

While the international equity class was the darling of this year's investment portfolio, the system also benefited from an overweight position in real estate. MPERS made its' initial investment in real estate in 2004, and was able to become fully invested in the asset class in time to participate in last year's strong performance. The NCREIF property index, MPERS' real estate benchmark, delivered a one-year return of 18.7%. While MPERS' real estate return of 17.6% lagged the benchmark, the overweight status to real estate relative to fixed income generated excess return to the portfolio. MPERS two most traditional asset classes of U.S. stocks and bonds, while trailing international equities and real estate in absolute returns, experienced strong performance relative to their respective benchmarks. Everything considered, the overall investment return of 14.97% represents an excess return of 2.43% over the broad policy benchmark, the return MPERS would earn if invested passively according to the system's broad investment policy. Relative to the ending market value of $1.59 billion, this equates to an additional $38 million of additional income to the system.

Looking forward, while the global economy has helped keep consumers happy and soften the impact of events such as natural disasters and higher oil prices, it does not come without its' own set of risks. The U.S. consumer has clearly been the driver of a strong global economy, continually tapping into their credit cards and home equity loans to maintain spending habits. The willingness and ability to finance and borrow money at low interest rates has led to a highly leveraged consumer, and one who is at risk if interest rates continue to rise. A rising rate environment not only increases borrowing costs for consumers, but it also endangers the housing market which has been a steady source of funds for consumers who tap into their home equity loans. The consumer is not alone on this issue, as the same can be said about the growing U.S. Federal budget and trade deficit, which to date has been financed by foreign countries' willingness to hold U.S. Treasuries. While foreign countries certainly have incentives to continue financing our deficit (mainly to keep U.S. interest rates low so the U.S. consumer will continue to spend), the increased dependency to foreign capital can prove problematic if this foreign demand evaporates. A drop in demand for U.S. Treasuries would send U.S. interest rates higher, again impacting the U.S. consumer's ability to consume and drive up borrowing costs for the federal government. The existing Federal budget deficit also leaves the U.S. extremely vulnerable should we witness additional acts of terrorism, which will undoubtedly cause an increase in defense spending and even wider budget deficits.

So as we manage today's portfolio, the trend of globalization once again becomes a factor, as a global marketplace entails searching outside the U.S. borders for new investment opportunities. Today's increased uncertainty suggests a more conservative investment approach for the future, and further diversification to protect the corpus of the fund. Over the coming year, we will continue to explore additional strategies and techniques to diversify the investment portfolio and generate higher risk-adjusted returns. Last year, it was international equities and real estate that provided additional returns and improved diversification within the fund, as asset classes such as fixed income and domestic equities underperformed. Looking forward, we are looking to private equity and various absolute return strategies as alternative investments that could both enhance returns and provide diversification to asset classes that fall out of favor.

In summary, I'm pleased to report that fiscal year 2006 was an exceptional year for MPERS' investment portfolio. The one year return of 14.97%, net of all manager fees, ranks in the top two percent of all funds in the ICC public fund universe (MPERS peer universe), and the 3-year annualized return of 13.6% ranks in the top eight percent of the peer universe. We have made an extraordinary amount of changes over the past few years, many of which were long-term in nature and typically take several years to benefit the system. The fact that we have seen some short-term success is simply a bonus, and suggests the best is yet to come. Before concluding, I want to thank the Board of Trustees and our Executive Director for their continued support of our efforts within the investment portfolio. The members of the system should take comfort in knowing we have a cohesive Board of Directors that is willing to set aside any personal agendas and grant staff and consultants the authority to implement the day-to-day operations of the investment portfolio. This authority is critical in allowing us to move quickly, and was certainly instrumental in positioning the portfolio to benefit from the events that unfolded over the past year.

Sincerely,

Larry Krummen, CFA

Summit Strategies Group
8182 Maryland Avenue, Suite 600
St. Louis, Missouri 63105
telephone 314/727-7211
fax 314/727-6068
www.summitstrategies.com

September 26, 2006

Mr. Norman Robinson
Executive Director
MoDOT & Patrol Employees' Retirement System
PO Box 1930
Jefferson City, MO 65102

Dear Mr. Robinson:

Summit Strategies Group completed its second full year as your investment consultant in April 2006. Since the beginning of our journey together two years ago, working closely with you, your staff and the Board of Trustees, we have made dramatic changes to your investment portfolio. My last annual letters highlighted many of these moves, and the resulting performance of MPERS' investments has been spectacular. Again this year, I am pleased to report that the fund is doing extremely well.

With total assets of $1,594,811,402 on June 30, 2006 the return was 15.0% for the year, 2.6% ahead of the policy benchmark and a very strong 5.7% ahead of its public fund peers. In fact, MPERS' performance was better than 98% of the public funds in the ICC Universe for the 12-month period! For the 3- and 5-year periods, the fund earned 13.6% and 7.2%, also ahead of the policy benchmark and in the top of the peer sample as well. These returns were calculated in compliance with AIMR Performance Presentation Standards.

Most of this stellar performance can be attributed to the System's allocations to International Equities and Real Estate, both of which had great years. As represented by the All-Country World Index ex-US, international stocks were up 28.4% for the year – and MPERS' investment managers collectively eclipsed this return, beating the index by 6.3% with a total return of 34.7%. On the Real Estate side, the System's managers tracked the NCREIF Index return of 17.6%, well in excess of historical returns and expectations for the asset class. We certainly don't believe that these levels of return are sustainable, and look for them to return to more normal levels in the future – but we will take them when we can! The U.S. Equity portfolio returned 10.0% for the year, outperforming the Russell 3000 Index by 0.4%. Finally, the Fixed Income portfolio is also doing quite well, and MPERS' decision to diversify away from traditional fixed income strategies generated performance of a positive 3.3% for the year, relative to the Lehman Aggregate Index's return of -0.2%. News like this is always a pleasure to deliver.

In terms of investment activity, this past year has been quiet relative to the first year's efforts. Instead of restructuring assets, we have made a few refinements to the portfolio and believe the assets are well-positioned for the future. After much hard work by you, your staff and the Board of Trustees, it has been truly satisfying to see the results of our collective efforts do so well. As always, we appreciate your continued support and trust, and look forward to many years of continued success with the MoDOT & Patrol Employees' Retirement System.

Sincerely,

Mark A. Caplinger, CFA
Senior Vice President

Summary of Investment Policy

The primary objective of the MoDOT & Patrol Employees' Retirement System (Plan) is to provide active and retired employees with adequate retirement benefits. The investment portfolio is constructed to generate a total return that, when added to employer contributions, is sufficient to meet benefit obligations. Following prudent standards for preservation of capital, the goal is to achieve the highest possible rate of return consistent with the plan's tolerance for risk as determined by the Board of Trustees in its role as fiduciary.

Investment management is delegated to external asset managers. The managers will operate within the set of guidelines, objectives and constraints set forth in their respective investment management agreement.

Market Value of Investments

As of June 30, 2006, the MPERS investment portfolio had a market value of $1.59 billion, representing an increase of $158 million over fiscal year-end 2005. Over the course of the year, an additional $55.4 million was transferred out of the fund to meet benefit payments. When viewed together, asset growth from investments equated to $213.4 million.

Investment Performance

The MPERS investment portfolio returned 14.97% in fiscal year 2006, based on time-weighted rates of return and market valuations. Performance for the various sub-asset classes and their respective benchmark indices is listed below.

Investment Performance (Including Benchmarks)	1 Year	3 Year	5 Year
Total Fund	**14.97%**	**13.61%**	**7.20%**
Policy Benchmark	12.40	12.00	7.00
Domestic Equity	**9.95**	**13.69**	**4.70**
Russell 3000	9.60	12.60	3.50
International Equity	**34.70**	**27.31**	**13.10**
MSCI ACWI ex-US	28.40	25.80	11.90
Fixed Income Composite	**3.31**	**3.46**	**5.20**
Lehman Universal Index	(0.20)	2.70	5.40
Real Estate	**17.60**	**-**	**-**
NCREIF Property Index	18.70	15.80	12.20
Timber	**-8.04**	**2.28**	**3.74**
NCREIF Timberland Index	19.90	13.30	6.90

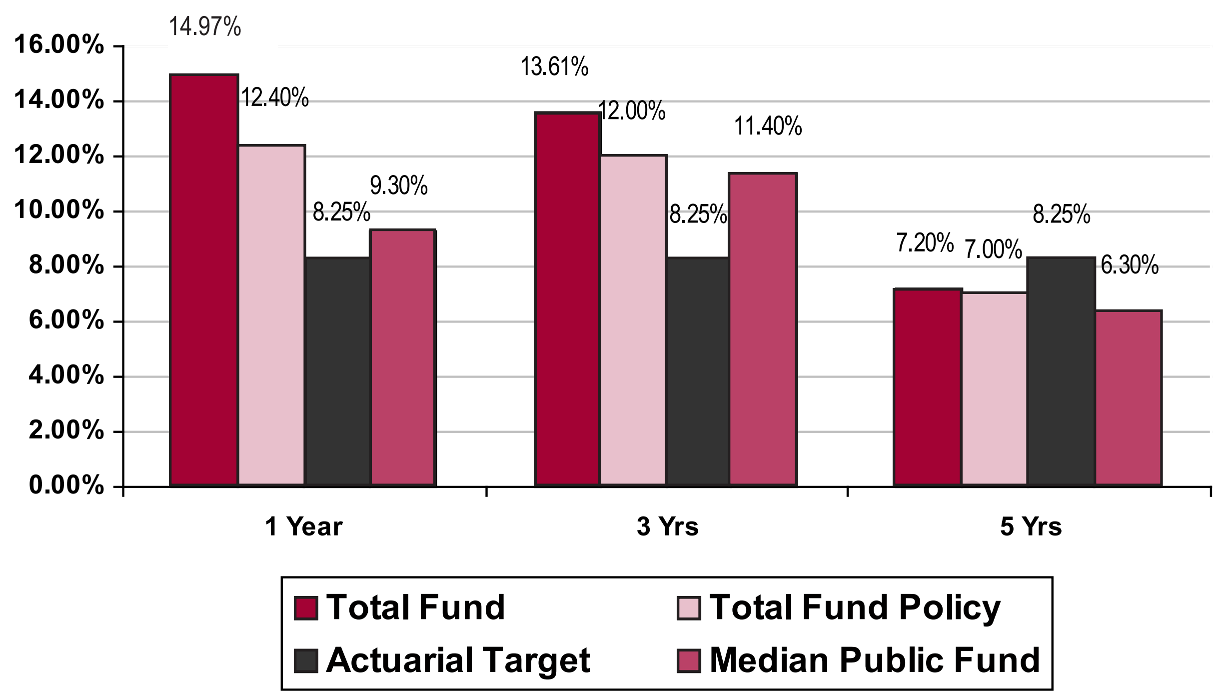
When measuring performance, the Board of Trustees looks at three primary performance objectives: a) meet or exceed the actuarial assumed rate of return of 8.25%, b) outperform a policy benchmark that represents the return that could be achieved by investing passively in the broad markets in the same percentages to MPERS' target asset allocation, and c) rank at or above the median public fund investment return.

MPERS' one-year return compares favorably to all three of the performance goals listed above. International equity was the best performing asset class, generating a 34.7% return for the year, followed by the system's real estate portfolio that produced a 17.6% return over the period. Fortunately, MPERS maintained an overweight position to both of these asset classes over the period, which is the driving factor behind the excess return above the policy benchmark.

Manager selection was also very strong within the international equity sector, as international equities collectively returned 6.3% over their respective benchmark for the year.

While MPERS' three-year return of 13.61% exceeds the actuarial target of 8.25%, the five-year return of 7.2% remains below this mark. The relative performance over the past five-year period is the driving factor behind the restructuring underway within the investment portfolio. MPERS staff and consultants continue to explore additional management techniques and asset classes that offer improved diversification and the potential for higher risk-adjusted returns within the portfolio. Details of these changes are contained in the following pages.

Historical returns versus the various performance goals are listed below:



Asset Allocation Overview

Although no changes were made to MPERS' target asset allocation during the period, fiscal year 2006 witnessed a number of transitions within the investment portfolio. At the onset of fiscal year 2006, MPERS' asset allocation targets were 45% public equity (22.5% Domestic and 22.5% International), 32% public debt (including 16% traditional fixed income and 16% absolute return strategies), 10% real estate, 10% private equity, and 3% timber. The structure of the private equity portfolio was undetermined at the start of the year, as staff continued to evaluate potential structures and advisors to assist with portfolio construction.

Grove Street Advisors was ultimately selected to assist staff with constructing the private equity portfolio. Grove Street is best described as a blend between a traditional fund-of-funds provider and traditional investment advisor. While Grove Street maintains discretion in the selection of underlying private equity partners, the goals and objectives of MPERS' private equity portfolio are clearly defined by a governing charter. MPERS' chief investment officer works closely with Grove Street to develop a direct working relationship with the underlying partners, with the ultimate goal of managing the portfolio in-house in future years.

In addition to the hiring of Grove Street Advisors, a number of changes took place within the investment portfolio to take advantage of relative opportunities in the marketplace. MPERS restructured the domestic equity portion of the portfolio, removing the historical overweight the system maintained to small cap equities. Small cap stocks have outperformed large cap stocks for an extended period of time, and now appear expensive using most valuation standards. The move brought the mix of small and large cap stocks in-line with the composition of the Russell 3000, MPERS' domestic equity benchmark.

Looking forward, we remain overweight to international equities relative to domestic equities, mainly due to a long-term bearish view on the U.S. dollar (securities denominated in foreign currencies will benefit from a depreciating U.S. dollar). We are also underweight fixed income, as alternative investments continue to offer potential for higher relative returns. Last but not least, we continue to evaluate additional structures and advisors within the real estate portfolio, as we transition the portfolio to include a higher mix of value-added and opportunistic real estate strategies.

The chart below lists the target and actual allocations to the various sub-asset classes within the overall portfolio.

Asset Class	Ending FY05 Allocation	FY06 Target Allocation	Ending FY06 Allocation
Public Equity	**54.6%**	**45.0%**	**45.5%**
Domestic equity	28.5%	22.5%	20.0%
International equity	26.1%	22.5%	25.5%
Private Equity	**0.0%**	**10.0%**	**10.1%**
Fixed Income	**30.9%**	**32.0%**	**28.8%**
Real Estate	**11.3%**	**10.0%**	**13.0%**
Timber	**1.9%**	**3.0%**	**1.6%**
Cash	**1.2%**	**0.0%**	**1.1%**

Amounts Reported By Management-Type Allocation
(In Thousands of Dollars)

	06/30/05 Book Value	06/30/05 Market Value	Acquisitions	Dispositions	06/30/06 Book Value	06/30/06 Market Value	% of Market
Domestic Equity	$ 352,573	$ 409,565	$ 375,371	$ (428,098)	$ 299,846	$ 318,861	20.0%
International Equity	342,970	374,325	429,909	(431,152)	341,727	406,524	25.5%
Private Equity	0	0	295,453	(131,786)	163,667	160,350	10.1%
Real Estate	146,464	162,915	23,356	(5,127)	164,693	207,642	13.0%
Timber	20,494	27,916	550	(1,377)	19,667	24,932	1.6%
Fixed Income	433,864	443,729	181,762	(178,370)	437,256	458,754	28.8%
Short Term	17,526	17,512	389	(1,087)	16,828	16,826	1.0%
Total Investments	$1,313,891	$1,435,962	$1,306,790	$(1,176,997)	$1,443,684	$1,593,889	100.0%

Reconciliation to Statement of Plan Net Assets:

Less Accrued Investment Interest and Income	(3,265)
Less Investment Sales Receivable	(9,695)
Plus Investment Purchases Payable	14,333
Currency Adjustment	206
	$1,595,468

Largest Equity Securities
(Non-Commingled Funds)

Shares	Security	Market Value
104,305	BNP PARIBAS	$9,982,714
1,084	MIZUHO FINL	9,188,610
220,656	ING GROEP	8,670,218
441,846	HSBC HLDGS	7,775,812
227,842	ROYAL DUTCH SHELL	7,661,984
142,500	CANON INC	6,993,177
383,241	SABMILLER	6,907,483
70,566	IPSCO INC	6,781,214
1,026,500	CHINA MOBILE LTD	5,867,980
92,500	EXXON MOBIL CORP	5,674,875

Largest Fixed Income Securities
(Non-Commingled Funds)

Par Value	Security	Market Value
4,583,000	UNITED STATES TREAS DTD 4.5% DUE 02-28-2011	$4,468,782
3,727,000	UNITED STATES TREAS DTD 4.25% DUE 11-15-2013	3,526,964
3,064,000	UNITED STATES TREAS DTD 02/15/1996 6% DUE 02-15-2026	3,318,934
1,965,000	UNITED STATES TREAS DTD 2.875% DUE 11-30-2006	1,945,963
1,550,000	FHLMC MULTICLASS PREASSIGN 00540 5 04-15-2033	1,440,795
1,375,049	WELLS FARGO MTG BACKED SECS 2006-AR2 03-25-2036	1,347,777
1,277,804	CMO BEAR STEARNS ARM TR 2006-1 02-25-2036	1,236,327
1,215,000	PVTPL PEDERNALES ELEC COOP 2002 SER A 6.202 11-15-2032	1,215,170
1,280,000	FHLMC MULTICLASS SER 2881 CL TE 5 07-15-2033	1,185,521
1,062,215	CMO GMACM MTG LN TR 2006-J1 CTF CL A-1 5.75 DUE 04-25-2036	1,051,259

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 MPERS.

Schedule of Investment Expenses

	Market Value of Assets Under Management at 6/30/06	Fees Accrued During FY06
MANAGEMENT FEES:		
Domestic Equity:		
Artisan Partners [(1)]	$ 0	$ 107,726
Barclays Global Investors [(1)]	0	206,450
Intech	125,122,794	417,396
Pinnacle	43,936,363	50,106
Rothschild Asset Management	47,317,676	200,438
Cash/S&P 500 Futures	102,484,471	
International Equity:		
Acadian Asset Management	166,479,279	964,705
Julius Baer Investment Management	142,203,759	801,729
Silchester International Investors	97,812,090	482,173
Transition Account [(2)]	28,970	
Private Equity:		
AXA Rosenberg	151,356,308	61,642
Grove Street	8,993,715	2,000,000
Fixed Income:		
Blackrock , Inc.	41,942,399	103,163
Deutsche Asset Management	102,751,650	242,349
Western Asset Management Co.	64,916,399	160,472
Absolute Return:		
Albourne	0	40,000
AQR	22,793,964	427,697
Barclays Global Investors	78,766,791	959,064
Bridgewater Associates	76,955,572	1,178,335
GMO	70,627,312	704,632
Real Estate:		
AEW	2,782,624	234,375
Apollo	1,362,143	205,890
ING Clarion	75,115,747	612,638
Och-Ziff Real Estate	974,327	225,000
Principal Global Investors	116,159,162	1,104,516
Urdang	11,247,592	187,500
Timberland:		
RMK Timberland	24,931,713	205,989
Cash:		
The Northern Trust Company	16,826,420	0
Total Management Fees	**$1,593,889,240**	**$11,883,985**
OTHER INVESTMENT EXPENSES:		
Custody		$ 306,951
Performance Management		35,854
General Consulting		150,000
Other		76,391
Total Other Investment Expenses		**$ 569,196**
TOTAL INVESTMENT EXPENSES		**$12,453,181**
SECURITIES LENDING EXPENSES:		
Borrower Rebates		$ 4,887,160
Agent Fees		211,614
TOTAL SECURITIES LENDING EXPENSES		**$ 5,098,774**

(1) Investment agreements were terminated during the fiscal year.
(2) Amount represents recoverable taxes.

Schedule of Brokerage Commissions

Brokerage Firm	Total Commission	Number of Shares	Commission Rate
STATE STREET	$ 155,441	8,257,141	$0.0188
LEHMAN BROTHERS	70,238	4,514,941	0.0156
CITIGROUP	68,356	6,722,149	0.0102
CREDIT SUISSE FIRST BOSTON	65,988	5,406,622	0.0122
GOLDMAN SACHS	53,220	5,216,000	0.0102
DEUTSCHE BANK	50,336	2,913,199	0.0173
MORGAN STANLEY	49,094	4,614,547	0.0106
INSTINET	42,491	4,447,881	0.0096
MERRILL LYNCH	42,303	3,739,570	0.0113
UBS	39,968	2,698,819	0.0148
ABN AMRO	39,952	4,353,068	0.0092
MURIEL SIEBERT	34,097	1,721,281	0.0198
BROCKHOUSE & COOPER	26,352	3,666,910	0.0072
PERSHING	26,232	2,041,170	0.0129
NORTHERN TRUST CO	23,380	516,500	0.0453
SOCIETE GENERALE	20,737	1,364,485	0.0152
BNP	16,445	1,838,046	0.0089
SG SECURITIES	16,381	1,817,739	0.0090
BEAR STEARNS	15,683	884,310	0.0177
MERRILL LYNCH FENNER & SMITH	12,672	1,302,562	0.0097
JEFFERIES & COMPANY	11,604	512,259	0.0227
NOMURA SECURITIES	11,182	1,438,382	0.0078
JP MORGAN	10,404	1,018,626	0.0102
DAIWA	9,526	439,927	0.0217
CAP INSTITUTIONAL SERVICES	8,857	411,900	0.0215
CHEUVREUX DE VIRIEU	8,211	513,069	0.0160
BNY	7,485	165,378	0.0453
SANFORD BERNSTEIN	6,965	355,245	0.0196
MERRILL LYNCH PIERCE FENNER & SMITH	6,906	295,682	0.0234
WEEDEN & CO	6,534	327,550	0.0199
MERRILL LYNCH	6,168	459,661	0.0134
OTHERS (123 FIRMS LESS THAN $5,000 EACH)	146,974	8,190,339	0.0179
TOTAL	$1,110,182	82,164,958	
AVERAGE COMMISSION RATE			$0.0135

Broker commissions rebated to MPERS during the fiscal year amounted to $14,927.

Soft dollar expenditures (excess commissions) used by managers for research services, analysis, and technology amounted to $64,780.

Actuarial Section

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

One Towne Square
Suite 800
Southfield, MI 48076-3723

248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

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

October 10, 2006

Dear Board Members:

The basic financial objective of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) 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 returns, will be sufficient to meet the present and future financial obligations of MPERS.

In order to measure progress toward this fundamental objective, MPERS 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 liabilities over a reasonable period. An actuarial valuation was performed based upon benefit conditions, data and assumptions as of June 30, 2006. This valuation indicates that contribution rates for the period beginning July 1, 2007 that are at least equal to the calculated contributions rates will meet the Board's financial objective. The calculated contribution rates are 31.04% of payroll for the 7,973 Non-Uniformed employees and 42.64% of payroll for the 1,060 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 MPERS' 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 MPERS during the period July 1, 1999 to June 30, 2004. Assets were valued using a three-year smoothing method. The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by the 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 Missouri Department of Transportation and Highway Patrol Employees' Retirement System continues to be in sound condition in accordance with actuarial principles of level percent-of-payroll financing. However, a material decline in the funded status for any reason would lead to a need for increased contributions.

Respectfully submitted,

Brian B. Murphy

Kenneth G. Alberts

Brian B. Murphy, F.S.A.

Kenneth G. Alberts

Valuation Date	June 30, 2006
Actuarial Cost Method	Entry Age Normal
Amortized Method	Level percent of payroll
Remaining Amortization Period	29 years from July 1, 2007
Asset Valuation Method	3-year smoothing
Actuarial Assumptions:	
Investment Rate of Return	8.25%
Projected Salary Increase	3.75% to 11.75%
Cost-of-Living Adjustments	2.6% Compound
Includes Wage Inflation at	3.75%

An actuarial valuation is based upon an actuarial cost method, an asset valuation method, and actuarial assumptions. These methods and assumptions are chosen by the Board of Trustees after consultation with the Actuary and other advisors.

The actuarial cost method is called the Entry Age Actuarial Cost Method. This method is consistent with the Board's level percent of payroll funding objective. With this method, the level percent of payroll is determined that will fund a member's retirement benefit over the member's entire working lifetime, from date of hire (Entry Age) to date of exit from the active member population. Differences in the past between assumed and actual experience become part of unfunded actuarial accrued liabilities and are amortized with level percent of payroll contributions. This cost method was first used in the ***June 30, 1999*** valuation.

The asset valuation method is a three year smoothed market value method in which assumed investment return is recognized immediately each year and differences between actual and assumed investment return are phased in over a closed three year period. This asset valuation method is intended to give recognition to the long term accuracy of market values while filtering out and dampening short term market swings. This method was first used in the ***June 30, 1999*** valuation.

The actuarial assumptions used in producing the valuation fall into two broad classes: economic assumptions, and demographic assumptions. Economic assumptions refer to long term rates of investment return, wage growth, covered population growth, and inflation. Demographic assumptions refer to retirement rates, turnover rates, disability rates, merit and seniority pay increases, and mortality rates. The current assumptions are based upon a 1999-2004 study of experience of the MPERS. The assumptions are reviewed from time to time to keep them reasonably current with expected experience.

Economic Assumptions

The investment return rate used in making the valuation was 8.25% per year, compounded annually (net after administrative expenses). This rate of return is not the assumed real rate of return. The real rate of return over wage inflation is defined to be the portion of investment return which is more than the wage inflation rate. Considering wage inflation recognition of 3.75%, the 8.25% rate translates to an assumed real rate of return of 4.5%. This rate was first used for the ***June 30, 2005*** valuation.

Pay increase assumptions for individual active members are shown on Tables IV and V. Part of the assumption for each age is for a merit and/or seniority increase, and the other 3.75% recognizes wage inflation. These rates were first used for the ***June 30, 2005*** valuation.

Price Inflation is assumed to be 3.75%. This results in a 2.6% annual COLA assumption. It is assumed that the 2.6% COLA will always be paid.

The Active Member Group size is assumed to remain constant at its present level.

Total active member payroll is assumed to increase 3.75% a year, which is the portion of the individual pay increase assumptions attributable to wage inflation. This rate was first used for the June 30, 2005 valuation.

Non Economic Assumptions

The mortality table used to measure retired life mortality was the 1971 Group Annuity Mortality Tables projected to the year 2000 set back 1 year for males and 7 years for females. Related values are shown on Table I. This table was first used for the ***June 30, 2000*** valuation. Disabled pension mortality was based on PBGC Disabled Mortality tables.

The probabilities of retirement for members eligible to retire are shown on Tables II and III. The rates for full retirement were first used in the ***June 30, 2005*** valuation. The rates for reduced retirement were first used in the ***June 30, 2005*** valuation.

The probabilities of withdrawal from service, ***death in service*** and ***disability*** are shown for sample ages on Tables III and IV. The withdrawal and disability rates were first used in the ***June 30, 2005*** valuation. The death-in service rates were first used in the ***June 30, 2005*** valuation.

The data about persons now covered and about present assets was furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the Actuary.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (M.A.A.A.).

Probabilities of Separation From Active Employment
Less Than 5 Years of Service

	MoDOT, Civilian Patrol & MPERS		Uniformed Patrol	
Service	Male	Female	Male	Female
0-1	25.00%	18.00%	8.00%	8.00%
1-2	12.00	11.00	6.00	6.00
2-3	7.00	9.00	4.50	4.50
3-4	6.00	7.00	3.00	3.00
4-5	5.00	6.00	2.00	2.00

Probabilities of Separation From Active Employment
More Than 5 Years of Service

	MoDOT, Civilian Patrol & MPERS		Uniformed Patrol	
Age	Male	Female	Male	Female
25	4.70%	6.25%	4.50%	4.50%
30	3.78	5.55	3.78	3.78
35	2.86	4.82	2.22	2.22
40	1.96	3.78	1.20	1.20
45	1.30	3.12	0.82	0.82
50	0.98	3.00	0.46	0.46
55	0.66	1.50	0.18	0.18
60	0.21	0.50	0.10	0.10

Salary Increase Assumptions
For an Individual Member

Age Based Salary Scale

	MoDOT, Civilian Patrol & MPERS			Uniformed Patrol		
Age	Merit & Seniority	Base (Economic)	Increase Next Year	Merit & Seniority	Base (Economic)	Increase Next Year
20	8.00%	3.75%	11.75%	6.00%	3.75%	9.75%
25	5.66	3.75	9.41	5.40	3.75	9.15
30	3.30	3.75	7.05	3.50	3.75	7.25
35	2.05	3.75	5.80	1.75	3.75	5.50
40	1.45	3.75	5.20	1.10	3.75	4.85
45	0.95	3.75	4.70	0.64	3.75	4.39
50	0.60	3.75	4.35	0.37	3.75	4.12
55	0.38	3.75	4.13	0.29	3.75	4.04
60	0.30	3.75	4.05	0.00	3.75	3.75

Joint Life Retirement Values
(8.25% Interest)

Sample Attained Ages	Present Value of $1 Monthly for Life		Future Life Expectancy (years)	
	Men	Women	Men	Women
50	$180	$185	29.17	34.67
55	170	175	24.82	30.06
60	158	163	20.70	25.67
65	143	149	16.82	21.50
70	127	132	13.32	17.57
75	110	115	10.36	13.99
80	92	97	7.83	10.91

The present values shown above are for illustrative purposes only and include the value of future post-retirement increases at 2.6% per year and a 50% survivor benefit. Males are assumed to be 3 years older than their spouse.

Percent of Eligible Active Members Retiring Next Year
(Rates of Retirement)

	MoDOT, Civilian Patrol & MPERS				Uniformed Patrol	
	Male		Female		Male	Female
Age	Normal	Early	Normal	Early	Normal	Normal
50	18.0%	0.0%	18.0%	0.0%	50.0%	50.0%
55	18.0	4.0	18.0	4.0	25.0	25.0
60	18.0	4.0	20.0	4.0	100.0	100.0
65	45.0	0.0	40.0	0.0	100.0	100.0
70	100.0	0.0	100.0	0.0	100.0	100.0

Percent of Members Becoming Disabled at the Indicated Age
(Rates of Disability)

	MoDOT, Civilian Patrol & MPERS		Uniformed Patrol	
Age	Male	Female	Male	Female
25	0.01%	0.06%	0.03%	0.03%
30	0.01	0.07	0.03	0.03
35	0.06	0.10	0.04	0.04
40	0.09	0.16	0.06	0.06
45	0.21	0.29	0.09	0.09
50	0.36	0.45	0.15	0.15
55	0.66	0.54	0.00	0.00
60+	0.00	0.00	0.00	0.00

Summary of Member Data Included In Valuations

	Non-Uniformed				
	Civilian Patrol	MoDOT & MPERS	Non-Uniformed Total	Uniformed Patrol	Grand Total
Active Members					
Closed Plan	739	4,495	5,234	832	6,066
Year 2000 Plan	367	2,372	2,739	228	2,967
Total Active Members	1,106	6,867	7,973	1,060	9,033
Total Active Members Prior Year	*1,116*	*7,001*	*8,117*	*1,076*	*9,193*
Retiree -- Regular Pensioners					
Closed Plan	407	3,933	4,340	723	5,063
Year 2000 Plan	234	1,501	1,735	1	1,736
Total Regular Pensioners	641	5,434	6,075	724	6,799
Self Insured Disability Pensioners	7	120	127	3	130
Fully Insured Disability Pensioners	0	25	25	0	25
Terminated Vested Members	200	1,159	1,359	149	1,508
Total	**1,954**	**13,605**	**15,559**	**1,936**	**17,495**
Active Member Valuation Payroll	$35,842,213	$258,578,248	$294,420,461	$ 54,194,238	$ 348,614,699
Active Member Valuation Payroll Prior Year	*$35,727,675*	*$258,019,271*	*$293,746,946*	*$ 51,948,921*	*$ 345,695,867*
Unfunded Actuarial Accrued Liability	N/A	N/A	$952,752,165	$266,542,719	$1,219,294,884

MoDOT and MPERS

Closed Plan

Attained Age	Counted by Complete Years of Service to Valuation Date 0-4	5-9	10-14	15-19	20-24	25-29	30+	Totals No.	Valuation Payroll
Under 20	-	-	-	-	-	-	-	0	$ 0
20-24	-	2	-	-	-	-	-	2	63,644
25-29	-	129	10	-	-	-	-	139	4,618,854
30-34	-	240	165	3	-	-	-	408	15,459,541
35-39	-	191	306	127	15	-	-	639	25,000,176
40-44	-	184	211	232	226	9	-	862	35,358,928
45-49	-	149	192	171	290	240	14	1,056	42,798,739
50-54	-	90	137	128	162	167	102	786	32,307,420
55-59	-	59	80	86	92	46	83	446	18,083,792
60-64	-	26	21	31	16	12	29	135	5,402,208
65-69	-	-	6	4	2	1	4	17	707,305
70+	-	2	1	-	-	2	-	5	179,037
Totals	**0**	**1,072**	**1,129**	**782**	**803**	**477**	**232**	**4,495**	**$179,979,644**

Average Age	**45.6 years**
Average Service	**16.5 years**
Average Pay	**$40,040**

Year 2000 Plan

Attained Age	Counted by Complete Years of Service to Valuation Date 0-4	5-9	10-14	15-19	20-24	25-29	30+	Totals No.	Valuation Payroll
Under 20	15	-	-	-	-	-	-	15	$ 399,161
20-24	308	8	-	-	-	-	-	316	10,322,851
25-29	399	85	-	-	-	-	-	484	16,893,262
30-34	312	78	-	-	-	-	-	390	13,279,225
35-39	256	58	-	-	-	-	-	314	9,851,078
40-44	225	59	-	-	-	-	-	284	9,109,234
45-49	207	49	-	-	-	-	-	256	8,251,804
50-54	144	34	-	-	-	-	-	178	5,803,941
55-59	75	18	-	-	-	-	-	93	3,003,862
60-64	25	8	-	-	-	-	-	33	1,388,064
65-69	5	3	-	-	-	-	-	8	227,516
70+	1	-	-	-	-	-	-	1	68,606
Totals	**1,972**	**400**	**0**	**0**	**0**	**0**	**0**	**2,372**	**$78,598,604**

Average Age	**36.6 years**
Average Service	**2.4 years**
Average Pay	**$33,136**

Uniformed Patrol

Closed Plan

Attained Age	Counted by Complete Years of Service to Valuation Date 0-4	5-9	10-14	15-19	20-24	25-29	30+	Totals No.	Valuation Payroll
Under 20	-	-	-	-	-	-	-	0	$ 0
20-24	-	-	-	-	-	-	-	0	0
25-29	-	21	-	-	-	-	-	21	909,219
30-34	-	101	51	-	-	-	-	152	6,984,396
35-39	-	50	157	35	-	-	-	242	11,900,213
40-44	-	16	43	82	25	2	-	168	9,188,049
45-49	-	5	6	38	37	30	4	120	7,405,341
50-54	-	-	-	4	11	46	36	97	6,752,023
55-59	-	-	-	-	2	3	27	32	2,306,750
60-64	-	-	-	-	-	-	-	0	0
65-69	-	-	-	-	-	-	-	0	0
70+	-	-	-	-	-	-	-	0	0
Totals	**0**	**193**	**257**	**159**	**75**	**81**	**67**	**832**	**$45,445,991**

Average Age	**41.4 years**
Average Service	**16.3 years**
Average Pay	**$54,623**

Year 2000 Plan

Attained Age	Counted by Complete Years of Service to Valuation Date 0-4	5-9	10-14	15-19	20-24	25-29	30+	Totals No.	Valuation Payroll
Under 20	-	-	-	-	-	-	-	0	$ 0
20-24	44	-	-	-	-	-	-	44	1,505,331
25-29	83	23	-	-	-	-	-	106	4,182,637
30-34	41	16	-	-	-	-	-	57	2,234,337
35-39	8	6	-	-	-	-	-	14	571,877
40-44	3	1	-	-	-	-	-	4	139,684
45-49	1	-	-	-	-	-	-	1	41,383
50-54	2	-	-	-	-	-	-	2	72,998
55-59	-	-	-	-	-	-	-	0	0
60-64	-	-	-	-	-	-	-	0	0
65-69	-	-	-	-	-	-	-	0	0
70+	-	-	-	-	-	-	-	0	0
Totals	**182**	**46**	**0**	**0**	**0**	**0**	**0**	**228**	**$8,748,247**

Average Age	**29.0 years**
Average Service	**3.1 years**
Average Pay	**$38,370**

Civilian Patrol

Closed Plan

Attained Age	Counted by Complete Years of Service to Valuation Date 0-4	5-9	10-14	15-19	20-24	25-29	30+	Totals No.	Valuation Payroll
Under 20	-	-	-	-	-	-	-	0	$ 0
20-24	-	-	-	-	-	-	-	0	0
25-29	-	17	1	-	-	-	-	18	$587,955
30-34	-	34	15	1	-	-	-	50	1,621,367
35-39	-	34	37	16	1	-	-	88	3,010,263
40-44	-	31	38	32	30	1	-	132	4,639,144
45-49	-	23	27	33	36	41	2	162	5,901,751
50-54	-	25	22	25	23	31	23	149	5,606,000
55-59	-	13	21	24	18	18	16	110	3,789,209
60-64	-	8	6	8	3	-	-	25	731,956
65-69	-	-	-	2	-	-	1	3	85,704
70+	-	-	-	1	-	-	1	2	60,634
Totals	**0**	**185**	**167**	**142**	**111**	**91**	**43**	**739**	**$26,033,983**

Average Age	**47.1 years**
Average Service	**16.9 years**
Average Pay	**$35,229**

Year 2000 Plan

Attained Age	Counted by Complete Years of Service to Valuation Date 0-4	5-9	10-14	15-19	20-24	25-29	30+	Totals No.	Valuation Payroll
Under 20	1	-	-	-	-	-	-	1	$ 17,399
20-24	45	1	-	-	-	-	-	46	1,125,581
25-29	63	12	-	-	-	-	-	75	2,121,815
30-34	44	11	-	-	-	-	-	55	1,604,513
35-39	38	6	-	-	-	-	-	44	1,123,428
40-44	33	7	-	-	-	-	-	40	1,062,378
45-49	33	5	-	-	-	-	-	38	992,577
50-54	19	6	-	-	-	-	-	25	687,043
55-59	23	6	-	-	-	-	-	29	734,923
60-64	11	2	-	-	-	-	-	13	316,821
65-69	-	-	-	-	-	-	-	0	0
70+	1	-	-	-	-	-	-	1	21,752
Totals	**311**	**56**	**0**	**0**	**0**	**0**	**0**	**367**	**$9,808,230**

Average Age	**38.0 years**
Average Service	**2.9 years**
Average Pay	**$26,725**

Schedule of Participating Employers

	MoDOT		Patrol		MPERS		Total	
	Employees	%	Employees	%	Employees	%	Employees	%
1997	6,831	75.97	2,157	24.00	3	0.03	8,991	100
1998	6,633	74.96	2,212	25.00	4	0.04	8,849	100
1999	6,952	75.95	2,198	24.02	3	0.03	9,153	100
2000	7,008	76.33	2,170	23.63	4	0.04	9,182	100
2001	6,969	76.53	2,133	23.43	4	0.04	9,106	100
2002	6,590	75.70	2,106	24.19	10	0.11	8,706	100
2003	6,716	75.50	2,169	24.39	10	0.11	8,895	100
2004	6,848	76.07	2,143	23.81	11	0.12	9,002	100
2005	6,980	76.15	2,174	23.72	12	0.13	9,166	100
2006	6,839	75.91	2,159	23.96	12	0.13	9,010	100

Schedule of Active Member Valuation Data

Actuarial Valuation Date	Number of Active Members	Annualized Payroll	Average Pay	Percent Change in Average Pay from Prior Year
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)%
06/30/2003	8,892	318,744,192	35,846	(0.3)%
06/30/2004	9,002	328,210,887	36,460	1.7%
06/30/2005	9,193	345,695,867	37,604	3.1%
06/30/2006	9,033	348,614,699	38,593	2.6%
			Ten-Year Average	**2.8%**

The MPERS funding objective is to meet long term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the System are level in concept and soundly executed, the System will **pay all promised benefits when due – the ultimate test of financial soundness**. Testing for level contribution rates in the long term test.

A solvency test is one means of checking a system's progress under its funding program. In a solvency test for a non-contributory plan, the plan's present assets (cash and investments) are compared with: 1) The liabilities for future benefits to present retired lives and 2) The liabilities for service already rendered by members. In a system that has been following the discipline of level percent of payroll financing, the liabilities for future benefits to present retired lives (liability 1) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by members (liability 2) will be partially covered by the remainder of present assets. The larger the funded portion of liability 2, the stronger the condition of the system.

The schedule below illustrates the history of liability 2 of the System. Progress on solvency has been negatively impacted by the 2000-2002 investment market.

Valuation Date June 30	(1) Retirees and Beneficiaries (Millions)	(2) Active and Inactive Members (Millions)	Present Valuation Assets (Millions)	Portion of Present Values Covered by Present Assets (1)	(2)	Total
1999	$1,132	$ 921	$1,243	100%	12%	61%
2000	1,238	951	1,423	100%	19%	65%
2001	1,375	926	1,521	100%	16%	66%
2002*	1,470	888	1,451	99%	0%	62%
2003	1,555	863	1,364	88%	0%	56%
2004	1,626	867	1,332	82%	0%	53%
2005*	1,669	958	1,417	85%	0%	54%
2006	1,734	1,007	1,521	88%	0%	56%

* New assumptions adopted

Derivation of Financial Experience

Actual experience will never coincide exactly with assumed experience (except by coincidence). Gains and losses may offset each other over a period of years, but sizeable year-to-year variations from assumed experience are common. Detail on the derivation of the experience gain (loss) is shown below.

	$ Millions
UAAL Beginning of Year (at July 1)	$ 1,210,060,043
Normal Cost	45,262,824
Contributions	(111,542,717)
Interest	97,095,908
Net Change in LTD Assets	(127,497)
Expected UAAL Before Any Changes	1,240,748,561
Effect of Changes in Assumptions & Methods	14,793,159
Expected UAAL After Changes	1,255,541,720
End of Year UAAL (at June 30)	1,219,294,884
Gain/(Loss) for Year	$ 36,246,836
Gain/(Loss) as a percent of actuarial accrued liabilities at start of year ($2,627.4 million)	1.38%

Valuation Date June 30	**Experience Gain (Loss) as % of Beginning Accrued Liability**
1999	(7.7)%
2000	(.1)%
2001	(9.3)%
2002	(4.5)%
2003	(5.2)%
2004	(2.9)%
2005	(1.5)%
2006	1.4%

Schedule of Retirees & Beneficiaries Added & Removed

Valuation Date	Added to Rolls Number	Added to Rolls Annual Allowances	Removed from Rolls Number	Removed from Rolls Annual Allowances	Rolls End of Year Number	Rolls End of Year Annual Allowances	Average Annual Allowances	% Increase in Annual Allowance	% Increase in Average Annual Allowance
6/30/2006									
Retirees	252	$3,005,557	166	$1,477,199	5,024	$132,465,613	$26,367	3.89%	1.74%
Beneficiaries	106	715,154	75	381,966	1,793	20,615,839	11,498	7.09%	5.24%
Disabilities	22	170,138	22	106,561	154	1,618,075	10,507	9.70%	8.99%
6/30/2005									
Retirees	202	$4,685,700	125	$2,373,810	4,920	$127,508,904	$25,916	3.53%	1.91%
Beneficiaries	106	1,527,938	79	618,487	1,762	19,251,121	10,926	7.95%	6.29%
Disabilities	7	95,296	7	47,561	153	1,474,983	9,640	-1.86%	-1.86%
6/30/2004									
Retirees	295	$7,389,209	143	$2,239,625	4,843	$123,159,002	$25,430	5.95%	2.62%
Beneficiaries	114	1,423,712	89	557,685	1,735	17,833,685	10,279	7.64%	6.08%
Disabilities	9	87,586	11	36,938	153	1,502,868	9,823	-19.77%	-18.72%
6/30/2003									
Retirees	249	$6,319,872	101	$2,062,469	4,691	$116,243,532	$24,780	6.24%	2.89%
Beneficiaries	121	1,627,820	91	650,474	1,710	16,568,589	9,689	9.58%	7.66%
Disabilities	20	180,624	22	43,088	155	1,873,102	12,085	36.86%	38.62%
6/30/2002									
Retirees	303	$8,089,425	134	$2,193,413	4,543	$109,416,172	$24,085	7.59%	3.59%
Beneficiaries	119	1,768,570	76	369,662	1,680	15,120,376	9,000	11.53%	8.68%
Disabilities	17	168,853	41	180,231	157	1,368,640	8,717	-11.88%	1.59%
6/30/2001									
Retirees	531	$13,546,408	111	$1,630,433	4,374	$101,693,353	$23,250	21.66%	9.97%
Beneficiaries	108	1,447,292	112	412,086	1,637	13,556,769	8,281	10.62%	10.89%
Disabilities	6	70,722	87	1,001,360	181	1,553,154	8,581	-28.20%	3.93%
6/30/2000									
Retirees	323	$9,406,709	138	$1,665,215	3,954	$83,590,958	$21,141	10.72%	4.62%
Beneficiaries	102	1,255,689	61	257,043	1,641	12,255,372	7,468	10.72%	7.28%
Disabilities	8	107,281	2	13,047	262	2,163,190	8,256	-4.69%	-0.32%

*Summary of Plan Provisions**

Comparison of the Closed Plan and the Year 2000 Plan
For the Year Ended June 30, 2006

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 48. Age 55 with 4 years of service (active uniformed members only). Age 60 - mandatory with 5 years of service (active uniformed members only).	Age 62 with 5 years of service. "Rule of 80" / minimum age 48. 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 uniformed 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 Allowance)	If hired before August 28, 1997, annual COLA is a minimum of 4%, maximum 5%, based on 80% of the increase in the CPI-U 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-U, with a maximum of 5%. If hired after the above date, annual COLAs will be equal to 80% of the increase in the CPI-U, maximum 5%, with no guaranteed minimum.	Annual COLA is equal to 80% of the change in the CPI-U with a maximum rate of 5%.
Survivor Benefit (Death Before Retirement) Non Duty-Related Death	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 until age 21. If at least 3, but less than 5, years of service the survivor benefit is calculated using 25% of the member's base benefit calculated as if the member retired on their date of death.	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 until age 21.
Duty-Related Death	Survivor benefit to eligible spouse or children no less than 50% of final average pay (no service requirement).	Survivor benefit to eligible spouse or children no less than 50% of final average 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 and Work-Related 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 MPERS 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 was effective July 1, 2000. A complete summary plan description is available at the MPERS office.

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

Legislative Changes

No legislative changes were made during the 2006 legislative session; however, once again, a significant piece of legislation was the introduction of House Committee Substitute for House Bill 1628. This bill authorized the Board of Trustees of MOSERS to assume control over the assets, liabilities, and duties of MPERS no later than December 31, 2006.

During the legislative process there were several versions of the bill, all with the end result of a "forced consolidation" of the MPERS System into MOSERS. The bill was referred to the House Retirement Committee and a public hearing was held. MoDOT and Patrol retirees as well as officials from MoDOT and the Patrol testified in opposition to the bill. On April 11, a House Committee Substitute was reported do pass and referred to the Rules Committee. There was no further action on the bill.

On August 28, 2005, Governor Matt Blunt established a State Retirement Consolidation Commission per Executive Order 05-22. The commission's task was to analyze the issues and objectives of the boards responsible for administering benefits, the effect on funding and contribution rates, the effect on investments, and the similarities and differences in retirement plan provisions along with the impact on benefit services and membership. Further, the commission was charged with ensuring the current benefit structure provides financial security in an equitable and cost-effective manner. In the Consolidation Commission's letter to Governor Blunt they stated that after their meetings and discussions there was no consensus for consolidation at this time. They also noted there was general agreement that there could be merit in revisiting the issue in a few years.

Notes

Statistical Section

* Information, excluding financial data on pages 80 & 81, was gathered using an internal pension administration system.

MoDOT & Patrol Employees' Retirement System
Changes in Net Assets, Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Additions										
Employer Contributions	$ 76,872,019	$ 78,303,693	$ 69,569,654	$70,191,993	$ 81,155,196	$ 77,440,468	$ 76,806,313	$ 86,724,914	$102,240,145	$111,271,679
Other Contributions	0	0	0	0	197,823	640,254	2,584,257	842,665	364,680	271,038
Net Investment Income	149,672,157	160,751,704	149,470,276	52,025,236	(32,956,576)	(88,252,400)	36,526,003	180,910,907	144,641,068	212,206,238
Other Income	203,282	7,969	0	0	0	0	0	33,851	31,104	41,542
Total Additions to Plan Net Assets	226,747,458	239,063,366	219,039,930	122,217,229	48,396,443	(10,171,678)	115,916,573	268,512,337	247,276,997	323,790,497
Deductions										
Benefit Payments	72,116,837	78,994,438	86,255,201	95,402,854	111,985,064	133,498,818	144,334,345	154,987,027	157,742,337	164,997,406
Administrative Expenses	491,677	630,841	679,362	665,941	835,215	1,334,555	1,451,855	1,639,133	1,916,592	1,927,594
Total Deductions from Plan Net Assets	72,608,514	79,625,279	86,934,563	96,068,795	112,820,279	134,833,373	145,786,200	156,626,160	159,658,929	166,925,000
Change in Net Assets	$154,138,944	$159,438,087	$132,105,367	$26,148,434	$(64,423,836)	$(145,005,051)	$(29,869,627)	$111,886,177	$ 87,618,068	$156,865,497

MoDOT & Patrol Employees' Retirement System
Benefit Payments by Type, Last Ten Fiscal Years

Type of Benefit	Fiscal Year 1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Age & Service Benefits:										
Retiree & Survivor Annuity Payments	$71,460,945	$78,232,784	$85,481,941	$94,593,110	$111,189,631	$121,786,745	$131,689,970	$138,767,316	$145,118,809	$151,647,091
BackDROP Payments	0	0	0	0	0	10,771,393	11,696,862	14,318,622	8,880,770	9,721,059
Disability Benefits:										
Long-Term Disability	405,892	506,654	553,260	519,744	490,433	515,680	537,513	555,434	475,948	386,026
Work-Related Disability [1]	0	0	0	0	0	0	0	633,299	718,248	747,723
Normal Disability [1]	0	0	0	0	0	0	0	302,356	295,776	244,208
Insured Disability [2]	0	0	0	0	0	0	0	0	1,837,786	1,796,299
Death Benefits	250,000	255,000	220,000	290,000	305,000	425,000	410,000	410,000	415,000	455,000
Total Benefits	$72,116,837	$78,994,438	$86,255,201	$95,402,854	$111,985,064	$133,498,818	$144,334,345	$154,987,027	$157,742,337	$164,997,406

[1] Prior to FY04, work-related and normal disabilities were reported as retiree benefits.
[2] Outsourced LTD program began 07/01/04.

Schedule of Retired Members By Type of Benefit

All Members

Amount of Monthly Benefit	Retirement: Normal	Retirement: Early	Disability: Normal	Disability: Work-Related	Disability: Long-Term	Survivor	Total Recipients
1-200	21	21	5	0	2	225	274
201-400	95	84	7	0	21	337	544
401-600	138	78	5	0	18	273	512
601-800	201	40	6	3	11	197	458
801-1000	213	23	3	4	3	156	402
1001-1200	264	10	4	5	1	112	396
1201-1400	255	9	2	6	1	91	364
1401-1600	311	3	0	7	0	61	382
1601-1800	329	6	0	5	0	59	399
1801-2000	325	2	0	2	0	57	386
2001-2200	318	2	0	3	0	37	360
2201-2400	326	0	0	0	0	34	360
2401-2600	294	1	0	2	0	37	334
2601-2800	223	0	0	0	0	17	240
2801-3000	175	0	0	1	0	23	199
> 3000	1,257	0	0	1	0	77	1,335
TOTALS	**4,745**	**279**	**32**	**39**	**57**	**1,793**	**6,945 ***

MoDOT

Amount of Monthly Benefit	Retirement: Normal	Retirement: Early	Disability: Normal	Disability: Work-Related	Disability: Long-Term	Survivor	Total Recipients
1-200	17	14	5	0	1	209	246
201-400	67	67	7	0	20	314	475
401-600	109	68	5	0	15	251	448
601-800	170	36	6	3	11	175	401
801-1000	176	20	3	4	3	129	335
1001-1200	230	8	4	5	1	96	344
1201-1400	224	8	2	6	1	65	306
1401-1600	281	3	0	7	0	49	340
1601-1800	278	6	0	3	0	45	332
1801-2000	276	2	0	2	0	34	314
2001-2200	267	2	0	3	0	25	297
2201-2400	288	0	0	0	0	26	314
2401-2600	258	1	0	1	0	29	289
2601-2800	192	0	0	0	0	15	207
2801-3000	149	0	0	0	0	18	167
> 3000	690	0	0	0	0	58	748
TOTALS	**3,672**	**235**	**32**	**34**	**52**	**1,538**	**5,563**

* This number includes three retirement system staff retirees.

Uniformed Patrol

Amount of Monthly Benefit	Retirement Normal	Retirement Early	Disability Normal	Disability Work-Related	Disability Long-Term	Survivor	Total Recipients
1-200	0	0	0	0	0	1	1
201-400	5	0	0	0	0	7	12
401-600	8	0	0	0	0	7	15
601-800	4	0	0	0	0	11	15
801-1000	4	0	0	0	0	14	18
1001-1200	2	0	0	0	0	4	6
1201-1400	4	0	0	0	0	13	17
1401-1600	1	0	0	0	0	9	10
1601-1800	3	0	0	0	0	13	16
1801-2000	4	0	0	0	0	20	24
2001-2200	1	0	0	0	0	10	11
2201-2400	3	0	0	0	0	8	11
2401-2600	7	0	0	1	0	7	15
2601-2800	13	0	0	0	0	2	15
2801-3000	13	0	0	1	0	5	19
> 3000	506	0	0	1	0	15	522
TOTALS	**578**	**0**	**0**	**3**	**0**	**146**	**727**

Civilian Patrol

Amount of Monthly Benefit	Retirement Normal	Retirement Early	Disability Normal	Disability Work-Related	Disability Long-Term	Survivor	Total Recipients
1-200	3	7	0	0	1	15	26
201-400	23	17	0	0	1	16	57
401-600	21	10	0	0	3	15	49
601-800	27	4	0	0	0	11	42
801-1000	33	3	0	0	0	13	49
1001-1200	32	2	0	0	0	12	46
1201-1400	27	1	0	0	0	13	41
1401-1600	29	0	0	0	0	3	32
1601-1800	48	0	0	2	0	1	51
1801-2000	45	0	0	0	0	3	48
2001-2200	50	0	0	0	0	2	52
2201-2400	35	0	0	0	0	0	35
2401-2600	28	0	0	0	0	1	29
2601-2800	18	0	0	0	0	0	18
2801-3000	13	0	0	0	0	0	13
> 3000	60	0	0	0	0	4	64
TOTALS	**492**	**44**	**0**	**2**	**5**	**109**	**652**

MoDOT

By Years of Service

Retired In Fiscal Year		0-10	11-15	16-20	21-25	26-30	31-35	36-40	41+
1997	**Average Benefit**	**$ 356**	**390**	**795**	**1,155**	**1,740**	**1,971**	**2,914**	**3,428**
	Average FAP	$1,791	1,514	1,941	2,256	2,643	2,635	3,471	3,607
	Current Retirees	**2**	**9**	**17**	**18**	**40**	**42**	**29**	**19**
1998	**Average Benefit**	**$ 245**	**552**	**662**	**1,119**	**1,684**	**2,177**	**2,655**	**3,188**
	Average FAP	$1,653	1,915	2,085	2,207	2,581	2,904	3,232	3,460
	Current Retirees	**3**	**8**	**11**	**20**	**39**	**40**	**47**	**25**
1999	**Average Benefit**	**$ 355**	**603**	**818**	**1,188**	**1,679**	**2,342**	**2,756**	**3,332**
	Average FAP	$1,915	2,136	1,956	2,464	2,500	3,172	3,517	3,850
	Current Retirees	**1**	**7**	**14**	**19**	**36**	**35**	**38**	**23**
2000	**Average Benefit**	**$ 264**	**531**	**914**	**1,083**	**1,958**	**2,551**	**2,697**	**3,456**
	Average FAP	$1,614	2,360	2,621	2,290	2,905	3,331	3,624	4,112
	Current Retirees	**2**	**9**	**12**	**17**	**53**	**70**	**57**	**40**
2001	**Average Benefit**	**$ 281**	**454**	**678**	**1,256**	**1,992**	**2,687**	**2,866**	**3,438**
	Average FAP	$2,051	1,774	1,559	2,277	2,802	3,351	3,714	4,341
	Current Retirees	**19**	**24**	**26**	**32**	**76**	**153**	**64**	**25**
2002	**Average Benefit**	**$ 377**	**557**	**671**	**1,303**	**2,177**	**2,707**	**2,799**	**2,612**
	Average FAP	$2,216	2,627	2,379	2,603	3,135	3,686	4,166	4,096
	Current Retirees	**1**	**16**	**14**	**29**	**58**	**65**	**32**	**19**
2003	**Average Benefit**	**$ 337**	**454**	**672**	**1,215**	**2,114**	**2,567**	**2,779**	**2,954**
	Average FAP	$2,299	1,985	2,060	2,379	2,992	3,444	3,835	4,127
	Current Retirees	**13**	**11**	**12**	**22**	**48**	**39**	**31**	**15**
2004	**Average Benefit**	**$ 322**	**567**	**905**	**1,347**	**2,025**	**2,785**	**2,463**	**3,281**
	Average FAP	$3,034	2,691	2,806	2,621	2,873	3,518	3,601	4,642
	Current Retirees	**10**	**14**	**19**	**22**	**69**	**60**	**27**	**8**
2005	**Average Benefit**	**$ 340**	**416**	**740**	**1,388**	**2,211**	**2,431**	**3,107**	**3,038**
	Average FAP	$2,558	1,964	2,732	2,663	3,367	3,294	3,988	4,017
	Current Retirees	**12**	**19**	**21**	**9**	**51**	**22**	**19**	**7**
2006	**Average Benefit**	**$ 320**	**527**	**714**	**1,348**	**2,236**	**2,479**	**3,314**	**3,315**
	Average FAP	$2,974	2,769	2,667	2,981	3,394	3,379	4,083	4,008
	Current Retirees	**15**	**16**	**20**	**26**	**59**	**33**	**11**	**8**

FAP = Final Average Pay

Uniformed Patrol

By Years of Service

Retired In Fiscal Year		0-10	11-15	16-20	21-25	26-30	31-35	36-40	41+
1997	**Average Benefit**	**$ 447**	**0**	**0**	**0**	**2,978**	**4,112**	**4,718**	**0**
	Average FAP	$1,305	0	0	0	3,636	4,109	4,208	0
	Current Retirees	**1**	**0**	**0**	**0**	**2**	**24**	**6**	**0**
1998	**Average Benefit**	**$ 0**	**391**	**0**	**0**	**3,800**	**4,376**	**5,144**	**0**
	Average FAP	$ 0	1,072	0	0	4,412	4,464	4,458	0
	Current Retirees	**0**	**1**	**0**	**0**	**8**	**19**	**1**	**0**
1999	**Average Benefit**	**$ 0**	**466**	**0**	**1,862**	**3,659**	**4,426**	**4,777**	**0**
	Average FAP	$ 0	1,399	0	2,926	4,341	4,768	4,679	0
	Current Retirees	**0**	**1**	**0**	**1**	**11**	**30**	**5**	**0**
2000	**Average Benefit**	**$ 0**	**668**	**0**	**1,959**	**3,993**	**4,346**	**4,816**	**0**
	Average FAP	$ 0	1,275	0	3,053	4,792	4,867	4,735	0
	Current Retirees	**0**	**1**	**0**	**2**	**2**	**15**	**8**	**0**
2001	**Average Benefit**	**$ 0**	**526**	**0**	**1,228**	**3,207**	**4,265**	**5,018**	**5,441**
	Average FAP	$ 0	801	0	2,718	4,286	4,849	5,341	5,352
	Current Retirees	**0**	**3**	**0**	**1**	**6**	**11**	**4**	**1**
2002	**Average Benefit**	**$ 0**	**671**	**1,691**	**3,071**	**3,624**	**4,269**	**4,678**	**6,058**
	Average FAP	$ 0	2,564	3,580	4,566	4,739	5,376	5,373	5,624
	Current Retirees	**0**	**1**	**1**	**1**	**9**	**12**	**10**	**1**
2003	**Average Benefit**	**$ 352**	**456**	**0**	**0**	**3,252**	**4,097**	**4,221**	**0**
	Average FAP	$1,051	1,514	0	0	4,378	5,149	4,982	0
	Current Retirees	**2**	**1**	**0**	**0**	**12**	**7**	**8**	**0**
2004	**Average Benefit**	**$ 544**	**379**	**1,379**	**0**	**3,046**	**3,727**	**4,131**	**4,597**
	Average FAP	$2,295	992	3,000	0	4,372	4,883	5,171	5,078
	Current Retirees	**1**	**1**	**1**	**0**	**8**	**8**	**6**	**1**
2005	**Average Benefit**	**$ 0**	**580**	**1,185**	**2,350**	**3,151**	**3,371**	**4,648**	**4,953**
	Average FAP	$ 0	2,386	2,772	3,870	4,807	4,793	5,362	5,158
	Current Retirees	**0**	**2**	**1**	**2**	**5**	**6**	**4**	**1**
2006	**Average Benefit**	**$ 368**	**0**	**1,206**	**0**	**2,979**	**3,629**	**4,124**	**0**
	Average FAP	$1,628	0	3,007	0	4,884	5,214	5,004	0
	Current Retirees	**1**	**0**	**2**	**0**	**6**	**10**	**1**	**0**

FAP = Final Average Pay

Civilian Patrol

By Years of Service

Retired In Fiscal Year		0-10	11-15	16-20	21-25	26-30	31-35	36-40	41+
1997	**Average Benefit**	**$ 323**	**563**	**551**	**1,297**	**1,917**	**2,100**	**2,565**	**2,116**
	Average FAP	$1,776	1,994	1,500	2,373	2,837	2,796	2,916	2,290
	Current Retirees	**2**	**2**	**4**	**1**	**2**	**7**	**8**	**1**
1998	**Average Benefit**	**$ 215**	**636**	**817**	**948**	**1,876**	**2,183**	**2,509**	**3,443**
	Average FAP	$1,292	1,976	2,083	2,074	2,654	2,946	3,126	3,618
	Current Retirees	**1**	**3**	**2**	**2**	**4**	**7**	**4**	**2**
1999	**Average Benefit**	**$ 0**	**349**	**524**	**1,111**	**1,494**	**2,364**	**2,462**	**0**
	Average FAP	$ 0	1,422	1,363	2,290	2,443	3,009	3,108	0
	Current Retirees	**0**	**3**	**1**	**3**	**2**	**11**	**7**	**0**
2000	**Average Benefit**	**$ 288**	**594**	**698**	**1,160**	**1,860**	**2,444**	**2,828**	**2,306**
	Average FAP	$1,676	2,784	1,968	2,356	2,807	3,161	3,785	2,558
	Current Retirees	**2**	**1**	**2**	**5**	**6**	**9**	**6**	**2**
2001	**Average Benefit**	**$ 270**	**572**	**787**	**1,217**	**1,925**	**2,480**	**2,732**	**2,667**
	Average FAP	$1,844	1,083	1,936	2,057	2,859	3,158	3,595	3,176
	Current Retirees	**5**	**1**	**1**	**3**	**14**	**23**	**10**	**2**
2002	**Average Benefit**	**$ 181**	**304**	**908**	**1,191**	**1,957**	**2,534**	**2,380**	**0**
	Average FAP	$1,767	1,907	2,477	2,129	2,827	3,215	3,209	0
	Current Retirees	**2**	**5**	**1**	**5**	**7**	**5**	**4**	**0**
2003	**Average Benefit**	**$ 348**	**401**	**620**	**1,199**	**2,046**	**2,097**	**1,912**	**2,001**
	Average FAP	$1,917	1,405	2,425	2,490	2,720	2,855	3,611	3,001
	Current Retirees	**3**	**3**	**4**	**3**	**10**	**15**	**3**	**3**
2004	**Average Benefit**	**$ 232**	**429**	**522**	**1,291**	**1,775**	**2,447**	**2,716**	**5,037**
	Average FAP	$1,985	2,119	2,025	2,353	2,768	3,021	3,654	5,259
	Current Retirees	**2**	**5**	**2**	**4**	**10**	**8**	**7**	**1**
2005	**Average Benefit**	**$ 229**	**366**	**620**	**964**	**2,467**	**3,360**	**1,585**	**3,028**
	Average FAP	$1,298	1,841	2,240	1,780	3,285	4,044	2,522	4,422
	Current Retirees	**2**	**2**	**3**	**5**	**7**	**8**	**1**	**1**
2006	**Average Benefit**	**$ 157**	**405**	**540**	**1,047**	**2,352**	**2,648**	**2,854**	**0**
	Average FAP	$2,080	2,066	2,003	2,537	3,343	3,439	3,189	0
	Current Retirees	**4**	**5**	**2**	**11**	**7**	**12**	**3**	**0**

FAP = Final Average Pay

MPERS

By Years of Service

Retired In Fiscal Year		0-10	11-15	16-20	21-25	26-30	31-35	36-40	41+
1999	**Average Benefit**	**$105**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Average FAP	$915	0	0	0	0	0	0	0
	Current Retirees	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2003	**Average Benefit**	**$ 0**	**0**	**0**	**0**	**2,566**	**0**	**0**	**0**
	Average FAP	$ 0	0	0	0	3,232	0	0	0
	Current Retirees	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**
2006	**Average Benefit**	**$ 0**	**0**	**0**	**0**	**0**	**3,066**	**0**	**0**
	Average FAP	$ 0	0	0	0	0	4,178	0	0
	Current Retirees	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**

NOTE: There were no retirements during the years not shown above.

Active Member Data

Schedule of Participating Employers

	MoDOT		Patrol		MPERS		Total	
	Employees	%	Employees	%	Employees	%	Employees	%
1997	6,831	75.97	2,157	24.00	3	0.03	8,991	100
1998	6,633	74.96	2,212	25.00	4	0.04	8,849	100
1999	6,952	75.95	2,198	24.02	3	0.03	9,153	100
2000	7,008	76.33	2,170	23.63	4	0.04	9,182	100
2001	6,969	76.53	2,133	23.43	4	0.04	9,106	100
2002	6,590	75.70	2,106	24.19	10	0.11	8,703	100
2003	6,716	75.50	2,169	24.39	10	0.11	8,895	100
2004	6,848	76.07	2,143	23.81	11	0.12	9,002	100
2005	6,980	76.15	2,174	23.72	12	0.13	9,166	100
2006	6,839	75.91	2,159	23.96	12	0.13	9,010	100

By Age

Closed Plan

Age	Total	MoDOT	Civilian Patrol	Uniformed Patrol	MPERS
< 21	0	0	0	0	0
21-25	12	11	0	0	1
26-30	266	198	25	42	1
31-35	691	457	59	173	2
36-40	1,001	664	100	235	2
41-45	1,188	900	126	162	0
46-50	1,327	1,037	170	118	2
51-55	923	704	140	78	1
56-60	475	365	87	23	0
61-65	108	91	15	0	2
> 65	20	16	4	0	0
Total	**6,011**	**4,443**	**726**	**831**	**11**
Average Age		**45**	**46**	**41**	**43**

Year 2000 Plan

Age	Total	MoDOT	Civilian Patrol	Uniformed Patrol	MPERS
< 21	60	58	1	1	0
21-25	506	380	61	65	0
26-30	625	454	71	100	0
31-35	476	376	54	46	0
36-40	354	300	44	10	0
41-45	355	308	43	3	1
46-50	266	232	33	1	0
51-55	198	170	26	2	0
56-60	114	85	29	0	0
61-65	38	27	11	0	0
> 65	7	6	1	0	0
Total	**2,999**	**2,396**	**374**	**228**	**1**
Average Age		**36**	**38**	**28**	**41**

By Years of Service

Closed Plan

Years of Service	Total	MoDOT	Civilian Patrol	Uniformed Patrol	MPERS
< 1	5	5	0	0	0
1-5	30	30	0	0	0
6-10	1,708	1,256	212	237	3
11-15	1,425	1,058	149	216	2
16-20	1,137	799	149	187	2
21-25	805	648	102	55	0
26-30	621	454	77	87	3
31-35	223	145	33	45	0
36-40	51	42	4	4	1
41-45	4	4	0	0	0
46 +	2	2	0	0	0
Total	**6,011**	**4,443**	**726**	**831**	**11**
Average Service		**16**	**16**	**16**	**19**

Year 2000 Plan

Years of Service	Total	MoDOT	Civilian Patrol	Uniformed Patrol	MPERS
< 1	899	791	73	35	0
1-5	2,019	1,535	290	193	1
6-10	77	68	9	0	0
11-15	3	2	1	0	0
16-20	1	0	1	0	0
21-25	0	0	0	0	0
26-30	0	0	0	0	0
31-35	0	0	0	0	0
36-40	0	0	0	0	0
41-45	0	0	0	0	0
46 +	0	0	0	0	0
Total	**2,999**	**2,396**	**374**	**228**	**1**
Average Service		**2**	**3**	**3**	**3**

By Age

Closed Plan

Age	Total	MoDOT	Civilian Patrol	Uniformed Patrol	MPERS
< 21	0	0	0	0	0
21-25	2	2	0	0	0
26-30	28	22	5	1	0
31-35	171	112	20	39	0
36-40	296	214	35	47	0
41-45	343	273	40	30	0
46-50	308	253	39	16	0
51-55	219	171	35	13	0
56-60	104	86	16	2	0
61-65	12	7	5	0	0
> 65	0	0	0	0	0
Total	**1,483**	**1,140**	**195**	**148**	**0**
Average Age		**45**	**45**	**40**	**0**

Year 2000 Plan

Age	Total	MoDOT	Civilian Patrol	Uniformed Patrol	MPERS
< 21	0	0	0	0	0
21-25	1	1	0	0	0
26-30	7	5	2	0	0
31-35	3	3	0	0	0
36-40	1	0	1	0	0
41-45	3	3	0	0	0
46-50	2	2	0	0	0
51-55	2	2	0	0	0
56-60	0	0	0	0	0
61-65	0	0	0	0	0
> 65	0	0	0	0	0
Total	**19**	**16**	**3**	**0**	**0**
Average Age		**37**	**32**	**0**	**0**

By Years of Service

Closed Plan

Years of Service	Total	MoDOT	Civilian Patrol	Uniformed Patrol	MPERS
< 1	0	0	0	0	0
1-5	0	0	0	0	0
6-10	245	185	32	28	0
11-15	485	362	57	66	0
16-20	388	309	52	27	0
21-25	177	148	21	8	0
26-30	105	74	15	16	0
31-35	58	39	17	2	0
36-40	24	22	1	1	0
41-45	1	1	0	0	0
46 +	0	0	0	0	0
Total	**1,483**	**1,140**	**195**	**148**	**0**
Average Service		**17**	**18**	**15**	**0**

Year 2000 Plan

Years of Service	Total	MoDOT	Civilian Patrol	Uniformed Patrol	MPERS
< 1	0	0	0	0	0
1-5	15	13	2	0	0
6-10	4	3	1	0	0
11-15	0	0	0	0	0
16-20	0	0	0	0	0
21-25	0	0	0	0	0
26-30	0	0	0	0	0
31-35	0	0	0	0	0
36-40	0	0	0	0	0
41-45	0	0	0	0	0
46 +	0	0	0	0	0
Total	**19**	**16**	**3**	**0**	**0**
Average Service		**5**	**6**	**0**	**0**

Retirement Age/Years of Service/Benefit Information

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

MoDOT

Retired in Fiscal Year	Current Retirees	Average Age at Retirement	Average Service	Average Initial Benefit	Average Benefit on June 30, 2006	Percent of Increase
1997	176	58.50	30.59	$1,341	$1,935	44.25%
1998	193	59.58	31.85	1,434	2,032	41.65
1999	173	58.69	31.30	1,513	2,095	38.46
2000	260	58.02	32.17	1,710	2,342	36.99
2001	419	56.99	32.37	2,037	2,162	6.15
2002	234	58.05	31.13	2,083	2,128	2.16
2003	191	57.51	30.36	1,831	1,970	7.56
2004	229	57.34	28.48	1,924	1,998	3.87
2005	160	57.94	27.60	1,721	1,791	4.07
2006	188	57.67	26.37	1,759	1,799	2.30

Uniformed Patrol

Retired in Fiscal Year	Current Retirees	Average Age at Retirement	Average Service	Average Initial Benefit	Average Benefit on June 30, 2006	Percent of Increase
1997	33	54.73	31.82	$2,779	$4,043	45.45%
1998	29	53.93	31.10	2,916	4,106	40.82
1999	48	54.46	31.73	3,084	4,151	34.62
2000	28	54.71	33.07	3,203	4,153	29.66
2001	26	56.35	32.85	2,874	3,634	26.45
2002	35	52.97	32.46	3,258	4,061	24.63
2003	30	54.33	32.07	2,815	3,421	21.52
2004	26	54.96	31.65	2,665	3,303	23.90
2005	21	54.62	31.38	2,841	3,170	11.60
2006	20	53.85	30.65	2,820	3,053	8.27

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-U.

Retirement Age/Years of Service/Benefit Information

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

Civilian Patrol

Retired in Fiscal Year	Current Retirees	Average Age at Retirement	Average Service	Average Initial Benefit	Average Benefit on June 30, 2006	Percent of Increase
1997	27	60.15	29.04	$1,185	$1,720	45.15%
1998	25	59.44	28.12	1,261	1,814	43.83
1999	27	58.63	30.04	1,358	1,894	39.50
2000	33	58.64	29.30	1,397	1,912	36.87
2001	59	57.95	30.92	2,020	2,085	3.20
2002	29	57.69	26.59	1,455	1,539	5.82
2003	44	58.02	29.25	1,588	1,636	3.00
2004	39	58.26	27.69	1,785	1,800	0.81
2005	29	57.76	26.48	1,878	1,953	3.99
2006	44	57.34	25.39	1,617	1,637	1.27

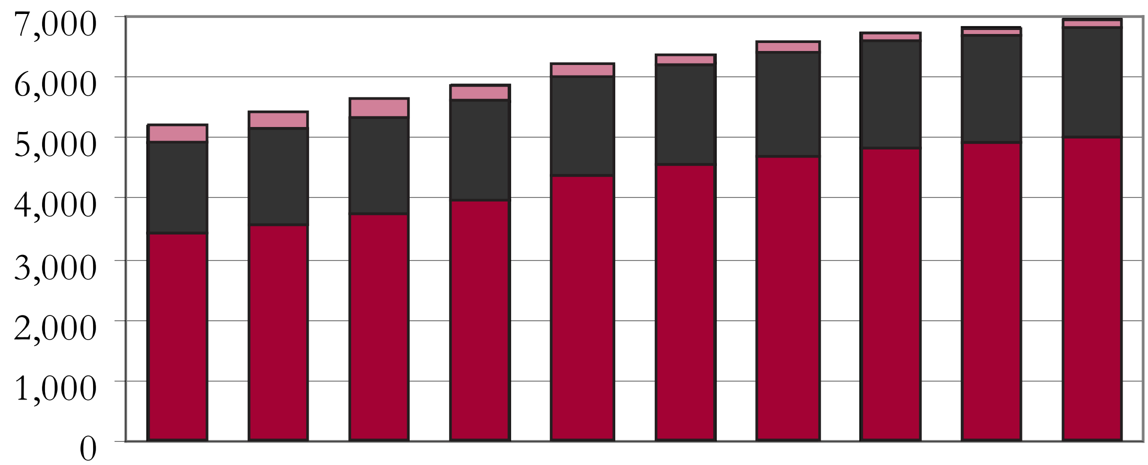
MPERS

Retired in Fiscal Year	Current Retirees	Average Age at Retirement	Average Service	Average Initial Benefit	Average Benefit on June 30, 2005	Percent of Increase
1999	1	69.00	5.50	$ 80	$ 105	31.60%
2003	1	51.00	30.00	2,402	2,566	6.81
2006	1	50.00	31.00	3,066	3,066	0.00

NOTE: There were no retirements during the years not shown above.

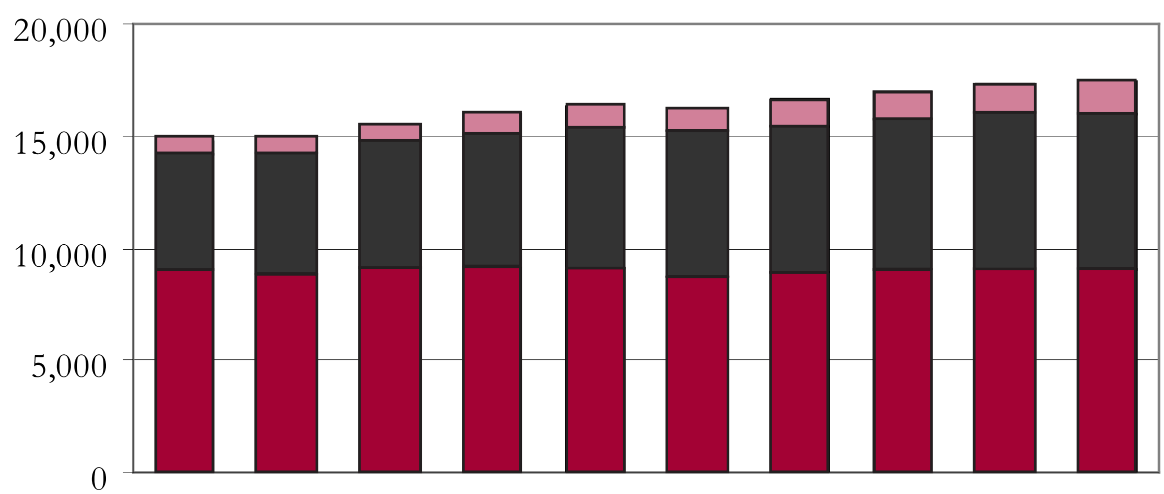
NOTE: Annual cost-of-living adjustments for the Closed Plan range between 4% and 5%.
Annual cost-of-living adjustments for the Year 2000 Plan are 80% of the CPI-U.

Benefit Recipients



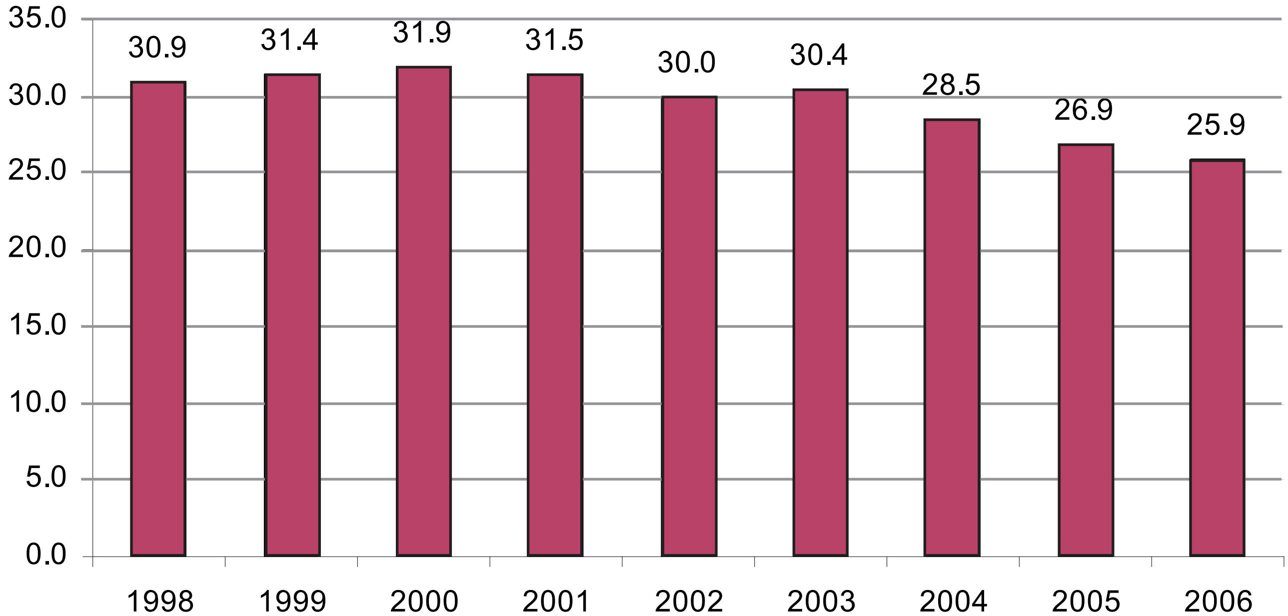
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Disabilities	272	275	263	262	181	157	155	153	153	154
Survivors	1,486	1,549	1,590	1,641	1,637	1,680	1,710	1,735	1,762	1,793
Retirees	3,445	3,585	3,747	3,954	4,374	4,543	4,691	4,843	4,920	5,024

Membership Distribution

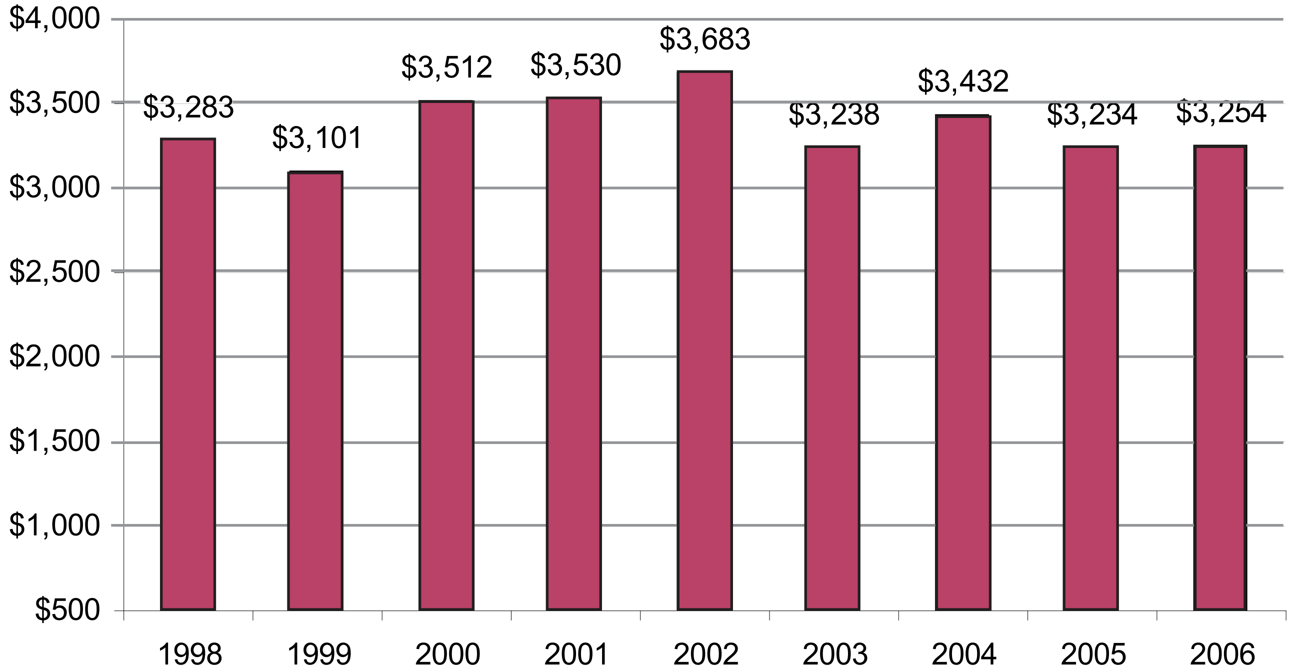


	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Term Vested Members	574	660	762	912	1,018	1,130	1,207	1,285	1,370	1,502
Benefit Recipients	5,203	5,409	5,600	5,857	6,192	6,380	6,556	6,731	6,835	6,971
Active Members	8,997	8,849	9,172	9,171	9,106	8,706	8,895	9,002	9,166	9,010

Average Years of Service for New Retirees



Final Average Pay for New Retirees



NOTE: Information is not available for 1997.

This map represents the demographic distribution of retirees by state.