Yesterday • Today • Tomorrow

Gary Findlay
Executive Director

Gary Irwin
Chief Finance Officer

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

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

Table of Contents

ACTUARIAL SECTION

STATISTICAL SECTION

** Missouri State Employees' Plan*

Our Mission

To exceed customer expectations by providing outstanding benefit services through professional plan administration and sound investment practices.

Core Values

QUALITY
Strive to exceed the expectations of internal and external customers through innovation, competence, and teamwork. Seek to "do it right" the first time.

RESPECT
Be sensitive to the needs of others, both within and outside the organization. Be courteous, considerate, responsive, and professional.

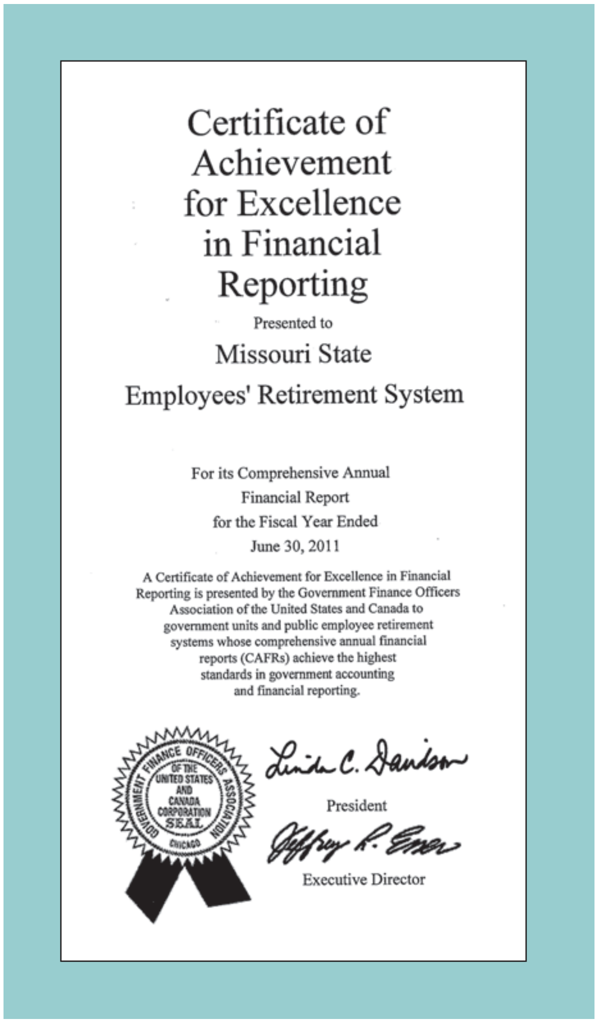
INTEGRITY
In all endeavors, act in an ethical, honest, and professional manner.

OPENNESS
Be willing to listen to, and share information with, others. Be receptive to new ideas. Be trusting of others.

ACCOUNTABILITY
Take ownership of and responsibility for actions and their results. Learn from mistakes. Control system risks and act to protect the security of member information and system assets.

Introductory Section

PROFESSIONAL AWARDS



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Missouri State Employees' Retirement System

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011

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.

President

Executive Director

Certificate of Achievement for Excellence in Financial Reporting

MOSERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). This was the 23rd consecutive year that MOSERS has received this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR). The CAFR must satisfy generally accepted accounting principles, applicable legal requirements and GFOA reporting standards.

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2011

Presented to

Missouri State Employees' Retirement System

In recognition of meeting professional standards for plan funding 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

Public Pension Standards Award

MOSERS also received the Public Pension Coordinating Council (PPCC), Public Pension Standards Award in 2011, in recognition of meeting the professional standards for plan design and administration as set forth in the Public Pension Standards. This award is presented by the PPCC, a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR).

LETTER OF TRANSMITTAL

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

Building Location
907 Wildwood Drive
Jefferson City, MO

MOSERS
Excellence. Always.

Missouri State Employees' Retirement System

October 29, 2012
The Board of Trustees
Missouri State Employees' Retirement System
907 Wildwood Drive
Jefferson City, MO 65109

Dear Board Members:

It is my pleasure to submit the 2012 Comprehensive Annual Financial Report (CAFR) of the Missouri State Employees' Retirement System (MOSERS). Over the years, MOSERS has enjoyed much success with respect to the continued commitment to quality customer service and cost-effective pursuit of excellence in investments and benefits administration. That being said, it is not sufficient to look toward the future fueled only by achievements of the past. As we prepare for and execute succession planning relating to the changing of the guard, we are mindful that MOSERS serves tens of thousands of present and former state employees who count on us for their personal financial security far into the future. To accomplish this task, the "*Spot-On — Excellence. Always.*" strategic planning initiative was implemented. This initiative strives to build on the high level of success that has been present in the past while raising the bar for the future.

In FY12, the financial markets were marked by extreme volatility yet, in spite of this turmoil, the total fund exceeded its policy benchmark and generated $158 million, a 2.24% return net of fees for the year.

Report Contents and Structure

This CAFR is designed to satisfy the reporting requirements of state law as stipulated in Sections 104.480, 104.1006, and 105.661 of the Revised Statutes of Missouri (RSMo), as amended. Management has prepared the basic financial statements of MOSERS and is responsible for the integrity and fairness of the information presented. Some amounts included in the financial statements and elsewhere may be based on estimates and judgments. These estimates and judgments were products of the best business practices available. The accounting policies followed in preparing the basic financial statements conform with U.S. generally accepted accounting principles. Financial information presented throughout the CAFR is consistent with that which is displayed in the basic audited financial statements.

Phone: (573) 632-6100 • (800) 827-1063
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Email: *mosers@mosers.org* • Website: *www.mosers.org*

Ultimate responsibility for the CAFR and the basic financial statements rests with the board of trustees. The executive director and the rest of the MOSERS staff assist board members in fulfilling their responsibilities. Systems of internal controls and supporting procedures are maintained to provide assurances that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls include standards in the hiring and training of employees, the establishment of an organizational structure, and the communication of policies and guidelines throughout the organization. Internal controls are reviewed through internal audit programs and all internal audit reports are submitted to the board of trustees. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of cost and benefits requires estimates and judgments by management.

The system's external auditor, Williams-Keepers LLC, conducted an independent audit of the basic financial statements in accordance with U.S. generally accepted auditing standards. This audit is described in the *Independent Auditor's Report* on page 21 of the *Financial Section*. Management has provided the external auditors with full and unrestricted access to MOSERS' staff to discuss their audit and related findings, to facilitate independent validation of the integrity of the plan's financial reporting and the adequacy of internal controls.

The *Financial Section* also contains the *Management Discussion and Analysis* that serves as an introduction to and overview of the financial statements. MOSERS is considered a component unit of the state of Missouri for financial reporting purposes and, as such, the financial statements in this report are also included in the *State of Missouri's Comprehensive Annual Financial Report*.

Profile of MOSERS

MOSERS is a body corporate and an instrumentality of the state of Missouri that was established in 1957 by state law, under the management of a board of trustees, for the purpose of providing retirement benefits to most state employees. MOSERS provides for those retirement benefits through pension trust funds, in keeping with the fiduciary responsibilities of the board members and staff.

Subsequent to its creation, MOSERS was further assigned the task of providing most members of the retirement system with term life and long-term disability insurance. MOSERS operates an internal service fund for the state of Missouri and contracts with insurance companies to provide those benefits through insured defined benefit plans. MOSERS maintains membership information on those eligible for the insurance coverage and collects and remits the premiums to the insurance company. Currently, the life and long-term disability insurance plans are insured through The Standard insurance company.

The State of Missouri's Deferred Compensation Plan is accounted for as an internal service fund and is administered by MOSERS. Investment options are made available to participants who retain responsibility for the investment of their individual accounts.

A new tier defined benefit plan (MSEP 2011) is in effect for state employees first hired on or after January 1, 2011. The MSEP 2011 defined benefit plan does not impact members of MOSERS who had service with the state prior to January 1, 2011. Highlights of the MSEP 2011 defined benefit plan can be found on page 33 in the *Notes to the Financial Statements*, and on page 124-131 of the *Actuarial Section*.

Budgeting

The MOSERS Board of Trustees annually approves the administrative expense budgets for MOSERS' operations and investments sections. MOSERS' governance policy requires an exception report to the board of trustees by the executive director if expenses are expected to exceed budgeted amounts by 10% and to seek board approval in advance for any unscheduled salary increases or staff expansions not included in the budget approved by the board before the beginning of the fiscal year. There were no budget exceptions to report for the year.

Succession Planning

Succession planning strategies were originally developed in FY10 with an emphasis on employee development and retention, as well as ways in which institutional knowledge could be captured. This program included a selection process for high potential employees who were interested in preparing for higher level positions at MOSERS. The program was designed to capitalize on the experience that current staff already possesses and prepare them to move into higher level positions. In addition to training and job shadowing, each participant is required to initiate and complete an individual capstone project that would be of benefit to MOSERS. The third group of succession planning participants is continuing to work through their development plans and the fourth group will be recruited during the first half of FY13. The importance of this type of program becomes clear when considering the fact that MOSERS presently has 12 employees who are eligible to retire and an additional 16 who will become eligible to retire between now and September 1, 2017.

Risk Management Enhancements

Risk management is a critical component of the investment management program. Charlesworth & Associates, MOSERS' insurance risk management consultant, has reported that insurance coverage has been designed around the risks to which the system is exposed and the philosophy regarding funding of potential loss. The insurance risk management consultant helps us ensure that coverage is consistent with industry standards and that the best rates available are in place. Additionally, it is the consultant's opinion that MOSERS continues to excel in risk management.

Business Continuity Plan Implementation

MOSERS business continuity plans are the first line of defense in the aftermath of a business interruption. After an unexpected event, properly documented and regularly exercised plans will greatly increase the chances of resuming the organization's normal business operations with minimal interruption. This year, additional remote access capabilities were increased to improve warm-site remote access to improve business continuity readiness. If MOSERS experiences a business interruption and the building is inaccessible, employees will be able to remotely access the computer systems at the warm-site.

Deferred Compensation and College and University Retirement Plans

MOSERS is responsible for oversight of the State of Missouri Deferred Compensation Plan and the College and University Retirement Plan (CURP), which includes, but is not limited to, contracting with record keepers, plan administrators and investment managers, providing communications and ensuring that the plans are in compliance with federal and state law. Deferred compensation plan participation is voluntary for eligible members, including college and university employees. As of June 30, 2012, there were 53,034 participants (34,646 active and 18,388 terminated/retired). Of those employees eligible, nearly 54% participate in the plan. Participant account assets total

$1,530,949,179. The plan consists of 13 custom-designed target date investment options, a stable income fund, a new monthly valued active asset allocation fund, a brokerage window option, and 30 closed legacy mutual fund options (consisting of a variety of domestic equity, international equity, fixed income, and lifestyle/balanced mutual funds).

As of June 30, 2012, plan participation was down 1% from June 30, 2011. Total participants decreased by 2,041 during the fiscal year. This decline continues as a result of lower enrollments due to economic conditions and ceased contributions in response to the plan incentive suspension in March 2010.

A change in state law allowed for the automatic enrollment of new employees into the State of Missouri Deferred Compensation Plan beginning July 1, 2012.

On November 10, 2011, participant account records in the deferred compensation plan were transitioned to the International City/County Management Association Retirement Corporation (ICMA-RC). This transition led to improvements such as lower accounts fees, the addition of TD Ameritrade for brokerage window, fee-based planning service offerings and the option for after-tax (Roth) contributions.

The defined contribution team and investment staff at MOSERS worked with ICMA-RC, Bank of New York Mellon (MOSERS' custodial bank) and legal advisors to create the MOSERS Investment Portfolio (MIP) fund option. The new offering became available to plan participants on July 1, 2012. This option gives plan participants the ability to purchase units of the MOSERS investment portfolio, giving them a unique, long-term investment option.

The board also has responsibility for oversight of the College and University Retirement Plan (CURP). CURP is a 401(a) defined contribution plan for education employees hired after June 30, 2002, by the regional colleges and universities that participate in MOSERS. The employer payroll contribution rate is the normal cost rate of the defined benefit plan for general state employees less 1%. TIAA-CREF is responsible for third party administration and for providing investment products and education for members in the plan. Current plan assets total $35,565,877 with 1,826 participants.

Technology Updates

This year, a building-wide overhaul of the network infrastructure was completed. The upgraded wiring and switching technology will increase speed and reliability in preparation for a move to Voice over Internet Protocol (VoIP) telecommunications in the future.

Cost Effectiveness Measurement (CEM)

Customer service is a critical element in MOSERS' performance objectives. One of the ways MOSERS measures overall performance is through the Cost Effectiveness Measurement, Inc. (CEM) pension administration benchmarking analysis. CEM evaluated 66 leading pension systems, including systems in the United States, Canada, Australia, the Netherlands, and Denmark. MOSERS' peer group included 11 U.S. public pension plans that are identified as the most relevant peer group based on membership size and system assets. This year, the CEM results indicated that MOSERS' service ranked number one again in the peer group and was the highest in CEM's global universe of 88 plans. MOSERS' service score was 91, well above the peer median of 77 and the all CEM average of 74. Each year, we explore improvements to service that can be made in a cost-effective manner.

CEM measures the cost of service on an annual per participant basis (including active members and benefit recipients). MOSERS' has 88,000 such participants while the median number within the peer group is 101,000 and the peer average is 114,000. MOSERS' cost of $73 per active member and annuitant was equal to the peer median of $73 and well below the peer average of $94. In addition, our overall complexity score remains below the peer average (with simplicity being viewed as a positive).

Summary of Financial Information

The following schedule is a comparative summary of the pension trust funds' additions and deductions for the years ended June 30, 2012, and June 30, 2011.

	Pension Trust Funds	
	Year Ended June 30, 2012	Year Ended June 30, 2011
Additions	$ 460,966,483	$1,708,542,321
Deductions	(646,164,323)	(647,802,147)
Net change	$ (185,197,840)	$1,060,740,174

The following schedule is a comparative summary of the revenues and expenses of the *Internal Service Funds* (insurance and deferred compensation activity) for the years ended June 30, 2012, and June 30, 2011.

	Internal Service Funds	
	Year Ended June 30, 2012	Year Ended June 30, 2011
Operating revenues	$ 46,686,989	$ 84,032,268
Operating expenses	(46,857,332)	(83,877,672)
Nonoperating revenue	11,068	11,071
Net change	$ (159,275)	$ 165,667

Additional financial information can be found in the *Management Discussion and Analysis Report*, the financial statements, and schedules included in the *Financial Section* of this report.

Investments

MOSERS' investments generated a return of 2.2%, net of fees, for FY12. The total fund return exceeded its policy benchmark by 1%. The incremental return (actual return vs. policy benchmark) resulted in an additional $83 million for the fund this year.

Although volatility defined the markets this past year, MOSERS had the best 10-year investment return at June 30, 2012, in the national universe of statewide funds. The largest asset class, public equities, returned -3.0% for the year. Total public debt returned 7.4% for the fiscal year. Within the alternative investments asset class, real assets and private investments posted absolute returns of 5.6%. The table on page 73 illustrates each sub-asset classes' contribution to the total return. Additional information regarding the investments of the pension trust funds can be found in the *Investment Section* of this report.

Plan Financial Condition

The funding objective of MOSERS' pension trust funds is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll over decades of time. Historical information relating to progress in meeting this objective is presented on pages 49-52. During the year ended June 30, 2012, the funded ratio of the Missouri State Employees' Plan, which covers 106,674 participants, decreased from 79.2% to 73.2%, primarily the result of the unfavorable investment market experience in previous years and the strengthening of demographic assumptions. Funding of the Judicial Plan, which covers 927 participants, began on July 1, 1998. During the year ended June 30, 2012, the funded ratio of the Judicial Plan decreased from 25.0% to 24.7%. Additional information regarding the financial condition of the pension trust funds can be found in the *Actuarial Section* of this report.

Awards

The Government Finance Officers Association of the United Sate and Canada (GFOA) awarded a certificate of Achievement for Excellence in Financial Reporting to MOSERS for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the 23rd consecutive year that MOSERS has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy 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.

MOSERS received the Public Pension Coordinating Council (PPCC), Public Pension Standards Award, in recognition of meeting the professional standards for plan design and administration as set forth in the Public Pension Standards. This award is presented by the PPCC, a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR).

These prestigious awards recognize MOSERS for financial and professional standards of excellence. Presentation of these notable awards can be found on page 5.

GFOA also presented MOSERS with an Award for Outstanding Achievement in Popular Annual Financial Reporting for the summary annual report. This was the 16th year that MOSERS received this award.

This past year, MOSERS also received the aiCIO (Asset International Chief Investment Officer) Asset-Owner Innovation Award for a public pension plan below $15 billion. This award highlights the most innovative and positive work being done for, and at, the world's largest pensions, endowments, foundations, and sovereign wealth funds.

In June 2012, investment consultant Cliffwater, LLC released an independent report which recognized MOSERS for producing the highest ten-year investment return in the statewide public retirement fund universe for the period ending June 30, 2011.

These awards are gratifying to MOSERS' staff and increase MOSERS' stature as an industry leader.

Conclusion

This report is a product of the combined efforts of MOSERS' staff and advisors functioning under your leadership. It is intended to provide complete and reliable information that facilitates the management decision making process, serves as a means for determining compliance with legal requirements, and allows for the evaluation of responsible guardianship of system funds. As in the past, MOSERS received an unqualified opinion from our independent auditor on the financial statements included in this report. The opinion of the independent auditor is on page 21.

Copies of this report are provided to the Governor, State Auditor, the Joint Committee on Public Employee Retirement of the General Assembly, and all state agencies that form the link between MOSERS and its members. Their cooperation contributes significantly to the success of MOSERS.

I would like to take this opportunity to express my gratitude to you, the staff, the advisors, and other people who have worked so diligently to assure the continued successful operation of the system. Thank you for assisting the system in raising the bar towards "*Excellence. Always.*"

Respectfully submitted,

Gary Findlay

Gary Findlay
Executive Director

LETTER FROM THE BOARD CHAIR

MOSERS
Excellence. Always.
Missouri State Employees' Retirement System

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

Building Location
907 Wildwood Drive
Jefferson City, MO

October 29, 2012

Dear Members:

On behalf of the board of trustees, I am pleased to present the *MOSERS Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2012. While the focus of this report is on information related to the financial status of your retirement system, it also highlights other changes that occurred during the year. The *Financial Section* of this report is prepared in accordance with generally accepted accounting principles and is appropriately attested to by the system's independent certified public accountants.

MOSERS' investments generated a return of $158 million, 2.2% net of fees, on behalf of our members and Missouri taxpayers this year, exceeding the policy benchmark of 1.2%. Although this return is lower than those generated the past two years (14.3% in FY10 and 21% in FY11), it reflects the volatility that the financial markets experienced throughout this fiscal year. In the national universe of statewide pension funds, MOSERS generated the best ten-year investment return as of June 30, 2012.

After long and careful discussion and following the recommendations and guidance of the system's actuary, in June 2012, the board adopted strengthened mortality tables and revised rates of withdrawal and retirement to better reflect recent experience, as well as adopting other minor changes in demographic assumptions. In July 2012, the board voted to reduce the nominal investment return assumption from 8.5% to 8% and to adopt assumptions for wage inflation and price inflation of 3% and 2.5%, respectively.

Your retirement system continues to achieve high marks in the delivery of customer service to our members. One of the ways operational performance is measured is through the Cost-Effectiveness Measurement, Inc. (CEM) pension administration benchmarking analysis. CEM evaluated 66 leading pension systems, including systems in the U.S., Canada, the Netherlands, and Denmark. MOSERS' peer group included 11 U.S. public pension plans that are identified as our most relevant peer group based on membership size and system assets. This year, the CEM results indicated that MOSERS' service ranked number one again in our peer group with lower than average costs.

Phone: (573) 632-6100 • (800) 827-1063
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The board experienced some turnover this past year. On behalf of the board, staff and members, I would like to thank the former Commissioner of the Office and Administration, Kelvin Simmons, Representative Ward Franz, Representative Thomas Flanagan, and Travis Morrison, for their hard work and contributions to the system. Trustees devote many hours in fulfilling their duties and serve with no remuneration. The board also welcomed acting Commissioner of Administration Doug Nelson, Representative Caleb Jones, and Antwaun Smith to the board this year, and we look forward to serving with them.

I wish to thank all of the MOSERS board members for their hard work and contributions to the system this year. The wide diversity and exceptional knowledge that our trustees bring to each meeting is one reason for our system's continued success. Additionally, the board thanks MOSERS' staff for maintaining a high level of expertise and professionalism required for excellence in our retirement system that continues to serve our membership well.

Both the board of trustees and staff look forward to meeting your future needs. If you have any questions regarding this report or any other aspect of MOSERS, please contact us at MOSERS, P.O. Box 209, Jefferson City, MO 65102 or call (800) 827-1063. Our website can also be visited at *www.mosers.org*.

Sincerely,

Donald Martin

Donald Martin, Chair
Board of Trustees

BOARD OF TRUSTEES

Donald Martin - Chair
Elected Retired Member

Lori Neidel - Vice Chair
Governor Appointed Member

Senator Jason Crowell
Senate Appointed Member

Laura Davis
Elected Active Member

Marty Drewel
Elected Active Member

Senator Timothy Green
Senate Appointed Member

Representative Mike Leara
House Appointed Member

Acting Commissioner of Administration
Doug Nelson
Ex-Officio Member

Representative Caleb Jones
House Appointed Member

Antwaun Smith
Governor Appointed Member

State Treasurer
Clint Zweifel
Ex-Officio Member

ADMINISTRATIVE ORGANIZATION

Gary Findlay - *Executive Director*

Greg Beck - *Chief Auditor*

Judy Delaney - *Legislative & Policy Coordinator*

Jake McMahon - *Chief Counsel*

Lisa Verslues - *Human Resources Coordinator*

Karen Stohlgren - *Deputy Executive Director*
Chief Operations Officer (COO)

Stacy Gillmore - *Manager of Information Technology*

Gary Irwin - *Chief Finance Officer*

Lori Leeper - *Operations Project Coordinator/Board Secretary*

JoAnn Looten - *Manager of Records & Facility*

Krista Myer - *Manager of Communications*

Scott Simon - *Manager of Benefit Services*

Rick Dahl - *Deputy Executive Director*
Chief Investment Officer (CIO)

Shannon Davidson - *Manager of Investment Risk & Performance*

Seth Kelly - *Manager of Investment Research & Strategy*

Jim Mullen - *Manager of Public Debt*

Pat Neylon - *Manager of Public Equity*

Scott Peppard - *Manager of Alternative Investments*

Christine Rackers - *Manager of Investment Policy & Communications*

Cindy Rehmeier - *Manager of Deferred Compensation*

Tricia Scrivner - *Manager of Hedge Fund Investments*

ABOUT MOSERS

Purpose

MOSERS was established September 1, 1957, and is governed by laws of the state of Missouri.

MOSERS provides retirement, survivor, and disability benefits, as well as life insurance and deferred compensation plan management to its members.

MOSERS administers retirement benefits for most state employees, including members of the Missouri General Assembly, elected state officials, and judges. MOSERS is responsible for administering the law in accordance with the expressed intent of the Missouri General Assembly and bears a fiduciary obligation to the state employees who are its members and beneficiaries.

Administration

State law provides that responsibility for the administration of MOSERS is vested in an 11-member board of trustees. The board is comprised of:

- Two members of the Senate appointed by the President Pro Tem of the Senate.
- Two members of the House of Representatives appointed by the Speaker of the House.
- Two members appointed by the Governor.
- The State Treasurer.
- The Commissioner of Administration.
- Three other system members: two active members elected by the active and terminated-vested members, and one retiree elected by the retired members.

The day-to-day management of MOSERS is delegated to the executive director who is appointed by the board and serves at its pleasure. The executive director acts as advisor to the board on all matters pertaining to the system, contracts for professional services, and employs the remaining staff needed to manage the system.

Organization

The executive director, COO, and CIO are responsible for planning, organizing, and administering the operations of the system under the broad policy guidance and direction of the board. MOSERS' office is divided into seven administrative sections that perform specific functions for the system.

Executive Services

The executive services team provides administrative support by assisting the executive director, COO, and CIO in the major legal, operational, and oversight functions of the retirement, benefit, and communication programs.

Accounting

Accounting is responsible for all financial records of the programs administered by MOSERS, including the preparation of financial and statistical reports. Accounting performs the purchasing functions for MOSERS and interfaces with the investment custodian, Office of Administration accounting, various payroll and personnel departments, life insurance companies, actuaries, banks, and the IRS on all accounting-related issues.

Benefit Services

Benefit services is responsible for contact with the members regarding the benefit programs directly administered by MOSERS, which include retirement, life insurance, and long-term disability.

Communications

Communications is responsible for providing clearly written and attractively designed publications, and conducting educational seminars to inform members about benefit programs administered by MOSERS. Communications and the information technology section are jointly responsible for MOSERS' website.

Information Technology

Information technology is responsible for establishing and maintaining the automated systems that support MOSERS' daily operations. MOSERS takes full advantage of technology to automate and integrate almost every aspect of the business. Key technologies include a document imaging system, a custom-built benefits management system and a computer-based telephone system.

Investments

The primary function of the investment department is to provide internal investment management and consulting services to the board and the executive director. Other functions include hiring and terminating external investment managers, making strategic allocation decisions, analyzing the overall asset allocation, rebalancing the portfolio, and informing and advising the board and executive director on financial and economic developments which may affect the system. The investment staff also works with the general asset consultant, the hedge fund asset consultant and the executive director in selecting and monitoring external money managers. Information regarding the investment professional service providers can be found in the *Investment Section.*

Records and Facility Management

Records and facility management is responsible for establishing and maintaining all membership records including maintenance of the data on the electronic imaging system, balancing payroll deductions for insurance, and entering the payroll, service, and leave data into the system's retirement database. This section is also responsible for mail services and general building maintenance.

OUTSIDE PROFESSIONAL SERVICES

Actuary

- Gabriel, Roeder, Smith & Co.

Auditor

- Williams-Keepers, LLC

Legal Counsel

- Thompson Coburn, LLP

Master Custodian

- Bank of New York Mellon

Investment Management Consultants

- Blackstone Alternative Asset Management, LP
  Hedge Fund Asset Consultant
- Summit Strategies Group
  General Asset Consultant
- TimberLink, LLC
  Timberland Consultant

Risk Management Consultant

- Charlesworth & Associates, LC

Third-Party Administrators

- ICMA-RC
  Deferred Compensation Plan
- The Standard Insurance Company
  Disability and Life Insurance
- TIAA-CREF
  College & University Retirement Plan

Securities Lending Advisor

- Deutsche Bank AG, New York Branch

Information Technology Consulting

- Avtex Solutions, Inc.
- Huber & Associates, Inc.
- HyperGen, Inc.
- Qflow Systems, LLC

Human Resources Consulting

- CBIZ Benefits & Insurance Service, Inc.
- Rose International

Investment Advisors

- Actis Capital, LLP
- Alinda Capital Partners, LLC
- Alliance Bernstein Defined Contribution Investments
- American Industrial Partners
- AQR Capital Management, LLC
- Ashmore Investment Management, Ltd.
- Axiom Asia Private Capital
- Axxon Management, Ltda.
- Baillie Gifford International, LLC
- Bayview Asset Management, LLC
- BlackRock Financial Management, Inc.
- Blackstone Alternative Asset Management, LP
- Blackstone Real Estate Advisors
- Blakeney Management
- Brevan Howard Capital Management, Ltd.
- Bridgepoint Capital, Ltd.
- Bridgewater Associates, LP
- CarVal Investors, LLC
- Catalyst Capital Group, Inc.
- Catterton Partners
- Claren Road Asset Management, LLC
- COMAC Capital, LLP
- CQS, Cayman, LP
- Davidson Kempner Capital Management, LLC
- DDJ Capital Management, LLC
- Development Partners International
- Diamondback Capital Management, LLC

Outside Professional Services continued on page 20

Outside Professional Services continued from page 19

- DRI Capital, Inc.
- EIG Global Energy Partners, LLC
- Elliott International Capital Advisors, Inc.
- Eminence Capital
- Empyrean Capital Partners, LP
- Eton Park Capital Management, LP
- Farallon Capital Management, LLC
- Fortress Investment Group, LLC
- Glenview Capital Management, LLC
- Global Forest Partners, LP
- Grantham, Mayo, Van Otterloo & Co., LLC
- Harvest Fund Advisors, LLC
- HBK Investments, LP
- JLL Partners
- King Street Capital Management, LP
- Legg Mason Capital Management, Inc.
- Leuthold Weeden Capital Management
- Linden Capital Partners, LLC
- Mast Capital Management, LLC
- Merit Energy Company
- MHR Fund Management, LLC
- Millennium Technology Ventures, LP
- Moon Capital Management, LP
- Morant Wright Management, Ltd.
- New Mountain Capital, LLC
- Nippon Value Investors
- NISA Investment Advisors, LLC
- Oaktree Capital Management, LP
- Pacific Alternative Asset Management Company, LLC
- Perry Corp.
- Pershing Square Capital Management, LP
- Pharo Global Advisors Ltd.
- Resource Management Service, LLC
- Silchester International Investors
- Silver Creek Capital Management, LLC
- Silver Lake Partners
- Silver Point Capital, LP
- Stepstone Group
- State Street Global Advisors
- Stone Harbor Investment Partners, LP
- The Campbell Group, LLC
- TPG Credit Management, LP
- TPG-Axon Capital Management, LP
- Veritas Capital Fund Management, LLC
- Viking Global Investors, LP
- Visium Asset Management, LP
- Wellington Management Company, LLP

Financial Section

INDEPENDENT AUDITOR'S REPORT

WILLIAMS KEEPERS LLC
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The Board of Trustees
Missouri State Employees' Retirement System

We have audited the accompanying *Statement of Plan Net Assets* of the Missouri State Employees' Retirement System (MOSERS), a component unit of the state of Missouri, as of and for the year ended June 30, 2012, as listed in the accompanying table of contents. These financial statements are the responsibility of MOSERS' management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MOSERS, as well as MOSERS' internal service funds, at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the *Management Discussion and Analysis* on pages 22-26 and the *Schedules of Funding Progress and Employer Contributions* on pages 49-50 be presented to supplement the *Basic Financial Statements*. Such information, although not a part of the *Basic Financial Statements*, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the *Basic Financial Statements* in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise MOSERS financial statements as a whole. The *Introductory, Investment, Actuarial* and *Statistical Sections* and the *Additional Financial Information* on pages 53-60 are presented for purposes of additional analysis and are not a required part of the financial statements. The *Required Supplementary Information* on pages 49-52 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The *Introductory, Investment, Actuarial and Statistical Sections* have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Williams Keepers LLC

October 29, 2012

American Institute of Certified Public Accountants
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MANAGEMENT DISCUSSION AND ANALYSIS

The basic financial statements contained in this section of the Comprehensive Annual Financial Report consist of:

The ***Statements of Plan Net Assets*** which report the pension trust funds' assets, liabilities, and resulting net assets where Assets – Liabilities = Net Assets available at the end of the fiscal year. It is a snapshot of the financial position of the pension trust funds at that specific point in time.

The ***Statements of Changes in Plan Net Assets*** which summarize the pension trust funds' financial transactions that have occurred during the fiscal year where Additions – Deductions = Net Change in Net Assets. It supports the change that has occurred to the prior year's net asset value on the *Statements of Plan Net Assets*.

The ***Balance Sheet*** of the internal service funds is similar to the *Statements of Plan Net Assets* in that it is also a snapshot of the financial position of the internal service funds where Net Assets + Liabilities = Assets.

The ***Statements of Revenues, Expenses, and Changes in Net Assets*** of the internal service funds is similar to the *Statements of Changes in Plan Net Assets* in that it also reports a summary of the financial activity that occurred over the period of the fiscal year where Revenues – Expenses = Net Revenue and supports the change to the prior year's net assets.

The ***Statements of Cash Flows*** of the internal service funds report the financial transactions of the fiscal year of the internal service funds on a cash basis. It is similar to the *Statements of Revenues, Expenses and Changes in Net Assets*; however, the focus of this statement is on the change to cash balances with accrued income and expense items eliminated.

The ***Notes to the Financial Statements*** are an integral part of the above financial statements and include additional information not readily evident in the statements themselves.

The required supplementary *Management Discussion and Analysis* information, the *Required Supplementary Information,* and *Additional Financial Information* following the *Notes to the Financial Statements* provide detailed historical information considered useful in evaluating the condition of the plans administered by MOSERS.

MOSERS' overall pension fund financial condition declined during the fiscal year ended June 30, 2012 (FY12). Pension fund net assets decreased by $185,197,840 during the fiscal year, primarily as result of a decrease in investment values and their associated income. The investments of the pension trust funds generated a 2.2% return for the year, down from the prior year's return of 21.0%.

The MSEP plan experienced a decrease in its funded status from 79.2% to 73.2% and the Judicial Plan experienced an decrease in its funded status from 25.0% to 24.7%. The change in the valuation asset market corridor adopted by the MOSERS Board of Trustees in 2009 returned to +/- 20% for FY11 and remained +/- 20% for FY12. In July 2012, the board voted to reduce the nominal investment return assumption from 8.5% to 8% and to adopt assumptions for wage inflation and price inflation of 3% and 2.5%, respectively.

The internal service funds net assets decreased by $159,275. The goals of the internal service funds are to maintain the funds at a level that enables it to meet its obligations of contracting the premiums for the life and long-term disability insurance benefits for state employees; maintain the membership data necessary to track the premiums due from the state and its employees and payable to the insurance carrier; and manage the state employees deferred compensation program.

The following schedules present summary comparative financial statements of the pension trust funds and internal service funds for FY12 and FY11. For each schedule there is a brief summary of the significant changes noted in those schedules.

Pension Trust Funds

Summary Comparative Statements of Plan Net Assets Analysis

The largest components of the net assets of the pension trust funds are the investments, cash and short-term investments, and securities lending collateral.

The decrease in the fair value of investments is primarily attributable to the unfavorable market conditions experienced during FY12, as evidenced by a decrease in MOSERS' total investment return from 21.0% last year to 2.2% this year. MOSERS invests in a portfolio dominated by risk assets and during the fiscal year ended June 30, 2012, the markets experienced extreme volatility. Detailed information regarding MOSERS' investment portfolio is included in the *Investment Section* of this report.

Investment income payable and investment purchases payable decreased as a result of the timing of investment funding.

The increase in securities lending collateral is primarily attributable to higher utilization rates in the lending portfolio at fiscal year end. Margins were similar to the previous fiscal year resulting in similar income generation. As of fiscal year end, approximately 2% of the collateral received has been invested in asset-backed and corporate bonds, down from 10% the prior year. The invested collateral went from a shortfall of $0.8 million at the end of last fiscal year to $2 million above the liability in FY12.

Cash and short-term investments increased due to multiple factors including the timing of investment funding and gains that have occurred in the beta cash program that remained in cash account throughout the year.

Pension Trust Funds — Summary Comparative Statements of Plan Net Assets

	As of June 30, 2012	As of June 30, 2011	Amount of Change	Percentage Change
Cash and short-term investments	$ 891,202,655	$ 807,270,837	$ 83,931,818	10.40%
Receivables	59,162,673	27,244,113	31,918,560	117.16
Investments	6,757,240,840	7,073,472,800	(316,231,960)	(4.47)
Invested securities lending collateral	692,476,483	643,085,121	49,391,362	7.68
Capital assets	3,064,311	3,061,064	3,247	0.11
Other assets	41,772	50,454	(8,682)	(17.21)
Total assets	8,403,188,734	8,554,184,389	(150,995,655)	(1.77)
Administrative expense payables	1,674,515	2,901,861	(1,227,346)	(42.30)
Investment purchase payables	12,932,642	16,139,126	(3,206,484)	(19.87)
Foreign currency payable	0	863,785	(863,785)	(100.00)
Investment income payable	0	8,218,700	(8,218,700)	(100.00)
Securities lending collateral	690,440,025	643,842,013	46,598,012	7.24
Other liabilities	16,421,986	15,301,498	1,120,488	7.32
Total liabilities	721,469,168	687,266,983	34,202,185	4.98
Net assets	$7,681,719,566	$7,866,917,406	$(185,197,840)	(2.35)

Summary Comparative Statements of Changes in Plan Net Assets Analysis

The slight increase in contributions received is primarily attributable to an increase in the contribution rate for the general employees group from 13.81% to 13.97% and a full year of contributions received by members who contributed 4% as part of the MSEP 2011 tier.

The decrease in investment income in FY12 from FY11 is attributable to the generally unfavorable market conditions experienced by the investments of the fund. The slight increase in securities lending income is primarily due to increased utilization rates in the lending portfolio at fiscal year end. Margins were similar to the previous fiscal year resulting in similar income generation. The *Investment Section* of this report contains additional information regarding investments and securities lending activity.

The total benefit payments increase is due to a net increase in the number of benefit recipients plus cost-of-living adjustments provided to existing benefit recipients. Detailed schedules of these changes can be found on pages 116-121 of the *Actuarial Section* of this report.

Service transfers are dependent on the number of members electing to transfer their service out of MOSERS. Refunds are dependent on the number of members of the MSEP 2011 tier who have terminated employment and are eligible to request a refund, and members prior to September 1, 1972 that MOSERS locates who have contributions remaining in the system. In FY12, service transfers and refunds decreased due to a one-time transfer of $17,609,276 for those members electing to transfer under HB 1868, enacted in FY11. In FY12, 106 members (including 4 transfers to MoDOT and Patrol Employees' Retirement System) elected to transfer their service out of MOSERS.

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

	Year Ended June 30, 2012	Year Ended June 30, 2011	Amount of Change	Percentage Change
Contributions	$ 300,348,132	$ 294,737,248	$ 5,610,884	1.90%
Investment income - investing activities	158,626,338	1,411,602,826	(1,252,976,488)	(88.76)
Investment income - securities lending activities	1,537,701	1,534,523	3,178	0.21
Miscellaneous income	454,312	667,724	(213,412)	(31.96)
Total additions	460,966,483	1,708,542,321	(1,247,575,838)	(73.02)
Benefits	638,343,863	622,913,485	15,430,378	2.48
Service transfers and refunds	711,889	17,745,828	(17,033,939)	(95.99)
Administrative expenses	7,108,571	7,142,834	(34,263)	(0.48)
Total deductions	646,164,323	647,802,147	(1,637,824)	(0.25)
Net increase (decrease)	(185,197,840)	1,060,740,174	(1,245,938,014)	(117.46)
Net assets beginning of year	7,866,917,406	6,806,177,232	1,060,740,174	15.58
Net assets end of year	$7,681,719,566	$7,866,917,406	$ (185,197,840)	(2.35)

Internal Service Funds

Summary Comparative Balance Sheets Analysis

The decrease in premiums receivable is attributable to normal fluctuations in the month-end balance of life and long-term disability insurance premiums receivable during the year, which are dependent on the number of members participating and amount of their coverage.

The decrease in accounts receivable-other is due to the change in the deferred compensation plan record keeper during FY12 where the quarterly credit from the record keeper and reimbursements from plan investment options now reside in an account for MOSERS with the plan record keeper. FY11 includes one quarter of revenue from the ING Stable Income investment option which MOSERS collected prior to the change to ICMA-RC.

The increase in investments is attributable to normal fluctuations in the investment in overnight repurchase agreements of the funds held pending transmission to the life and long-term disability insurance company.

The increase in premiums payable is attributable to normal fluctuations in the month-end balances of premiums payable for the year, similar to the fluctuations of the premiums receivable.

Other liabilities decreased primarily as a result of the decrease in reimbursements due to the pension trust funds for the internal service fund's portion of shared expenses which had not been transferred at year end.

Internal Service Funds — Summary Comparative Balance Sheets

	As of June 30, 2012	As of June 30, 2011	Amount of Change	Percentage Change
Cash	$ 0	$ 8	$ (8)	(100.00)%
Premiums receivable	959,003	982,915	(23,912)	(2.43)
Accounts receivable - other	0	124,998	(124,998)	(100.00)
Investments	3,532,260	3,443,331	88,929	2.58
Fixed assets	5,026	0	5,026	100.00
Total assets	4,496,289	4,551,252	(54,963)	(1.21)
Premiums payable	3,346,314	3,220,853	125,461	3.90
Other liabilities	359,313	380,462	(21,149)	(5.56)
Total liabilities	3,705,627	3,601,315	104,312	2.90
Unrestricted net assets	790,662	949,937	(159,275)	(16.77)
Total liabilities and net assets	$4,496,289	$4,551,252	$ (54,963)	(1.21)

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

Premium receipts and premium disbursements decreased slightly due to normal fluctuations in the amount of optional life insurance coverage selected by state employees.

The decrease in deferred compensation receipts and disbursements is attributable to multiple factors including a change in collection process where the third party administrator now collects deferred compensation contributions from employers directly instead of through MOSERS, and a decreased number in the workforce contributing to the plan as a result of the decline in overall economic conditions. Total participants (both active and terminated) decreased by 2,041 during the fiscal year. The state of Missouri has not contributed an employer match since March 2010.

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

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

Administrative expenses decreased primarily as a result of the decrease in reimbursements due to the pension trust funds for the internal service fund's portion of shared expenses.

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

	Year Ended June 30, 2012	Year Ended June 30, 2011	Amount of Change	Percentage Change
Premium receipts	$28,578,326	$28,829,638	$ (251,312)	(0.87)%
Deferred compensation receipts	17,500,476	54,221,226	(36,720,750)	(67.72)
Miscellaneous income	608,187	981,404	(373,217)	(38.03)
Total operating revenue	46,686,989	84,032,268	(37,345,279)	(44.44)
Premium disbursements	28,556,036	28,804,638	(248,602)	(0.86)
Deferred compensation disbursements	17,500,476	54,221,226	(36,720,750)	(67.72)
Premium refunds	22,291	24,999	(2,708)	(10.83)
Administrative expenses	778,529	826,809	(48,280)	(5.84)
Total operating expenses	46,857,332	83,877,672	(37,020,340)	(44.14)
Net operating income (loss)	(170,343)	154,596	(324,939)	(210.19)
Investment income	11,068	11,071	(3)	(0.03)
Net revenues over expenses	(159,275)	165,667	(324,942)	(196.14)
Net assets beginning of year	949,937	784,270	165,667	21.12
Net assets end of year	$ 790,662	$ 949,937	$ (159,275)	(16.77)

Summary Comparative Statements of Cash Flows Analysis

The decrease in cash flows from operating activities is primarily attributable to a decrease in cash payments received from employers and members over that of FY11.

The increase in cash flows from noncapital financing activities is primarily attributable to a increase in the amount of life and long-term disability premium refund checks that remained outstanding at year end.

The increase in cash flows from investing activities is primarily attributable to the decrease in outflows for net purchase and maturities of overnight repurchase agreements of $251,331, offset by the increase in purchase of capital assets for the deferred compensation plan of $5,476.

Summary Comparative Statements of Cash Flows

Internal Service Funds

	Year Ended June 30, 2012	Year Ended June 30, 2011	Amount of Change	Percentage Change
Cash flows from operating activities	$ 81,794	$ 329,505	$(247,711)	(75.18)%
Cash flows from noncapital financing activities	1,086	(318)	1,404	(441.51)
Cash flows from investing activities	(82,888)	(329,187)	246,299	(74.82)
Net change in cash	(8)	0	(8)	
Cash balances beginning of year	8	8	0	
Cash balances end of year	$ 0	$ 8	$ (8)	

Request for Information

This financial report is designed to provide a general overview of the system's finances for all those interested in the system. Questions concerning any of the information provided in this report or request for additional information should be addressed to MOSERS at P.O. Box 209, Jefferson City, MO 65102.

Statements of Plan Net Assets

Pension Trust Funds - As of June 30, 2012

	MSEP	Judicial Plan	Total
Assets			
Cash and short-term investments	$ 879,729,514	$ 11,473,141	$ 891,202,655
Receivables			
State contributions	10,618,866	1,095,345	11,714,211
Investment sales	8,909,852	116,199	9,026,051
Investment income receivable	37,582,532	490,139	38,072,671
Other	345,238	4,502	349,740
Total receivables	57,456,488	1,706,185	59,162,673
Investments at fair value			
U.S. treasury securities	712,349,270	9,290,224	721,639,494
Corporate bonds	100,036,101	1,304,638	101,340,739
Convertible bonds	4,042,073	52,715	4,094,788
Government bonds & gov't mortgage-backed securities	64,233,914	837,717	65,071,631
Common stock	614,462,389	8,013,615	622,476,004
Preferred stock	4,757,365	62,044	4,819,409
Limited partnerships	3,777,665,741	49,267,067	3,826,932,808
Bank loans	74,047,490	965,703	75,013,193
Collateralized mortgage obligations	132,882,346	1,733,008	134,615,354
Foreign currency	3,388,289	44,189	3,432,478
Real estate investment trust	4,948,061	64,531	5,012,592
International equities	1,153,398,626	15,042,243	1,168,440,869
U.S. dollar-denominated international corporate bonds	24,037,986	313,495	24,351,481
Total investments	6,670,249,651	86,991,189	6,757,240,840
Invested securities lending collateral	683,561,697	8,914,786	692,476,483
Capital assets			
Land	263,845	3,441	267,286
Building and building improvements	3,623,261	47,253	3,670,514
Furniture, fixtures, and equipment	1,643,331	21,432	1,664,763
Software	123,021	1,604	124,625
Total capital assets	5,653,458	73,730	5,727,188
Accumulated depreciation	(2,628,596)	(34,281)	(2,662,877)
Net capital assets	3,024,862	39,449	3,064,311
Prepaid expenses and other	41,234	538	41,772
Total assets	8,294,063,446	109,125,288	8,403,188,734
Liabilities			
Administrative expenses payable	1,652,958	21,557	1,674,515
Investment purchases payable	12,766,150	166,492	12,932,642
Securities lending collateral	681,551,456	8,888,569	690,440,025
Investment incentive fees payable	15,649,293	204,093	15,853,386
Employee vacation and overtime liability	561,280	7,320	568,600
Total liabilities	712,181,137	9,288,031	721,469,168
Net assets held in trust for pension benefits	$7,581,882,309	$ 99,837,257	$7,681,719,566

See accompanying *Notes to the Financial Statements.*

Statements of Changes in Plan Net Assets

Pension Trust Funds - Year Ended June 30, 2012

	MSEP	Judicial Plan	Total
Additions			
Contributions			
State contributions	$ 263,373,924	$26,324,526	$ 289,698,450
Employee contributions	4,955,399	149,859	5,105,258
Member purchases of service credit	2,869,085	0	2,869,085
Service transfer contributions	2,675,339	0	2,675,339
Total contributions	273,873,747	26,474,385	300,348,132
Investment income			
From investing activity:			
Net appreciation in fair value of investments	173,455,684	2,262,152	175,717,836
Interest	39,312,807	512,705	39,825,512
Dividends	29,569,523	385,636	29,955,159
Swap income (loss)	(18,073,497)	(235,709)	(18,309,206)
Other	43,599,213	568,607	44,167,820
Total investing activity income	267,863,730	3,493,391	271,357,121
Investing activity expenses:			
Management fees	(106,123,597)	(1,384,029)	(107,507,626)
Custody fees	(407,301)	(5,312)	(412,613)
Consultant fees	(892,694)	(11,642)	(904,336)
Performance measurement fees	(437,883)	(5,711)	(443,594)
Internal investment activity expenses	(3,418,037)	(44,577)	(3,462,614)
Total investing activity expenses	(111,279,512)	(1,451,271)	(112,730,783)
Net income from investing activity	156,584,218	2,042,120	158,626,338
From securities lending activity:			
Securities lending income	1,833,002	23,905	1,856,907
Securities lending expenses:			
Borrower rebates	(44,706)	(583)	(45,289)
Management fees	(270,391)	(3,526)	(273,917)
Total securities lending activity expenses	(315,097)	(4,109)	(319,206)
Net income from securities lending activity	1,517,905	19,796	1,537,701
Total net investment income	158,102,123	2,061,916	160,164,039
Miscellaneous income	448,463	5,849	454,312
Total additions	432,424,333	28,542,150	460,966,483
Deductions			
Benefits	547,548,517	26,821,412	574,369,929
BackDROP & lump sum benefits	63,973,934	0	63,973,934
Service transfer payments	588,180	0	588,180
Contribution refunds	123,709	0	123,709
Administrative expenses	7,017,057	91,514	7,108,571
Total deductions	619,251,397	26,912,926	646,164,323
Net increase (decrease)	(186,827,064)	1,629,224	(185,197,840)
Net assets held in trust for pension benefits:			
Beginning of year	7,768,709,373	98,208,033	7,866,917,406
End of year	$7,581,882,309	$99,837,257	$7,681,719,566

See accompanying *Notes to the Financial Statements*.

Balance Sheets

Internal Service Funds - As of June 30, 2012

	Life & LTD	Deferred Compensation	Total
Assets			
Premiums receivable	$ 959,003	$ 0	$ 959,003
Due to (due from)	(844,728)	844,728	0
Investments at fair value	3,532,260	0	3,532,260
Capital assets			
(net of $450 accumulated depreciation)	0	5,026	5,026
Total assets	$3,646,535	$849,754	$4,496,289
Liabilities and net assets			
Liabilities			
Premiums payable	$3,346,314	$ 0	$3,346,314
Checks outstanding net of deposits	2,626	0	2,626
Other	356,687	0	356,687
Total liabilities	3,705,627	0	3,705,627
Unrestricted net assets (deficit)	(59,092)	849,754	790,662
Total liabilities and net assets	$3,646,535	$849,754	$4,496,289

See accompanying *Notes to the Financial Statements*.

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

Internal Service Funds - Year Ended June 30, 2012

	Life & LTD	Deferred Compensation	Total
Operating revenues			
Premium receipts	$28,578,326	$ 0	$28,578,326
Deferred compensation receipts	0	17,500,476	17,500,476
Miscellaneous income	480,120	128,067	608,187
Total operating revenues	29,058,446	17,628,543	46,686,989
Operating expenses			
Premium disbursements	28,556,036	0	28,556,036
Deferred compensation disbursements	0	17,500,476	17,500,476
Premium refunds	22,291	0	22,291
Administrative expenses	433,500	345,029	778,529
Total operating expenses	29,011,827	17,845,505	46,857,332
Operating revenues over (under) operating expenses	46,619	(216,962)	(170,343)
Non-operating revenues			
Investment income	11,025	43	11,068
Net revenues over (under) expenses	57,644	(216,919)	(159,275)
Net assets (deficit) July 1, 2011	(116,736)	1,066,673	949,937
Net assets (deficit) June 30, 2012	$ (59,092)	$ 849,754	$ 790,662

See accompanying *Notes to the Financial Statements*.

Statements of Cash Flows

Internal Service Funds - Year Ended June 30, 2012

	Life & LTD	Deferred Compensation	Total
Cash flows from operating activities			
Cash received from employer and members	$ 29,080,711	$ 17,753,540	$ 46,834,251
Payments to outside carriers	(28,430,575)	(17,550,862)	(45,981,437)
Refunds of premiums to members	(22,291)	0	(22,291)
Cash payments to employees for services	(87,895)	(211,024)	(298,919)
Cash payments to other suppliers of goods and services	(211,951)	(237,859)	(449,810)
Net cash provided (used) by operating activities	327,999	(246,205)	81,794
Cash flows from noncapital financing activities			
Implicit funding of checks outstanding net of deposits	2,626	0	2,626
Implicit repayment of prior years checks outstanding net of deposits	(1,540)	0	(1,540)
Net cash provided by noncapital financing activities	1,086	0	1,086
Cash flows from investing activities			
Purchase of investment securities	(907,278,951)	(4,085,555)	(911,364,506)
Proceeds from sale and maturities of investment securities	906,938,841	4,336,735	911,275,576
Cash received from investment income	11,025	43	11,068
Purchase of capital assets	0	(5,026)	(5,026)
Net cash provided (used) by investing activities	(329,085)	246,197	(82,888)
Net increase (decrease) in cash	0	(8)	(8)
Cash balances June 30, 2011	0	8	8
Cash balances June 30, 2012	$ 0	$ 0	$ 0
Reconciliation of operating revenues over (under) operating expenses to net cash provided by operating activities			
Operating revenues over (under) operating expenses	$ 46,619	$ (216,962)	$ (170,343)
Adjustments to reconcile operating revenues over (under) operating expenses to net cash provided (used) by operating activities			
Change in assets and liabilities:			
Increase in operational accounts receivable	23,912	124,996	148,908
Increase (decrease) in operational accounts payable	257,468	(154,239)	103,229
Total adjustments	281,380	(29,243)	252,137
Net cash provided (used) by operating activities	$ 327,999	$ (246,205)	$ 81,794

See accompanying *Notes to the Financial Statements*.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2012

(1) PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION

Missouri State Employees' Plan (MSEP)

The MSEP is a single-employer, public employee retirement plan with two benefit structures known as the MSEP (closed plan) and MSEP 2000, which are administered by the Missouri State Employees' Retirement System (MOSERS) in accordance with Sections 104.010 and 104.312 to 104.1215 of the Revised Statutes of Missouri (RSMo). As established under Section 104.320, RSMo, MOSERS is a body corporate and an instrumentality of the state. In the system are vested the powers and duties specified in Sections 104.010 and 104.312 to 104.1215, RSMo and such other powers as may be necessary or proper to enable it, its officers, employees, and agents to carry out fully and effectively all the purposes of Sections 104.010 and 104.312 to 104.1215, RSMo.

Responsibility for the operation and administration of the system is vested in the MOSERS Board of Trustees. Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the MSEP is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

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

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

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

As of June 30, 2012, and 2011, the actuarial value of assets was 104% and 103%, respectively of the market value for the MSEP.

Generally, all full-time state employees hired before July 2000, who were not covered under another state-sponsored retirement plan, are eligible for membership in the MSEP (closed plan). Full-time state employees hired after July 2000, and before January 2011, are eligible for membership in the MSEP 2000. Employees hired for the first time on or after January 2011 are eligible for membership in the MSEP 2011 tier of the MSEP 2000. MOSERS participates as an employer in the MSEP and MSEP 2000.

As of the June 30, 2012 valuation, membership in the MSEP consisted of the following:		
Retirees and beneficiaries currently receiving benefits		37,308
Terminated employees entitled to, but not yet receiving benefits		18,034
Active		
Vested	35,883	
Nonvested	15,449	51,332
Total membership		106,674

The MSEP provides retirement, survivor, and disability benefits.

MSEP (closed plan)

General state employees are fully vested for benefits upon receiving 5 years of credited service. Under the MSEP (closed plan), general employees may retire with full benefits upon the earliest of attaining:

- Age 65 and active with 4 years of service;
- Age 65 with 5 years of service;
- Age 60 with 15 years of service; or
- Age 48 with age and service equaling 80 or more - "Rule of 80."

General employees may retire early at age 55 with at least 10 years of service with reduced benefits.

The base benefit in the general employee plan is equal to 1.6% multiplied by the final average pay multiplied by years of credited service.

For members hired prior to August 28, 1997, cost-of-living adjustments (COLAs) are provided annually based on 80% of the percentage increase in the average consumer price index (CPI) from one year to the next, with a minimum rate of 4% and maximum rate of 5% until the cumulative amount of COLAs equals 65% of the original benefit. Thereafter, the 4% minimum rate is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the percentage increase in the average CPI from one year to the next, up to a maximum rate of 5%.

Qualified, terminated-vested members may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least 5, but less than 10 years of service, be less than age 60, and have a benefit present value of less than $10,000.

Contributions are determined through annual actuarial valuations. Administration of the MSEP is financed through contributions to this plan from the state of Missouri and investment earnings.

MSEP 2000

General state employees are fully vested for benefits upon receiving 5 years of credited service. Under the MSEP 2000, general employees may retire with full benefits upon the earliest of attaining:

- Age 62 with 5 years of service; or
- Age 48 with age and service equaling 80 or more - "Rule of 80."

General employees may retire early at age 57 with at least 5 years of service with reduced benefits.

The base benefit in the general employee plan is equal to 1.7% multiplied by final average pay multiplied by years of credited service.

For those retiring under "Rule of 80," an additional temporary benefit equivalent to 0.8% multiplied by final average pay multiplied by years of credited service is payable until age 62.

COLAs are provided annually based on 80% of the percentage increase in the average CPI from one year to the next, up to a maximum rate of 5%.

Contributions are determined through annual actuarial valuations. Administration of the MSEP 2000 is financed through contributions to this plan from the state of Missouri and investment earnings.

The state of Missouri is required to make all contributions to the MSEP. Prior to September 1, 1972, contributions by members were required. Accumulated employee contributions made prior to that time, plus interest through August 28, 1997, are refundable to the member or designated beneficiaries upon request.

For a more detailed summary of benefits for general employees and a description of benefits available to legislators and elected officials under the MSEP (closed plan) and the MSEP 2000, refer to the *Summary of Plan Provisions* contained in the *Actuarial Section* of this report.

MSEP 2011 Tier

On July 19, 2010, a new tier defined benefit plan was signed into law for members of the Missouri State Employees' Retirement System (MOSERS) and the MoDOT and Patrol Employees' Retirement System (MPERS). This tier (MSEP 2011) includes all new employees first hired on or after January 1, 2011.

Under the MSEP 2011, general employees may retire with full benefits upon the earliest of attaining:

- Age 67 with 10 years of service; or
- Age 55 with age and service equaling 90 or more - "Rule of 90."

General employees may retire early at age 62 with at least 10 years of service with reduced benefits.

The base benefit in the general employee plan is equal to 1.7% multiplied by final average pay multiplied by years of credited service.

For those retiring under "Rule of 90," an additional temporary benefit equivalent to 0.8% multiplied by final average pay multiplied by years of credited service is payable until age 62.

COLAs are provided annually based on 80% of the percentage increase in the average CPI from one year to the next, up to a maximum rate of 5%.

Member contributions are 4% of pay. Employer contributions are determined through annual actuarial valuations. Administration of the MSEP 2000 is financed through contributions to this plan from the member, state of Missouri, and investment earnings.

For a more detailed summary of benefits for general employees and a description of benefits available to legislators and elected officials under the MSEP 2011 tier, refer to the *Summary of Plan Provisions* contained in the *Actuarial Section* of this report.

The MSEP 2011 does not impact employees employed by the state prior to January 1, 2011.

Service Transfer Contributions

On July 8, 2011, HB 282 was enacted which allowed MOSERS and MPERS to transfer funds between the two systems in connection with service credit transfers occurring on or after September 1, 2011. The legislation also included provisions that made any full-time employee of the Missouri Development Finance Board (MDFB) who is employed on or after September 1, 2011, a state employee and member of MOSERS. Provisions further allowed MDFB employees to purchase credited service toward retirement based on their employment with MDFB prior to September 1, 2011.

Judicial Plan

The Judicial Plan is a single-employer, public employee retirement plan administered in accordance with Sections 476.445 to 476.690, RSMo. Responsibility for the operation and administration of the Judicial Plan is vested in the MOSERS Board of Trustees. Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the Judicial Plan is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

Judges and commissioners of the supreme court or the court of appeals, judges of the circuit court, probate court, magistrate court, court of common pleas, court of criminal corrections, justices of the peace, or commissioners or deputy commissioners of the circuit court appointed after February 29, 1972, commissioners of the juvenile division of the circuit court appointed pursuant to Section 211.023, RSMo, commissioners of the drug court pursuant to Section 478.466, RSMo, or commissioners of the family court are eligible for membership in the Judicial Plan.

As of the June 30, 2012, valuation membership in the Judicial Plan consisted of the following:		
Retirees and beneficiaries currently receiving benefits		488
Terminated employees entitled to, but not yet receiving benefits		41
Active		
Vested	398	
Nonvested	0	398
Total membership		927

The Judicial Plan provides retirement, survivor, and disability benefits. Members are immediately eligible for benefits.

Under the Judicial Plan, members may retire with full benefits upon the earliest of attaining:

- Age 62 with 12 years of service;
- Age 60 with 15 years of service; or
- Age 55 with 20 years of service.

Employees may retire early at age 62 with less than 12 years of service or age 60 with less than 15 years of service with a reduced benefit that is based upon years of service relative to 12 or 15 years.

In the Judicial Plan, the base benefit for members with 12 or more years of service is equivalent to 50% of compensation on the highest court served.

For members hired prior to August 28, 1997, COLAs are provided annually based on 80% of the percentage increase in the average CPI from one year to the next, with a minimum rate of 4% and maximum rate of 5% until the cumulative amount of COLAs equals 65% of the original benefit. Thereafter, the 4% minimum rate is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the percentage increase in the average CPI from one year to the next, up to a maximum rate of 5%.

Qualified, terminated-vested members may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least 5, but less than 10 years of service, be less than age 60, and have a benefit present value of less than $10,000.

Funding of the Judicial Plan on an actuarial basis began on July 1, 1998. Contributions are determined through annual actuarial valuations. The state of Missouri is required to make all contributions to the Judicial Plan. Administration of the Judicial Plan is financed through contributions to this plan from the state of Missouri and investment earnings.

Judicial 2011 Tier

On July 19, 2010, a new tier defined benefit plan was signed into law for members of the Judicial Plan. This tier (Judicial Plan 2011) includes all new judicial members first hired on or after January 1, 2011.

Under the Judicial Plan 2011, members may retire with full benefits upon the earliest of attaining:

- Age 67 with 12 years of service; or
- Age 62 with 20 years of service; or

Judicial members may retire early at age 67 with less than 12 years of service with reduced benefits; or age 62 with less than 20 years of service with a reduced benefit based on years of service.

Schedule of Funded Status

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL Percentage of Covered Payroll ((b-a)/c)
MSEP	06/30/2012	$7,897,167,203	$10,793,651,577	$2,896,484,374	73.2%	$1,864,069,493	155.4%
Judges	06/30/2012	102,266,706	413,332,538	311,065,832	24.7	45,835,501	678.7

	MSEP	Judicial Plan
Valuation date	6/30/2012	6/30/2012
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent	Level percent
Remaining amortization period	30 years open	30 years open
Asset valuation method	5-year smoothed market +/- 20% market corridor	5-year smoothed market +/- 20% market corridor
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Projected salary increases	3.2-5.9%	3.0-5.2%
COLAs	4%*	4%**
Price inflation	2.50%	2.50%

* *On a compound basis, 4% for the first 12 years, 3.06% for the 13th year, and 2.0% per year thereafter.*
** *On a compound basis, 4% for the first 12 years, 3.06% for the 13th year, and 2.0% per year thereafter.*

In July 2012, the board voted to reduce the nominal investment return assumption from 8.5% to 8% and to adopt assumptions for wage inflation and price inflation of 3% and 2.5%, respectively. See the *Actuarial Section* for detail in change in assumptions.

In the Judicial Plan, the base benefit for members with 12 or more years of service is equivalent to 50% of compensation on the highest court served. For a more detailed summary of benefits for members of the Judicial Plan, refer to the *Summary of Plan Provisions* contained in the *Actuarial Section* of this report.

Multi-year trend information related to the table above demonstrates whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits can be found in the required supplementary information following the *Notes to the Financial Statements*.

Missouri State Insured Defined Benefit Insurance Plan

The Missouri State Insured Defined Benefit Insurance Plan is accounted for as an internal service fund of the state of Missouri and is administered by MOSERS. It provides basic life insurance in an amount equal to one times annual salary while actively employed (with a $15,000 minimum) to eligible members of the MSEP, MSEP 2000 (except employees of the Missouri Department of Conservation and certain state colleges and universities), MSEP 2011, Judicial Plan, and certain members of the Public School Retirement System.

The plan also provides duty-related death benefits, optional life insurance for active employees and retirees who are eligible for basic coverage, and a long-term disability plan for certain eligible members. For a more detailed description of insurance benefits, refer to the *Summary of Plan Provisions - Life Insurance Plans* in the *Actuarial Section* of this report.

Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the Missouri State Insured Defined Benefit Insurance Plan is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as an internal service fund. Administration of the Missouri State Insured Defined Benefit Insurance Plan is financed through contributions to this plan from the state of Missouri.

State of Missouri's Deferred Compensation Plan

The State of Missouri's Deferred Compensation Plan is accounted for as an internal service fund and is administered by MOSERS.

Investment Option Reimbursements

	Employee Charges	Investment Option Reimbursements	Total
ING	$ 600,391	$ 572,719	$1,173,110
ICMA-RC	427,073	1,047,939	1,475,012
Total	$1,027,464	$1,620,658	$2,648,122

The record keeping of individual accounts and the management of investment options are handled by external providers and paid from charges to the participants and investment option reimbursement arrangements. Participants in the plan manage individual accounts by choosing investment options from the available fund line-up. MOSERS' role is to oversee the plan, choose external providers and investment options, and develop communication to plan participants. The State of Missouri Deferred Compensation Plan receives reimbursements from the plan's investment option managers which are used to cover plan administration costs and a portion of participant fees. The table above illustrates actual participant charges and funds collected from investment option reimbursements under the plan record keepers during the past fiscal year.

On November 10, 2011, participant account records in the deferred compensation plan were transitioned from ING Retirement Plans (ING) to ICMA-RC. This transition to the new record keeper led to a number of plan improvements including, but not limited to, lower fees for plan participants and the addition of a Roth 457 savings option.

Due to legislation passed during the 2011 session of the Missouri State Legislature, automatic enrollment of new permanent full-time and part-time employees at 1% of pay into the State of Missouri Deferred Compensation Plan became effective July 1, 2012.

Audited financial statements for the State of Missouri Deferred Compensation Plan can be viewed on MOSERS website at *www.mosers.org.*

Prospective Deferred Compensation Plan Changes

As of July 31, 2012, the MOSERS trust will be converted to a master trust and unitized to provide participants in the State of Missouri Deferred Compensation 457(b) Plan for public employees and the State of Missouri Deferred Compensation Incentive 401(a) Plan for public employees with an opportunity to invest in MOSERS' investment portfolio (MIP).

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

Basis of Accounting

The financial statements of the MSEP, the Judicial Plan, the Missouri State Insured Defined Benefit Insurance Plan and state of Missouri's Deferred Compensation Plan were prepared using the accrual basis of accounting.

Contributions are recognized as revenues when due, pursuant to statutory requirements. Benefits and refunds are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received or payment is made. The direct method of reporting cash flows is used.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at June 30, 2012. Actual results could differ from those estimates.

Method Used to Value Investments

Section 104.440, RSMo allows the board of trustees to invest the trust fund assets in accordance with the prudent person rule. Investments of the pension trust funds and the internal service funds are reported on the basis of fair market value. The schedule on page 43 provides a summary of the fair values of the investments as reported on the *Statements of Plan Net Assets* of the pension trust funds and balance sheet of the internal service funds. Fair values for the equity real estate investments are based on appraisals. Fair values of the limited partnership investments are based on valuations of the underlying companies of the limited partnerships as reported by the general partner. Certain limited partnerships reflect values on a quarter lag basis due to the nature of those investments and the time it takes to value them. Fair value of the commingled funds is determined based on the underlying asset values. The remaining assets are primarily valued by the investment custodian using the last trade price information supplied by various pricing data vendors.

Cash

Custodial credit risk for cash deposits and investments is the risk that, in the event of a bank failure, the system and plan deposits may not be returned to them. The board adopted the following policy on June 18, 2009:

The executive director shall require that banks managing demand deposit accounts for any retirement plan associated with MOSERS (MOSERS' defined benefit plan and the deferred compensation plan/state incentive compensation plan) to hold, at minimum, collateral security in either MOSERS' name or the state of Missouri Deferred Compensation Plan and in an amount equal to or more than the amount on deposit that exceeds the Federal Deposit Insurance Corporation (FDIC) insured amount. The types of collateral security shall be included on a list maintained by the State Treasurer's office in accordance with Section 30.270 RSMo, but in no case may a bank pledge collateral that does not specifically allow MOSERS to release the collateral or pledge collateral that represents securities of the pledging banks.

Cash balances represent both demand deposit accounts held at the bank and investment cash on deposit with the investment custodian. To maximize investment income, the float caused by outstanding checks is invested in an internally managed short-term investment account, thus causing a possible negative book balance. Negative book balances are reflected in the liabilities section of the balance sheet of the internal service fund and included in the cash and short-term investments on the *Statements of Plan Net Assets* of the pension trust funds.

The table at the bottom of this page is a schedule of the aggregate book and bank balances of all cash accounts.

Effective July 1, 2009, a repurchase agreement was amended to remove the bank's right to substitute other appropriate securities under this agreement. Central Trust Bank pledged the following securities to MOSERS on June 30, 2012, as collateral for overnight repurchase agreements:

- $2,539,902 Small Business Administration Pool #509077 | *maturity date - 06/25/2019 / fair value - $2,722,089*
- $2,782,326 Small Business Administration Pool #521710 | *maturity date - 10/25/2022 / fair value - $3,060,697*
- $2,963,427 Small Business Administration Pool #508195 | *maturity date - 08/25/2032 / fair value - $3,217,393*
- $3,131,831 Small Business Administration Pool #508851 | *maturity date - 05/25/2035 / fair value - $3,408,716*
- $3,974,224 Small Business Administration Pool #509193 | *maturity date - 04/25/2037 / fair value - $4,469,478*

Aggregate Book and Bank Balances

	Cash Balances	
	Book	Bank/Investment Custodian
Pension Trust Funds - investment custodian	$(41,902,633)	$(41,902,633)
Pension Trust Funds - demand deposits	(9,825,971)	27,497
Internal Service Fund - insurance plan demand deposits	2,626	73
Internal Service Fund - deferred compensation plan	0	0

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to MOSERS. As of June 30, 2012, MOSERS' fixed income assets that are not government guaranteed represented 54% of the fixed income portfolio. In preparing this report, credit risk associated with all fixed income holdings including collateral for repurchase agreements and securities lending collateral has been included. The tables below summarize MOSERS' fixed income portfolio credit quality, exposure levels, and market value of credit rating levels.

As a matter of practice, there are no overarching limitations for credit risk exposures within the overall fixed income portfolio. Each individual portfolio within fixed income is managed in accordance with operational guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and average credit quality. MOSERS is notified by the investment manager when an investment with a quality rating of CC or lower is purchased and in those circumstances of downgrades subsequent to purchase, in which case the investment manager has been given permission to hold the security, usually due to mitigating circumstances such as a very short maturity or a much higher rating from one of the other ratings agencies but may include situations in which the investment manager believes that worst case recovery values exceed market pricing.

Credit risk for derivative instruments held by the system results from counterparty risk assumed by MOSERS. This is essentially the risk that the counterparty to a MOSERS transaction will be unable to meet its obligation. Information regarding MOSERS' credit risk related to derivatives is found under the derivatives disclosures on pages 41-42 of these notes.

Policies related to credit risk pertaining to MOSERS' securities lending program are found under the securities lending disclosures found on page 42 of these notes.

Average Credit Quality and Exposure Levels of Nongovernment Guaranteed Securities

Fixed Income Security Type	Market Value June 30, 2012	Percent of all Fixed Income Assets	Weighted Average Credit Quality	Ratings Dispersion Requiring Further Disclosure
Collateralized mortgage obligations	$ 63,409,498	2.3%	CCC	See table below
Non-U.S. sovereign	75,354,805	2.8	BBB+	See table below
Asset backed securities	25,471,449	0.9	A	See table below
Corporate bonds	214,527,551	7.9	A-	See table below
Bank loans	75,591,386	2.8	B+	See table below
Bank deposits	275,068,752	10.1	FDIC Insured	None
Repurchase agreements	645,004,766	23.8	Not Rated	None
Pooled investments	90,596,562	3.3	AAA	None
Total nongov't guaranteed securities	$1,465,024,769	53.9%		
Total fixed income securities	$2,715,630,412			

Ratings Dispersion Detail - Market Value

Credit Rating Level	Collateralized Mortgage Obligations	Non-U.S. Sovereign	Asset-Backed Securities	Corporate Bonds	Bank Loans	Pooled Investments
Agency	$ 1,629,128		$15,102,324	$ 83,772,946		
AAA		$ 1,292,072				$90,596,562
AA				15,693,534		
A	786,036	25,682,389	2,194,534	25,676,028		
BBB	191,331	37,928,797		7,940,817	$ 879,869	
BB	403,209	10,096,507	972,753	24,453,087	27,175,259	
B	8,166,230	249,562	1,449,248	40,691,555	44,056,541	
CCC	26,915,616		3,836,714	14,191,309	1,286,489	
CC	9,608,697		1,915,876			
C	9,147,237			931,483		
D	6,562,014					
Not Rated		105,478		1,176,792	2,193,228	
	$63,409,498	$75,354,805	$25,471,449	$214,527,551	$75,591,386	$90,596,562

Concentration of Credit Risk

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed by using the effective duration or option adjusted methodology. It is widely used in the management of fixed income portfolios by quantifying the risk of interest rate changes. This methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. Within the investment policy, operational guidelines specify the degree of interest rate risk taken within the system's fixed income portfolios, with the exception of some portfolios in which credit risk is the predominant factor and is also controlled by specific guidelines. It is believed that the reporting of effective duration found in the tables below quantifies to the fullest extent possible the interest rate risk of the system's fixed income assets.

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

Effective Duration of Fixed Income Assets by Security Type

Fixed Income Security Type	Market Value June 30, 2012	Percent of all Fixed Income Assets	Weighted Average Effective Duration (Years)	Interest Rate Risk Requiring Further Disclosure
U.S. treasuries	$ 725,703,693	26.7%	5.2	See below
U.S. gov't guaranteed mortgages	190,526	0.0	1.8	None
Collateralized mortgage obligations	63,409,498	2.3	0.1	None
Non-U.S. sovereign	75,354,805	2.8	4.6	None
Asset backed securities	25,471,449	0.9	0.0	None
Corporate bonds	214,527,551	7.9	0.9	None
Bank loans	75,591,386	2.8	0.3	None
Bank deposits	275,068,752	10.1	0.0	None
Repurchase agreements	1,169,716,190	43.1	0.0	None
Pooled investments	90,596,562	3.3	0.0	None
	$2,715,630,412	100.0%	1.6	

Effective Duration Analysis of U.S. Treasuries

Maturity	Market Value June 30, 2012	Average Effective Duration of the Security Type	Contribution to Effective Duration
Less than 1 year to maturity	$ 16,396,790	0.2	0.0
1- to 10-year maturities	449,585,524	2.6	1.6
Long coupon treasuries	253,685,412	10.1	3.5
Long stripped treasuries	6,035,967	15.2	0.1
	$725,703,693		5.2

Repurchase Agreements by Collateral Type

Collateral Type	Market Value of Collateral June 30, 2012	Market Value of Repurchase Agreement June 30, 2012	Percent Over Collateralized
U.S. Treasuries	$ 535,205,814	$ 524,711,424	2.0%
Money market instruments	110,274,551	105,000,000	5.0
Investment grade corporates	41,080,073	40,000,000	2.7
Common stock	537,000,209	500,004,766	7.4
	$1,223,560,647	$1,169,716,190	4.6%

Repurchase Agreements

Repurchase agreements (repos) are a secured loan with the collateral held at a custodian bank. Typical collateral for repos include treasury securities, agency securities, mortgage-backed securities, investment grade corporate bonds, commercial paper, and common stock. Repos are typically done for an overnight term; however, they can be done for a longer term. MOSERS enters into repo transactions to earn interest on short-term funds.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. MOSERS' currency risk exposures, or exchange rate risk, primarily reside within MOSERS' international equity investment holdings. MOSERS' implementation policy is to allow external managers to decide what action to take regarding their respective portfolio's foreign currency exposures using currency forward contracts. MOSERS' exposure to foreign currency risk in U.S. dollars as of June 30, 2012, is highlighted in the table below:

Currency Exposures by Asset Class

Currency	Cash & Cash Equivalents	Equities	Fixed Income	Alternatives	Total
Argentine Peso		$ 2	$ 178,337		$ 178,339
Australian Dollar		6,909,563			6,909,563
Brazilian Real	$ 35,163	33,445,155	8,509,123		41,989,441
Canadian Dollar	24,254	15,109			39,363
Chilean Peso	1,502	2,662,556	105,873		2,769,931
Chinese Renminbi	19,497	1,351,177			1,370,674
Colombian Peso		1,447,015	4,540,809		5,987,824
Czech Koruna		2,611,715			2,611,715
Danish Krone		3,561,601			3,561,601
Egyptian Pound		2,709,014			2,709,014
Euro	117,744	147,974,108	6,491,953	$80,531,194	235,114,999
Hong Kong Dollar	83,193	69,683,759			69,766,952
Hungarian Forint		805,199	1,853,401		2,658,600
Indian Rupee	114,654	17,336,446			17,451,100
Indonesian Rupiah	94,502	11,472,650	5,657,381		17,224,533
Israeli Shekel		8			8
Japanese Yen	3,516,715	333,982,133			337,498,848
Malaysian Ringgit		7,384,319	8,453,972		15,838,291
Mexican Peso	229,074	15,328,398	7,884,008		23,441,480
Moroccan Dirham		276,633			276,633
Nigerian Naira		57,092			57,092
Norwegian Krone		3,972,743			3,972,743
Peruvian New Sol		95,691	385,386		481,077
Philippine Peso	8,984	3,251,720			3,260,704
Polish Zloty	(4,464)	4,566,210	7,893,072		12,454,818
Russian Ruble		906,676	5,078,007		5,984,683
Singapore Dollar		27,267,624			27,267,624
South African Rand	7,056	17,293,527	8,900,088		26,200,671
South Korean Won	4,443	42,012,419	2,033,049		44,049,911
Sri Lankan Rupee	833	112,560			113,393
Swedish Krona		1,554,954			1,554,954
Swiss Franc	87	89,909,867			89,909,954
Taiwan New Dollar	35	33,977,522			33,977,557
Thai Baht	(62,981)	18,255,393	4,280,460		22,472,872
Turkish Lira	38,302	9,165,135	8,261,950		17,465,387
Ukranian Hryvnia		58			58
British Pound Sterling	6,087	68,959,013	2,236,237		71,201,337
Venezuelan Bolivar	53,623				53,623
Total	$4,288,303	$980,314,764	$82,743,106	$80,531,194	$1,147,877,367

Derivatives

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes. They include futures contracts, swap contracts, options contracts, and forward foreign currency exchange. The tables below summarize the various contracts in the portfolio as of June 30, 2012.

Futures Contracts

Futures Contract	2012 Expiration Date	Long/Short	Notional/Fair Value	Exposure
U.S. Long Treasury Bond	September	Long	$ 29,889,688	$ (371,375)
U.S. 10-year Treasury Notes	September	Long	226,737,500	(924,766)
U.S. 2-year Treasury Notes	September	Long	234,499,688	(32,984)
U.S. Ultra Bond	September	Long	59,062,688	(1,004,531)
S&P 500 EMini Index	September	Long	546,086,640	13,688,400
S&P 500 EMini Index	September	Long	9,698,260	100,265
Gold 100 Oz	August	Long	25,667,200	860,800
Total			$1,131,641,664	$12,315,809

Swap Contracts

MOSERS Receives	Maturity Date	Notional Value	Exposure	Index Counterparty	Counterparty Credit Rating*
S&P 100 Total Return	03/28/2013	$ 234,099,204	$ (4,911,244)	Barclays Bank	A2/A+
S&P 500 Financials	10/31/2012	49,104,628	(2,349,951)	Goldman Sachs	A3/A-
S&P 500 Consumer Discretionary Total Return	01/31/2013	(60,331,661)	(1,127,820)	Goldman Sachs	A3/A-
Dow Jones U.S. Select REIT Total Return	08/09/2012	95,175,569	800,260	Goldman Sachs	A3/A-
S&P GSCI Total Return	09/28/2012	84,064,195	989,200	Goldman Sachs	A3/A-
S&P GSCI Total Return	09/28/2012	83,862,971	983,457	Goldman Sachs	A3/A-
S&P 100 Technology Total Return	10/31/2012	95,491,811	(4,551,637)	JP Morgan Chase	Aa3/A+
S&P 100 Consumer Staples Total Return	10/31/2012	95,909,506	2,884,950	JP Morgan Chase	Aa3/A+
S&P 100 Health Care Total Return	10/31/2012	97,676,993	3,493,673	JP Morgan Chase	Aa3/A+
S&P 100 Energy Total Return	10/31/2012	81,761,905	(3,075,237)	JP Morgan Chase	Aa3/A+
MSCI EAFE Total Return	08/31/2012	56,347,092	3,691,739	Deutsche Bank	A2/A+
MSCI EAFE ex-Japan Total Return	08/27/2012	120,363,782	6,317,956	Deutsche Bank	A2/A+
MSCI EAFE ex-Japan Total Return	09/17/2012	92,942,472	2,984,558	Deutsche Bank	A2/A+
MSCI EAFE ex-Japan Total Return	08/31/2012	113,786,303	7,979,331	Deutsche Bank	A2/A+
Three Month LIBOR Quarterly	12/10/2014	(10,000,000)	(508,093)	Deutsche Bank	A2/A+
Three Month LIBOR Quarterly	06/16/2014	(10,000,000)	(290,273)	Deutsche Bank	A2/A+
Total		$1,220,254,770	$13,310,869		

** Ratings obtained from Moody's/S&P*

Foreign Currency Forward Contracts at June 30, 2012

Currency	Net Notional Long/(Short)	Exposure
Brazilian Real	$ 715,886	$ 11,737
Columbian Peso	(952,690)	(2,226)
Euro	(118,724,434)	(262,982)
British Pound Sterling	(2,154,188)	34,304
Hong Kong Dollar	(57,476)	(13)
Japanese Yen	19,942,258	(145,410)
Philippine Peso	163,230	5,636
Polish Zloty	519,382	6,258
Russian Ruble	2,554,650	(148,292)
U.S. Dollar	97,492,394	0
Foreign currency forward contract asset (liability)	$ (500,988)	$(500,988)

While the board has no formal policy specific to derivatives, the MOSERS investment implementation program, through its external managers, holds investments in futures contracts, swap contracts, and forward foreign currency exchange. MOSERS enters into these certain derivative instruments primarily to enhance the performance and reduce the volatility of its portfolio. It enters swaps and futures contracts to gain or hedge exposure to certain markets and to manage interest rate risk and enters into forward foreign exchange contracts primarily to hedge foreign currency exposure.

The notional values associated with these derivative instruments are generally not recorded on the financial statements; however, the amounts for the exposure on these instruments are recorded in the *Statement of Net Plan Assets* and the total changes in fair value for the year are included as investment income in the *Statement of Changes in Plan Net Assets*. For the year ending June 30, 2012, the change in fair value in the swap contracts resulted in a loss of $18.3 million of investment income. The change in fair value in the future contracts resulted in $119.4 million of investment income and the change in fair value of the foreign exchange contracts resulted in $9.5 million of investment income. MOSERS does not anticipate additional significant market risk from the swap arrangements.

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

Securities Lending Program

The board of trustees' investment policy permits the pension trust funds to participate in a securities lending program. Fixed income, international equity, and domestic equity securities of the pension trust funds are loaned to participating brokers who provide collateral in the form of cash, U.S. Treasury or government agency securities, or letters of credit issued by approved banks. Collateral must be provided in the amount of 102% of market value for domestic loans and 105% of market value for international loans. MOSERS does not have the authority to pledge or sell collateral securities without borrower default. Securities on loan at fiscal year end for cash collateral and on loan for noncash collateral are presented in the schedule on the following page. On June 30, 2012, MOSERS had no credit risk exposure to borrowers because the collateral amounts received exceeded amounts out on loan.

As of June 30, 2012, Deutsche Bank AG, New York Branch, served as the agent for the fixed income, domestic equity and international equity securities lending programs. In this capacity, MOSERS reduces credit risk by allowing Deutsche Bank to lend these securities to a diverse group of dealers on behalf of MOSERS. Indemnification against dealer default is provided by Deutsche Bank AG, an "A-rated" bank. With each of MOSERS' securities lending programs, a majority of loans are open loans and can be terminated on demand by either MOSERS or the borrower. Net income from the three lending programs is split on a 90/10 basis between MOSERS and Deutsche Bank respectively.

Daily monitoring of securities that are on loan ensures proper collateralization levels and mitigates counterparty risk. Cash collateral from all three programs is commingled and invested in a separately managed short-term investment account for MOSERS. This cash collateral account is managed by Deutsche Bank. On June 30, 2012, the cash collateral account had a market value of $692,476,483 and a weighted average maturity of 1 day. For all of the securities lending operational services, the custodian is paid an annual fee, which is netted out against MOSERS' earnings in the securities lending programs managed by Deutsche Bank.

Investments as of June 30, 2012

	Pension Trust Funds		Internal Service Funds	
	Investments at Cost Value	Investments at Fair Value	Investments at Cost Value	Investments at Fair Value
Common stocks				
Out on loan	$ 89,113,941	$ 127,301,450		
Not on securities loan	466,656,042	495,174,554		
Total	555,769,983	622,476,004		
Real estate investment trusts				
Out on loan	993,678	1,169,628		
Not on securities loan	3,674,636	3,842,964		
Total	4,668,314	5,012,592		
International equities				
Out on loan	67,115,437	68,525,850		
Not on securities loan	699,248,734	1,099,915,019		
Total	766,364,171	1,168,440,869		
International corporate bonds				
Out on loan	2,663,804	2,570,081		
Not on securities loan	45,787,461	21,781,400		
Total	48,451,265	24,351,481		
Preferred stocks				
Out on loan	3,358,883	2,220,066		
Not on securities loan	2,979,751	2,599,343		
Total	6,338,634	4,819,409		
Treasury bonds, notes and bills				
Out on loan	395,055,837	462,617,957		
Not on securities loan	227,862,873	259,021,537		
Total	622,918,710	721,639,494		
Corporate bonds				
Out on loan	11,275,921	11,262,389		
Not on securities loan	104,754,886	106,694,328		
Total	116,030,807	117,956,717		
Convertible bonds				
Out on loan	128,228	113,163		
Not on securities loan	4,342,555	3,981,625		
Total	4,470,783	4,094,788		
Government bonds and gov't mortgage-backed securities	67,897,364	65,071,631		
Repurchase agreements	9,887,144	9,887,144	$3,532,260	$3,532,260
Short-term investment funds	1,608,879,642	1,608,879,642		
Collateralized mortgage obligations	131,376,607	134,615,354		
Foreign currencies	4,028,124	3,432,478		
Limited partnerships	2,899,946,070	3,826,932,808		
Bank Loans	75,022,981	75,013,193		
Total Investments				
Out on loan	569,705,729	675,780,584		
Not on securities loan	6,352,344,870	7,716,843,020	3,532,260	3,532,260
Total	$6,922,050,599	$8,392,623,604	$3,532,260	$3,532,260
Reconciliation to investments on *Statements of Plan Net Assets*				
Total from above		$8,392,623,604		
Less short-term investments				
Repurchase agreements		(9,887,144)		
Short-term investment funds		(933,019,137)		
Less invested securities lending collateral				
Short-term investment funds		(675,860,505)		
Corporate bonds		(16,615,978)		
Investments on *Statements of Plan Net Assets*		$6,757,240,840		

Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS office.

Limited Partnerships

Many of MOSERS' alternative investments are organized in the form of limited partnerships. In these partnerships, the manager is the general partner and the limited partners are the investors. As of June 30, 2012, MOSERS had contracts with over 89 limited partnerships across various types of alternative investments. These partnerships collectively represent 50% of the total fund. A schedule of limited partnerships is presented below.

Limited Partnerships

Partnership Name	Style	Investments at Fair Value as of June 30, 2012
Actis Emerging Markets III	Emerging markets	$ 43,006,719
Actis Emerging Markets IV	Emerging markets	917,398
African Development Partners I, LLC	Emerging markets	27,070,862
Alinda Infrastructure Fund I, LP	Corporate buyout	28,076,317
American Industrial Partners Capital Fund V, LP	Corporate buyout	1,784,013
AQR Absolute Return Institutional Fund, LP	Multi-strategy	53,067,559
AQR DELTA Sapphire Fund, LP	Multi-strategy	122,736,958
Axiom Asia Private Capital Fund II, LP	Emerging markets	15,555,657
Axxon Brazil Private Equity Fund II B, LP	Emerging markets	3,458,272
Bayview Opportunity Domestic LP - high yield	Distressed real estate debt	54,959,456
Blackstone Hedged Equity Fund, LP	Long/short - fund-of-funds	102,291,812
Blackstone Real Estate Partners IV	Active real estate	42,562,067
Blackstone Real Estate Partners V	Active real estate	104,753,877
Blackstone Real Estate Partners VI	Active real estate	86,387,682
Blackstone Real Estate Partners VII	Active real estate	15,707,424
Blackstone Topaz Fund, LP	Multi-strategy - fund-of-funds	300,314,854
Blakeney Onyx, LP	Emerging markets	126,023,793
Brevan Howard, LP	Global macro	79,972,926
Brevan Howard Emerging Markets Strategies Fund, LP	Global macro	52,100,557
Bridgepoint Europe III A, LP	Corporate buyout	23,643,445
Bridgepoint Europe IV B, LP	Corporate buyout	26,744,790
Bridgewater Associates - Diamond Ridge Fund, LLC	Global macro	73,166,167
Campbell Timber Fund II-A, LP	Timberland	40,183,156
CarVal Investors CVI Global Value Fund A, LP - private debt	Distressed real estate debt	41,200,000
CarVal Investors CVI Global Value Fund A, LP - real estate	Distressed real estate debt	41,200,000
Catalyst Fund Limited Partnership III	Canadian distressed debt	24,245,160
Catterton Partners V, LP	Corporate buyout	21,225,585
Catterton Partners VI, LP	Corporate buyout	28,226,864
Claren Road Credit Partners, LP	Long/short - credit	101,867,403
COMAC Global Macro Fund, LP	Global macro	48,725,327
CQS Feeder Fund Limited	Long/short - credit	78,569,262
Davidson Kempner Institutional Partners, LP	Event driven	85,606,841
DDJ Capital Management - B IV Capital Partners, LP	Distressed debt	5,817,878
Diamondback Partners, LP	Long/short - equity	85,625,239
DRI Capital - LSRC	Intellectual property	22,934,318
DRI Capital - LSRC II	Intellectual property	2,649,892
Elliott International Ltd.	Multi-strategy	82,778,485
Eminence Fund, Ltd.	Long/short - equity	87,081,648
Empyrean Capital Fund, LP	Event driven	47,688,146
Eton Park Fund, LP	Multi-strategy	72,648,072
Farallon Capital Institutional Partners, LP	Multi-strategy	7,240,000
Fortress Mortgage Opportunities Fund Series 2	Distressed real estate debt	24,862,908
Garnet Sky Investors Company Ltd.	Timberland	87,260,935
Glenview Institutional Partners, LP	Long/short - equity	37,953,520

Continued on page 45

Limited Partnerships continued from page 44

Limited Partnerships

Partnership Name	Style	Investments at Fair Value as of June 30, 2012
Global Forest Partners GTI7 Institutional Investors Company Ltd.	Timberland	83,166,704
HBK Offshore Fund, Ltd.	Multi-strategy	85,494,379
JLL Partners Fund V, LP	Corporate buyout	22,647,518
JLL Partners Fund VI, LP	Corporate buyout	15,813,621
King Street Capital, LP	Credit driven	81,218,181
King Street Capital, Ltd.	Credit driven	1,119,114
Linden Capital Partners II, LP	Corporate buyout	6,181,607
Mast Credit Opportunities I, LP	Credit driven	72,401,199
Merit Energy Partners F-II, LP	Energy - oil & gas	9,047,469
MHR Institutional Partners IIA, LP	Distressed debt	41,997,046
MHR Institutional Partners III, LP	Distressed debt	63,053,739
Millennium Technology Value Partners II, LP	Direct secondaries	7,510,162
Millennium Technology Value Partners Co-investment	Direct secondaries	5,082,161
Moon Capital Global Equity Offshore Fund, Ltd.	Long/short - equity	822,179
New Mountain Partners III, LP	Corporate buyout	33,245,233
Oaktree European Credit Opportunities Fund, LP	European loans	3,072,097
OCM Opportunities Fund IVB, LP	Distressed debt	12,941
OCM Opportunities Fund VIIB, LP	Distressed debt	61,402,184
OCM Opportunities Fund VIIIB, LP	Distressed debt	10,322,304
OCM Real Estate Opportunities Fund III, LP	Active real estate	19,792,942
OCM/GFI Power Opportunities Fund II, LP	Corporate buyout	2,727,295
OCM Power Opportunities Fund III, LP	Corporate buyout	5,330,083
PAAMCO - Newport Pioneer, LLC	Multi-strategy - fund-of-funds	6,106,986
Parish Capital Buyout Fund I, LP	Corporate buyout - fund-of-funds	15,466,500
Parish Capital Buyout Fund II, LP	Corporate buyout - fund-of-funds	17,435,727
Parish Opportunities Fund II, LP	Private equity co-investment	8,191,970
Perry Partners, LP	Multi-strategy	316,091
Pershing Square, LP	Long/short - equity	43,369,744
Pharo Macro Fund, LTD	Global macro	71,090,827
Resource Management Service - Wildwood Timberlands, LLC	Timberland	116,844,633
Silver Creek Special Opportunities Fund I, LP	Special situations - fund-of-funds	24,621,085
Silver Creek Special Opportunities Fund II, LP	Special situations - fund-of-funds	32,962,898
Silver Lake Partners II, LP	Corporate buyout	19,529,976
Silver Point Capital Fund, LP	Credit driven	4,596,519
TCW Energy Fund XIV, LP	Energy - mezzanine	39,971,443
TCW Energy Fund XV, LP	Energy - mezzanine	27,396,222
TCW Energy Partners, LLC	Energy - diversified	30,744,741
The Veritas Capital Fund III, LP	Corporate buyout	32,851,037
The Veritas Capital Fund IV, LP	Corporate buyout	22,790,411
TPG Airline Credit Opportunities II, LP	Special situations	17,625,216
TPG - Axon Partners (Offshore) Ltd.	Long/short - equity	47,653,510
Viking Global Equities III, Ltd.	Long/short - equity	103,543,758
Visium Balanced Fund, LP	Long/short - equity	50,574,697
Wellington Management - Spindrift Investors (Bermuda)	Long/short - equity	944,903
Other Misc.	Misc.	950,512
		$3,826,932,808

Capital Assets

Office building, furniture, fixtures, and equipment costing $250 or more when acquired are capitalized at cost. Improvements, which increase the useful life of the property, are also capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the related assets according to the following schedule:

- 5 years for furniture, fixtures, and equipment
- 40 years for building
- 5 years for software and licensing

Below is a schedule of the capital asset account balances for the Pension Trust Funds and the Internal Service Funds – Deferred Compensation Plan as of June 30, 2011, and June 30, 2012, and changes to those account balances during the year ended June 30, 2012.

Capital Asset Account - *Pension Trust Funds*

Capital Assets	Land	Building and Building Improvements	Furniture, Fixtures, and Equipment	Software and Licensing	Total Capital Assets
Balances June 30, 2011	$267,286	$3,568,255	$1,653,197	$ 34,326	$5,523,064
Additions	0	102,259	38,709	90,299	231,267
Deletions	0	0	(27,143)	0	(27,143)
Balances June 30, 2012	267,286	3,670,514	1,664,763	124,625	5,727,188
Accumulated depreciation:					
Balances June 30, 2011	0	1,092,548	1,363,425	6,027	2,462,000
Depreciation expense	0	88,972	123,960	15,088	228,020
Deletions	0	0	(27,143)	0	(27,143)
Balances June 30, 2012	0	1,181,520	1,460,242	21,115	2,662,877
Net capital assets June 30, 2012	$267,286	$2,488,994	$ 204,521	$103,510	$3,064,311

Capital Asset Account - *Internal Service Funds*

Capital Assets	Furniture, Fixtures, and Equipment	Software and Licensing	Total Capital Assets
Capital assets			
Balances June 30, 2011	$ 0	$ 0	$ 0
Additions	2,828	2,648	5,476
Deletions	0	0	0
Balances June 30, 2012	2,828	2,648	5,476
Accumulated depreciation:			
Balances June 30, 2011	0	0	0
Depreciation expense	112	338	450
Deletions	0	0	0
Balances June 30, 2012	112	338	450
Net capital assets June 30, 2012	$2,716	$2,310	$5,026

(3) CONTRIBUTIONS AND RESERVES

The MSEP and the Judicial Plan are pension plans covering substantially all state of Missouri employees, administrative law judges and legal advisors in the Division of Workers' Compensation, and judges. The state of Missouri is obligated by state law to make required contributions to the plans. The required contributions are expressed as a level percentage of covered payroll and are actuarially determined using an individual entry-age actuarial cost method. The unfunded accrued liabilities are amortized over an open 30-year period. MSEP 2011 employees are required to contribute 4% of their pay. Costs of administering the plans are financed from the contributions to the pension trust funds and investment earnings.

(4) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to the retirement benefits provided through MOSERS, the state of Missouri also funds, either partially or in its entirety, OPEB for eligible retirees as follows:

Retiree Life Insurance

Members who retire on or after October 1, 1985, are eligible for $5,000 of state-sponsored basic life insurance coverage if they retire directly from active employment. As of June 30, 2012, 20,715 retirees were eligible and participating in the program. This insured defined benefit coverage is financed on a percent of payroll (.115%) and is purchased as a group policy through competitive bids and is currently administered through The Standard insurance company. The cost for year ended June 30, 2012, was $1,808,152. Premiums are contributed entirely by the state as provided for by Section 104.515, RSMo.

Retirees of the Department of Labor and Industrial Relations (DOLIR), who retired prior to January 1, 1996, are eligible for state-sponsored insured defined benefit insurance coverage in the same amount of coverage they were receiving through the DOLIR. As of June 30, 2012, 311 retirees were eligible and participating in the program. The coverage for this closed group is purchased as a group policy through competitive bids at a current cost of $2.07 per thousand dollars of coverage, per month, per eligible participant ($37,586 for the year ended June 30, 2012). Premiums are paid entirely by the DOLIR as provided for by Section 228.225, RSMo.

Retirees of the DOLIR who retired on or after January 1, 1996, are eligible for $5,000 of state-sponsored life insurance coverage if they retire directly from active employment. They are included in the group described in the preceding paragraph.

Long-Term Disability Insurance

MOSERS also provides long-term disability coverage for eligible members. Membership generally includes those active members of MOSERS' retirement plans who do not have other disability coverage and are not yet eligible to receive normal (unreduced) retirement benefits. As of June 30, 2012, 35,295 members were eligible and covered under the program. This insured defined benefit coverage is financed on a percentage of covered payroll (.55%) and is purchased as group policy through competitive bids and is currently administered through The Standard insurance company. The cost for the year ended June 30, 2012, was $7,810,953. Premiums are contributed by the state as provided for by Section 104.515, RSMo.

Postemployment Retiree Health Care

MOSERS participates in a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Missouri Consolidated Health Care Plan (MCHCP). The plan provides medical benefits to retirees of participating governmental entities. Retirees who had medical insurance coverage for six months immediately prior to termination or state-sponsored medical coverage since the effective date of the last enrollment period (or since first eligible), before they are eligible to retire, may continue coverage into retirement.

MCHCP issues a publicly available financial report that includes financial statements and required supplementary information for the postemployment health care plan. The report may be obtained by calling (800) 487-0771 or writing to MCHCP, 832 Weathered Rock Court, P.O. Box 104355, Jefferson City, MO 65110-4355.

Plan funding requests are actuarially determined, approved by the MCHCP Board of Trustees, and subject to appropriation by the Missouri General Assembly. MOSERS contributed $277,645 in FY10, $240,307 in FY11 and $233,820 in FY12 in accordance with the state's funding policy toward the annual required contributions for postemployment retiree health care, which equaled MOSERS' required contribution each year.

(5) PLAN TERMINATION

MOSERS and its related plans are administered in accordance with Missouri statutes. Plans can only be terminated by an amendment to these statutes by the Missouri legislature.

On April 26, 2005, Senate Bill 202 was enacted, which terminated the Administrative Law Judges and Legal Advisors' Plan (ALJLAP) for new hires only. Under this legislation, individuals who assume a position after April 26, 2005, who would have otherwise been covered by the ALJLAP, will instead participate in the MSEP or the MSEP 2000, depending on when they initially became state employees. For fiscal years 2005 and after, all liabilities and assets of the ALJLAP were transferred and combined with the MSEP. Membership totals for ALJLAP members are combined with the MSEP in all relevant sections of this report.

(6) COMMITMENTS

As of June 30, 2012, MOSERS has $546,700,462 and €24,694,959 unfunded commitments in the alternative investments asset class.

(7) CONTINGENCIES

MOSERS is a defendant in one lawsuit that, in management's opinion, will not have a material effect on the financial statements.

The Internal Revenue Service (IRS) audited the tax qualified status of MOSERS. In a discussion draft dated August 9, 2007, the IRS raised two qualification issues but no further action has been taken by the IRS on those matters. MOSERS does not anticipate material liability for any taxes or penalties.

Schedules of Funding Progress

Pension Trust Funds - Last Six Years

MSEP

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL Percentage of Covered Payroll [(b-a)/c]
06/30/2007	$7,377,289,283	$ 8,500,428,641	$1,123,139,358	86.8%	$1,846,643,330	60.8%
06/30/2008	7,838,495,768	9,128,347,470	1,289,851,702	85.9	1,916,527,398	67.3
06/30/2009	7,876,079,342	9,494,806,715	1,618,727,373	83.0	2,002,402,087	80.8
06/30/2010	7,923,377,393	9,853,155,445	1,929,778,052	80.4	1,945,095,321	99.2
06/30/2011	8,022,481,408	10,123,544,043	2,101,062,635	79.2	1,875,569,816	112.0
06/30/2012	7,897,167,203	10,793,651,577	2,896,484,374	73.2	1,864,069,493	155.4

Judicial Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Annual Covered Payroll (c)	UAAL Percentage of Covered Payroll [(b-a)/c]
06/30/2007	$ 61,903,516	$326,666,373	$264,762,857	19.0%	$40,846,581	648.2%
06/30/2008	73,194,379	354,796,453	281,602,074	20.6	44,542,530	632.2
06/30/2009	81,337,881	369,106,841	287,768,960	22.0	45,505,512	632.4
06/30/2010	88,976,738	382,012,773	293,036,035	23.3	46,112,730	635.5
06/30/2011	98,398,628	393,484,589	295,085,961	25.0	45,888,020	643.1
06/30/2012	102,266,706	413,332,538	311,065,832	24.7	45,835,501	678.7

See *Notes to the Schedules of Required Supplementary Information*.
See accompanying *Independent Auditor's Report*.

Schedules of Employer Contributions

Pension Trust Funds - Last Six Years

MSEP

	Annual Required Contribution		
Year Ended June 30	Percent	Dollar Amount	Percentage Contributed
2007	12.78%	$239,488,751	100%
2008	12.84	249,770,156	100
2009	12.53	252,105,008	100
2010	12.75	251,226,187	100
2011	13.81	263,418,048	100
2012	13.97	263,373,924	100

Judicial Plan

	Annual Required Contribution		
Year Ended June 30	Percent	Dollar Amount	Percentage Contributed
2007	58.48%	$23,745,467	100%
2008	58.65	26,215,309	100
2009	60.07	27,725,882	100
2010	58.48	27,029,198	100
2011	60.03	27,702,682	100
2012	57.30	26,324,526	100

See *Notes to the Schedules of Required Supplementary Information*.
See accompanying *Independent Auditor's Report*.

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO THE SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Pension Trust Funds - Last Six Years

Actuarial Methods and Assumptions for Valuations Performed June 30, 2012

The entry-age actuarial cost method of valuation is used in determining liabilities and normal cost. Differences in the past between assumed experience and actual experience (actuarial gains and losses) become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are expressed as a percent of payroll. An open 30-year amortization period was used for the June 30, 2012, valuations. The actuarial value of assets is based on a method that fully recognizes expected investment returns and averages unanticipated market returns over a 5-year period.

In September 2009, the board, in light of the severely negative market conditions, adopted a temporary change to the market corridor limit of the valuation assets from +/- 20% to +/- 30% for the June 30, 2009, valuation. The limit was decreased to +/- 25% for the June 30, 2010, valuation and returned to +/- 20% in FY11. The investment return rate assumption used was decreased from 8.5% to 8.0% per year, compounded annually (net of investment expenses) for June 30, 2012. The price inflation assumption used was decreased from 3.2% to 2.5% per year in 2012. Projected salary increase assumption decreased from 4% to 3% in 2012 and thereafter. The assumption used for annual post-retirement benefit increases (COLA) is 4% (on a compound basis) when a minimum COLA is in effect. When no minimum COLA is in effect, price inflation is assumed to be 2.5% and the annual COLA is assumed to be (80% of 2.5%), on a compound basis.

2007 The actuarial valuations as of June 30, 2007 reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2009.

	Amount	Percent of Payroll
MSEP		
Change in benefit assumptions or methods	$ (369,329)	(0.02)%
Experience and nonrecurring items	(5,355,266)	(0.29)
Judicial Plan		
Change in benefit assumptions or methods	(273,672)	(0.67)
Experience and nonrecurring items	853,694	2.09

2008 The actuarial valuations as of June 30, 2008 reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2010.

	Amount	Percent of Payroll
MSEP		
Change in benefit assumptions or methods	$4,791,318	0.25%
Experience and nonrecurring items	(574,958)	(0.03)
Judicial Plan		
Change in benefit assumptions or methods	(547,873)	(1.23)
Experience and nonrecurring items	(160,353)	(0.36)

2009

The actuarial valuations as of June 30, 2009 reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2011.

	Amount	Percent of Payroll
MSEP		
State of Missouri general pay freeze	$ (4,405,285)	(0.22)%
Experience and nonrecurring items	55,466,538	2.77
Change in valuation asset corridor from +/- 20% to +/- 30%	(29,835,791)	(1.49)
Judicial Plan		
State of Missouri general pay freeze	350,392	0.77
Experience and nonrecurring items	496,010	1.09
Change in valuation asset corridor from +/- 20% to +/- 30%	(141,067)	(0.31)

2010

The actuarial valuations as of June 30, 2010 reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2012.

	Amount	Percent of Payroll
MSEP		
State of Missouri general pay freeze	$ (2,528,624)	(0.13)%
Addition of new tier of benefits effective 1-1-2011	(17,311,348)	(0.89)
Experience and nonrecurring items	25,480,749	1.31
Change in timing of contributions	(2,528,624)	(0.13)
Judicial Plan		
State of Missouri general pay freeze	(308,955)	(0.67)
Addition of new tier of benefits effective 1-1-2011	(493,406)	(1.07)
Experience and nonrecurring items	438,071	0.95
Change in timing of contributions	(894,587)	(1.94)

2011

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

	Amount	Percent of Payroll
MSEP		
State of Missouri general pay freeze	$ (6,376,937)	(0.34)%
Experience and nonrecurring items	17,630,356	0.94
Change in normal cost due to increased participants in MSEP2011	(2,250,684)	(0.12)
Judicial Plan		
State of Missouri general pay freeze	(293,683)	(0.64)
Experience and nonrecurring items	289,095	0.63
Change in normal cost due to increased participants in MSEP2011	(169,786)	(0.37)

2012

The actuarial valuations as of June 30, 2012 reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2014.

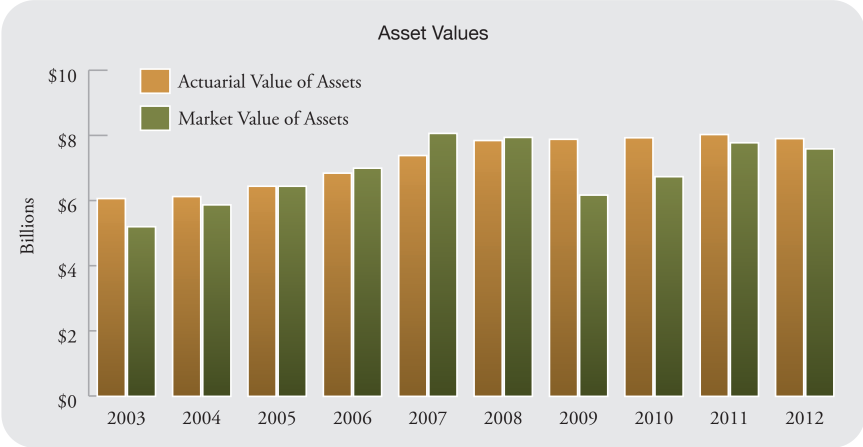
	Amount	Percent of Payroll
MSEP		
Change in assumptions or methods	$21,623,206	1.16%
Experience and nonrecurring items	25,537,752	1.37
Judicial Plan		
Change in assumptions or methods	948,795	2.07
Experience and nonrecurring items	320,849	0.70

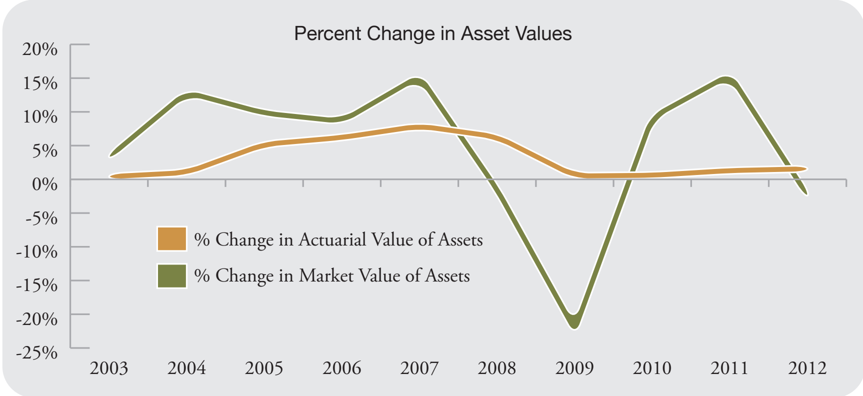
ADDITIONAL FINANCIAL INFORMATION

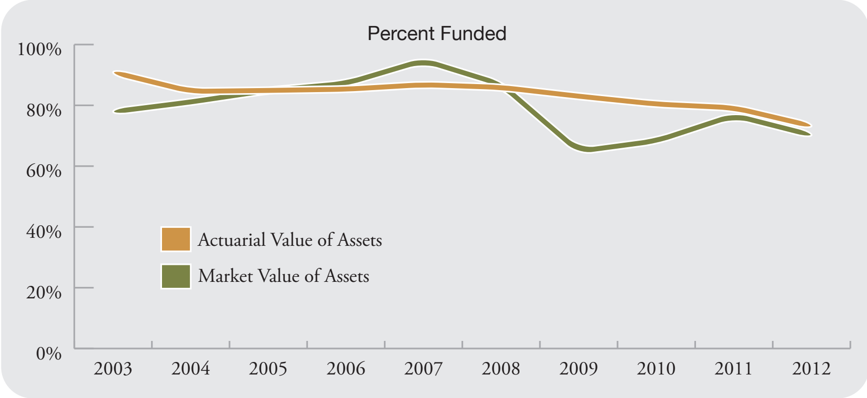
ACTUARIAL ASSET VALUE SMOOTHING

The financing objective of the vast majority of public retirement plans is to establish contribution rates and collect contributions which remain relatively level as a percent of active member payroll over decades of time. This concept is sometimes referred to as attempting to achieve intergenerational equity, meaning that future generations will not be expected to pay more or less (in inflation adjusted terms) than the present generation contributes to support the plan.

Some critics of smoothing the actuarial value of assets suggest that pension plans are not providing "transparency" in connection with operations. Actual practice suggests otherwise. The *Statements of Plan Net Assets and Changes in Plan Net Assets* in this section are prepared on the basis of market values. Beyond that, all information related to asset values and results of investment activity in the *Investment Section* of this report is prepared on the basis of market values. This is required by the accounting and reporting standards established by the Governmental Accounting Standards Board and by the Government Finance Officers Association's *Guidelines for the Preparation of a Comprehensive Annual Financial Report*. Both organizations have been long standing proponents of transparency in governmental accounting and reporting – public retirement plans commonly subscribe to the dictates of both.







Many public retirement plans have begun to emphasize use of asset classes that, by their nature, tend to be somewhat volatile in market value. This is being done with the objective of increasing long-term investment returns, thus providing increased benefit security for plan participants and lower contribution rates for taxpayers than would otherwise be the case. With market value accounting for contribution rate determination purposes, we could achieve more level contribution rates by employing lower volatility asset classes but the level contribution rate would be much higher than is the case with the higher return expectations we have as the result of taking on asset volatility risk.

When operating with a long-term time horizon, with contribution rate stability as a key objective, asset smoothing for actuarial purposes is simply a tool. Asset smoothing for actuarial purposes is a practical solution to responsibly achieving intergenerational equity, giving recognition to the fact that market cycles do not coincide with financial reporting periods. The use of the "market-related" value established through smoothing simply makes more sense for determining contribution rates than using market value. The charts above further illustrate the impact of smoothing volatility in actuarial computations.

Schedules of Investment Expenses

Pension Trust Funds - Year Ended June 30, 2012

	MSEP	Judicial Plan	Total
Investing activity			
Investment management and administrative fees			
Actis Emerging Markets III - private equity	$ 907,225	$11,832	$ 919,057
African Development Partners I, LLC - private equity	555,769	7,248	563,017
Alinda Infrastructure Fund I, LP - private equity	418,718	5,461	424,179
American Industrial Partners V - private equity	201,536	2,628	204,164
AQR Absolute Return Institutional Fund, LP - alpha pool	489,169	6,380	495,549
AQR DELTA Sapphire Fund, LP - alpha pool	1,209,383	15,772	1,225,155
Ashmore Investment Management, Ltd. - emerging markets	501,307	6,538	507,845
Axiom Asia Private Capital Fund II, LP - private equity	326,316	4,256	330,572
Axxon Group Brazil II - private equity	571,583	7,454	579,037
Baillie Gifford EAFE Plus - international equity	580,615	7,572	588,187
Bayview Opportunity Domestic, LP - high yield	2,257,053	29,436	2,286,489
Bayview Opportunity Domestic, LP - real estate	219,142	2,858	222,000
BlackRock Financial Management Bank Loans - high yield	339,883	4,433	344,316
BlackRock Financial Management High Yield - high yield	340,698	4,443	345,141
BlackRock Financial Management Mortgage Opportunity - high yield	301,354	3,930	305,284
Blackstone Real Estate Partners V - real estate	7,047,460	91,911	7,139,371
Blackstone Real Estate Partners VI - real estate	5,744,694	74,920	5,819,614
Blackstone Real Estate Partners VII - real estate	784,324	10,229	794,553
Blackstone Hedged Equity Fundy, LP - domestic equity	983,129	12,822	995,951
Blackstone Topaz Fund, LP - alpha pool	2,863,573	37,346	2,900,919
Blackstone Real Estate Partners IV - real estate	(1,434,786)	(18,712)	(1,453,498)
Blakeney Onyx, LP - emerging markets	2,194,260	28,617	2,222,877
Brevan Howard, LP - alpha pool	3,112,538	40,593	3,153,131
Brevan Howard Emerging Markets Strategies Fund, LP - hedge fund	594,512	7,753	602,265
Bridgewater Associates Diamond Ridge Fund, LLC - alpha pool	2,732,296	35,634	2,767,930
Bridgepoint Europe III A, LP - private equity	221,851	2,893	224,744
Bridgepoint Europe IV B, LP - private equity	471,603	6,150	477,753
Campbell Timber Fund II - A, LP - timber	463,998	6,051	470,049
Catterton Partners V, LP - private equity	410,885	5,359	416,244
Catterton Partners VI, LP - private equity	4,155,212	54,191	4,209,403
CarVal Investors CVI Global Value Fund A, LP - real estate	775,494	10,114	785,608
CarVal Investors CVI Global Value Fund A, LP - private debt	775,494	10,114	785,608
Catalyst Fund Limited Partnership III - distressed debt	1,321,788	17,238	1,339,026
Claren Road Credit Partners, LP - hedge funds	2,406,199	31,381	2,437,580
COMAC Global Macro Fund, LP - hedge funds	1,093,362	14,259	1,107,621
CQS ABS Feeder Fund, Ltd. - hedge funds	898,044	11,712	909,756
Davidson Kempner Institutional Partners, LP - alpha pool	3,529,468	46,030	3,575,498
Diamondback Partners, LP - alpha pool	1,086,256	14,167	1,100,423
DRI Capital LSRC - private equity	383,542	5,002	388,544
DRI Capital LSRC II - private equity	148,067	1,931	149,998
Elliott International, Ltd. - alpha pool	1,431,683	18,672	1,450,355
Eminence Fund, Ltd. - domestic equity	3,189,793	41,600	3,231,393
Empyrean Capital Fund, LP - hedge funds	1,162,003	15,154	1,177,157
Eton Park Fund, LP - alpha pool	806,892	10,523	817,415
Farallon Capital Institutional Partners, LP - alpha pool	440,821	5,749	446,570
Garnet Sky Investors Company Limited - timber	682,262	8,898	691,160
Glenview Institutional Partners, LP - hedge funds	711,798	9,283	721,081
Global Forest Partners GTI7 Institutional Investors Company, Ltd. - timber	572,363	7,465	579,828
Grantham, May and Van Otterloo & Co, LLC - emerging markets	1,157,499	15,096	1,172,595
Harvest Fund Advisors - real estate	1,624,076	21,181	1,645,257
HBK Offshore Fund, Ltd. - alpha pool	2,292,048	29,892	2,321,940
JLL Partners V, LP - private equity	(1,840)	(24)	(1,864)
JLL Partners VI, LP - private equity	2,217,029	28,914	2,245,943
King Street Capital, Ltd. - alpha pool	1,433,163	18,691	1,451,854

Continued on page 55

Schedule of Investment Expenses continued from page 54

	MSEP	Judicial Plan	Total
Legg Mason Opportunity Trust - domestic equity	449,996	5,869	455,865
Leuthold Weeden Capital Management - domestic equity	650,231	8,480	658,711
Linden Capital Partners II - private equity	387,014	5,047	392,061
Merit Energy Partners F-II, LP - real estate	137,259	1,790	139,049
MHR Institutional Partners IIA, LP - private debt	49,506	646	50,152
MHR Institutional Partners III, LP - private debt	1,175,011	15,324	1,190,335
Millennium Technology Partners II, LP - private equity	112,554	1,468	114,022
Morant Wright Investment Management - int'l developed equity	906,377	11,821	918,198
MOSERS Inc. - alpha pool	143	2	145
New Mountain Partners III, LP - private equity	565,624	7,377	573,001
Nippon Value Investors - int'l developed equity	804,779	10,496	815,275
NISA Investment Advisors, LLC - commodities	327,887	4,276	332,163
NISA Investment Advisors, LLC - beta program domestic equity	749,102	9,770	758,872
NISA Investment Advisors, LLC - beta program fixed income	346,514	4,519	351,033
NISA Investment Advisors, LLC - beta program international equity	420,689	5,486	426,175
NISA Investment Advisors, LLC - beta program real assets	23,828	311	24,139
OCM Real Estate Opportunities Fund III, LP - real estate	7,675,725	100,100	7,775,825
OCM Opportunities Fund IVB, LP - private debt	289	4	293
OCM/GFI Power Opportunities Fund II, LP - private equity	798,538	10,414	808,952
OCM/GFI Power Opportunities Fund III, LP - private equity	444,207	5,793	450,000
OCM Opportunities Fund VIIB, LP - private debt	1,778,875	23,200	1,802,075
OCM Opportunities Fund VIIIB, LP - private debt	219,186	2,859	222,045
PAAMCO - Newport Pioneer, LLC - alpha pool	132,035	1,722	133,757
Parish Capital Buyout Fund I, LP - private equity	887,642	11,576	899,218
Parish Capital Buyout Fund II, LP - private equity	227,548	2,968	230,516
Parish Opportunities Fund II, LP - private equity	137,784	1,797	139,581
Pershing Square, LP - hedge funds	1,146,024	14,946	1,160,970
Pharo Macro Fund, Ltd. - alpha pool	1,343,080	17,516	1,360,596
Resource Management Service Wildwood Timberlands, LLC - timber	95,057	1,240	96,297
Silchester International Investors - int'l developed equity	2,744,043	35,787	2,779,830
Silver Lake Partners II, LP - private equity	(437,791)	(5,710)	(443,501)
State Street Global Advisors - emerging markets	68,268	890	69,158
Stone Harbor Investment Partners, LP - emerging markets	390,571	5,094	395,665
TPG - Axon Partners (Offshore) Ltd. - domestic equity	672,649	8,772	681,421
TPG Airline Credit Opportunities - private equity	1,132,212	14,766	1,146,978
TCW Energy Partners, LLC - real estate	8,706	114	8,820
TCW Energy Fund XIV, LP - real estate	2,880,353	37,565	2,917,918
TCW Energy Fund XV, LP - private equity	1,539,192	20,074	1,559,266
The Veritas Capital Fund III, LP - private equity	841,167	10,970	852,137
The Veritas Capital Fund IV, LP - private equity	741,484	9,670	751,154
Viking Global Equities III, Ltd. - domestic equity	2,836,946	36,999	2,873,945
Visium Balanced Fund LP - hedge funds	1,010,689	13,181	1,023,870
Total investment management fees	106,123,597	1,384,029	107,507,626
<u>Other investment fees</u>			
Investment consultant fees			
Summit Strategies, Inc.	892,694	11,642	904,336
Investment custodial fees			
BNY Mellon	407,301	5,312	412,613
Performance and risk measurement fees			
BNY Mellon	437,883	5,711	443,594
Internal investment activity expenses	3,418,037	44,577	3,462,614
Total investing activity expenses	111,279,512	1,451,271	112,730,783
Securities lending activity			
Securities lending borrower rebates	44,706	583	45,289
Securities lending management fees			
BNY Mellon	123,391	1,609	125,000
Deutche Bank	147,000	1,917	148,917
Total securities lending activity expenses	315,097	4,109	319,206
Total investment expenses	$111,594,609	$1,455,380	$113,049,989

Schedules of Internal Investment Activity Expenses

Pension Trust Funds - Year Ended June 30, 2012

	MSEP	Judicial Plan	Total
Personnel services			
Salaries	$2,339,543	$30,512	$2,370,055
Employee fringe benefits	662,061	8,634	670,695
Total personnel services	3,001,604	39,146	3,040,750
Professional services			
Attorney services	88,540	1,155	89,695
Consulting services	937	12	949
Total professional services	89,477	1,167	90,644
Communications			
Telephone	5,440	71	5,511
Total communications	5,440	71	5,511
Facilities			
Vehicle maintenance	172	2	174
Total facilities	172	2	174
Education, meetings and travel			
Staff travel and meetings	3,242	42	3,284
Sponsored programs	115	1	116
Due diligence	68,761	897	69,658
Total travel and meetings	72,118	940	73,058
General administrative			
Educational materials	3,485	45	3,530
Office supplies	965	13	978
Subscriptions and dues	240,056	3,131	243,187
Temporary help	4,720	62	4,782
Total general	249,226	3,251	252,477
Total administrative expenses	$3,418,037	$44,577	$3,462,614

Schedules of Administrative Expenses

Pension Trust Funds - Year Ended June 30, 2012

	MSEP	Judicial Plan	Total
Personnel services			
Salaries	$3,485,052	$45,449	$3,530,501
Employee fringe benefits	1,319,137	17,204	1,336,341
Total personnel services	4,804,189	62,653	4,866,842
Professional services			
Actuarial services	358,640	4,677	363,317
Attorney services	124,661	1,626	126,287
Auditing services	47,382	618	48,000
Banking services	27,832	363	28,195
Consulting services	79,960	1,043	81,003
Total professional services	638,475	8,327	646,802
Communications			
Postage and mailing	161,101	2,101	163,202
Telephone	39,365	513	39,878
Printing	43,267	564	43,831
Video production	2,878	38	2,916
Total communications	246,611	3,216	249,827
Facilities			
Depreciation	87,827	1,145	88,972
Utilities	63,385	827	64,212
Maintenance	58,165	759	58,924
Vehicle maintenance	7,963	104	8,067
Total facilities	217,340	2,835	220,175
Software and equipment			
Depreciation	137,259	1,790	139,049
Maintenance	259,981	3,391	263,372
Rental	142,356	1,857	144,213
Gain on sale of equipment	(250)	(3)	(253)
Total equipment	539,346	7,035	546,381
Education, meetings and travel			
Board travel and meetings	39,013	509	39,522
Staff travel and meetings	66,345	865	67,210
Sponsored programs	66,389	866	67,255
Due diligence	3,378	44	3,422
Total education, meetings and travel	175,125	2,284	177,409
General administrative			
Educational materials	18,800	245	19,045
Office supplies	60,540	790	61,330
Subscriptions and dues	178,222	2,324	180,546
Insurance	126,065	1,644	127,709
Advertising	12,344	161	12,505
Total general	395,971	5,164	401,135
Total administrative expenses	$7,017,057	$91,514	$7,108,571

Schedules of Administrative Expenses

Internal Service Funds - Year Ended June 30, 2012

	Life and LTD	Deferred Compensation	Total
Personnel services			
Salaries	$243,251	$162,700	$405,951
Employee fringe benefits	91,572	48,323	139,895
Total personnel services	334,823	211,023	545,846
Professional services			
Attorney services	1,538	110,985	112,523
Auditing services	3,307	0	3,307
Banking services	840	830	1,670
Total professional services	5,685	111,815	117,500
Communications			
Postage and mailing	510	0	510
Telephone	2,748	0	2,748
Video production expense	201	0	201
Total communications	3,459	0	3,459
Facilities			
Building use charge	8,897	0	8,897
Utilities	4,424	0	4,424
Maintenance	4,060	0	4,060
Total facilities	17,381	0	17,381
Software and equipment			
Depreciation	0	450	450
Equipment use charge	12,493	0	12,493
Maintenance	18,049	0	18,049
Rental	9,936	0	9,936
Total software and equipment	40,478	450	40,928
Education, meetings and travel			
Board travel and meetings	2,723	0	2,723
Staff travel and meetings	9,501	5,778	15,279
Vehicle maintenance and operation	556	0	556
Due diligence	0	1,653	1,653
Total education, meetings and travel	12,780	7,431	20,211
General administrative			
Educational materials	1,312	0	1,312
Office supplies	4,226	3,317	7,543
Subscriptions and dues	3,695	2,518	6,213
Software subscriptions	0	8,475	8,475
Insurance	8,799	0	8,799
Advertising	862	0	862
Total general administrative	18,894	14,310	33,204
Total administrative expenses	$433,500	$345,029	$778,529

Schedules Professional/Consultant Fees

Year Ended June 30, 2012

Professional/Consultant	Nature of Service	Pension Trust Funds MSEP	Pension Trust Funds Judicial Plan	Pension Trust Funds Total	Internal Service Funds Life and LTD	Internal Service Funds Deferred Compensation	Internal Service Funds Total
Operation administrative expenses							
Avtex Solutions, Inc.	Information technology consulting	$ 3,905	$ 51	$ 3,956	$ 0	$ 0	$ 0
Central Bank	Banking	26,240	342	26,582	676	830	1,506
Charlesworth & Associates	Risk management consulting	8,144	106	8,250	0	0	0
Collector Solutions, Inc.	Banking	1,592	21	1,613	164	0	164
DecideSmart, LLC	Strategic planning consulting	25,732	336	26,068	0	0	0
Excellence in Missouri Foundation	Quality assessment consulting	4,784	62	4,846	0	0	0
Gabriel, Roeder, Smith & Co.	Actuarial	358,640	4,677	363,317	0	0	0
Huber & Associates, Inc.	Information technology consulting	5,577	73	5,650	0	0	0
HyperGen, Inc.	Information technology consulting	2,018	26	2,044	0	0	0
Pension Benefit Information	Pension research services	1,974	26	2,000	0	0	0
Qflow Systems, LLC	Information technology consulting	22,112	288	22,400	0	0	0
Rose International	Human resources consulting	7,688	101	7,789	0	0	0
Thompson Coburn, LLP	Legal counsel	124,661	1,626	126,287	1,538	110,985	112,523
Williams Keepers, LLC	Financial audit	45,408	592	46,000	3,307	0	3,307
Operation administrative expenses subtotal		638,475	8,327	646,802	5,685	111,815	117,500
Internal investment administrative expenses							
CBIZ Benefits & Insurance Services, Inc.	Human resources consulting	296	4	300	0	0	0
Rose International	Human resources consulting	641	8	649	0	0	0
Thompson Coburn, LLP	Legal counsel	88,540	1,155	89,695	0	0	0
Internal investment administrative expenses subtotal		89,477	1,167	90,644	0	0	0
Total professional/consultant fees		$727,952	$9,494	$737,446	$5,685	$111,815	$117,500

Information on investment management and consulting fees can be found in the *Schedule of Investment Expenses* on pages 54-55.

Investment Summary
Pension Trust Funds - Year Ended June 30, 2012

Type of Investment	June 30, 2011 Cost Value	June 30, 2011 Fair Value	Purchases and Capital Additions at Cost	Sales and Redemptions at Cost	June 30, 2012 Cost Value	June 30, 2012 Fair Value	Percent of Total Fair Value
Fixed income							
Treasury bonds, notes, and bills	$ 709,365,052	$ 780,789,002	$ 132,143,099	$ (218,589,441)	$ 622,918,710	$ 721,639,494	11%
Government bonds and gov't mortgage-backed securities	74,209,989	74,632,638	28,789,187	(35,101,812)	67,897,364	65,071,631	1
Corporate bonds	105,211,867	105,279,509	33,152,333	(36,912,913)	101,451,287	101,340,739	2
Convertible bonds	2,438,350	2,495,537	3,771,390	(1,738,957)	4,470,783	4,094,788	0
Collateralized mortgage obligations	163,181,426	166,582,441	0	(31,804,819)	131,376,607	134,615,354	2
International corporate bonds	40,708,343	18,079,470	10,005,196	(2,262,273)	48,451,266	24,351,481	0
Bank loans	72,552,311	73,301,512	9,462,657	(6,991,987)	75,022,981	75,013,193	1
Total fixed income	1,167,667,338	1,221,160,109	217,323,862	(333,402,202)	1,051,588,998	1,126,126,680	17
Common stock	949,912,400	1,068,931,570	161,372,226	(555,514,643)	555,769,983	622,476,004	9
Preferred stock	3,217,445	3,284,643	7,325,769	(4,204,580)	6,338,634	4,819,409	0
International investments							
International equities	459,296,820	929,514,223	397,515,545	(90,448,194)	766,364,171	1,168,440,869	17
Foreign currency			40,226,281	(36,198,157)	4,028,124	3,432,478	0
Total int'l investments	459,296,820	929,514,223	437,741,826	(126,646,351)	770,392,295	1,171,873,347	17
Real estate							
Real estate investment trust	0	0	6,126,053	(1,457,739)	4,668,314	5,012,592	0
Venture capital limited partnerships	2,871,907,158	3,850,582,255	419,581,050	(391,542,138)	2,899,946,070	3,826,932,808	57
Investments (per *Statements of Plan Net Assets* page 27)	5,452,001,161	7,073,472,800	1,249,470,786	(1,412,767,653)	5,288,704,294	6,757,240,840	100%
Short-term investments							
Short-term investment funds	790,042,214	790,042,214	540,152,994	(397,176,071)	933,019,137	933,019,137	
Repurchase agreements	13,423,111	13,423,111	2,026,873,378	(2,030,409,345)	9,887,144	9,887,144	
Total short-term investments	803,465,325	803,465,325	2,567,026,372	(2,427,585,416)	942,906,281	942,906,281	
Invested securities lending collateral							
Corporate bonds	65,249,919	64,493,027	6,566,259	(57,236,658)	14,579,520	16,615,978	
Short-term investment funds	578,592,093	578,592,093	5,080,023,322	(4,982,754,910)	675,860,505	675,860,505	
Total invested securities lending collateral	643,842,012	643,085,120	5,086,589,581	(5,039,991,568)	690,440,025	692,476,483	
Total investments	$6,899,308,498	$8,520,023,245	$8,903,086,739	$(8,880,344,637)	$6,922,050,600	$8,392,623,604	

Investment Summary
Internal Service Funds - Year Ended June 30, 2012

Type of Investment	June 30, 2011 Cost Value	June 30, 2011 Fair Value	Purchases and Capital Additions at Cost	Sales and Redemptions at Cost	June 30, 2012 Cost Value	June 30, 2012 Fair Value	Percent of Total Fair Value
Repurchase agreements	$3,443,332	$3,443,332	$907,078,156	$(906,989,228)	$3,532,260	$3,532,260	100%

Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS office.

Investment Section

CHIEF INVESTMENT OFFICER'S REPORT

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

Building Location
907 Wildwood Drive
Jefferson City, MO

MOSERS
Excellence. Always.
Missouri State Employees' Retirement System

October 29, 2012

Dear Members:

I am pleased to present the *Investment Section* of the *MOSERS Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2012. The following are a few highlights of the year:

- As of June 30, 2012, your pension fund had total assets of $7.7 billion.
- The investment portfolio generated $158 million in net earnings during the year representing a return of 2.2%.
- The portfolio outperformed the policy benchmark by 1% during the year, contributing $83 million of the $158 million in total earnings.
- The 2.2% return was in the top 14% of public pension funds with assets in excess of $1 billion and our ten year annualized return of 8.1% was in the 4th percentile. Over 10 years, had our return been average relative to our peers, there would be over $1.5 billion less in the fund.
- Across standard reporting periods out to 20 years, our investment results have consistently outpaced our policy benchmark and our peers while the comparative risk we have taken to generate these results has been well below average. The end result has been consistently high long-term risk adjusted returns.

Strong long-term performance is the best indicator of our success in providing the necessary funding that comes from the earnings generated by the investment portfolio. Today, over 60% of MOSERS' funding comes from the investment portfolio. Every dollar in investment earnings is one less dollar that is needed from the state of Missouri in order to fund your promised benefits. In this regard, our investment program has served our members and the taxpayers well for many years. At the foundation of our success is a set of fundamental investment beliefs. Over nearly two decades, these investment beliefs have guided our program with very little modification and we expect them to guide us well into the future.

Our investment beliefs are:

- Diversification is critical because the future is unknown.
- Every investment should be examined in the context of its potential return from beta (market return) and alpha (value added return), the two distinct return components.
- Flexibility in investment policy implementation is critical because various asset classes will be in or out of favor at different points in the economic cycle.
- Prudent asset management must first focus on understanding and balancing risk.

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Looking Back at Yesterday

Thinking of yesterday brings memories of changes in our investment program during the past decade and how our efforts to further diversify the portfolio during that period proved to be some of the best decisions made in the management of the portfolio. Prior to 2002, approximately 75% of MOSERS' portfolio was invested in common stock with nearly one-half of that amount invested in the S&P 500. At that time, our program looked similar to other large public funds. The portfolio structure included rigid rule-based decisions, static asset allocations, and a rather simplistic diversification model in which the other 25% of the portfolio consisted primarily of fixed income investments.

In 2002, following an asset allocation study, the MOSERS Board of Trustees adopted a new investment policy. The result of the 2002 study was to reduce public equity investments from 75% to 50%, while adding new asset classes including high yield bonds, timberland, private equity and debt, real estate, and absolute return strategies (hedge funds). In addition, investment staff was granted authority to make strategic shifts (increasing active risk) in the portfolio away from the policy benchmark within board approved ranges. The decision to move to a portfolio that included a large allocation to alternative investments did not come easily. There was discomfort with deviating from the pack of institutional investors, especially given that the strong equity returns during the decade of the 90s were still vividly entrenched in our memory. Rear view mirror investing is a far too common trait of investors. This is largely because the potential negatives associated with being different and wrong, even in the short term, are much stronger motivators than the offsetting potential positives from being different and right. Accordingly, changes to institutional investment portfolios happen very slowly, look very similar, and miss opportunities to produce exceptional performance. MOSERS' decision in 2002 to step away from the pack to pursue an unconventional approach, reflected the high level of trust that was in place among the MOSERS board, staff and asset consultant. Our investment success over the ensuing decade has largely been the result of those governance policy changes and our willingness to deviate from the norm.

Focusing on Fiscal Year 2012

In the last few years, the markets have been completely focused on macro events and, as a result, have flipped back and forth between risk-on and risk-off over relatively short periods and this past fiscal year continued that pattern. Depending upon which month or quarter we were in, the financial markets were either terrible or great during FY12. Risk assets, such as stocks, commodities and real estate fell for the first three months of the year while assets viewed as "safe or non-risk" like U.S. Treasuries were up strongly over that same period. In the winter and spring that trend reversed itself and stocks and other risk assets were up and treasuries were down. The last quarter of the fiscal year looked a lot like the first with the exception of the last day of June when markets soared higher. Because of the volatility taking place as markets battled between debt reduction and its deflationary forces and the offsetting Fed-driven stimulus and its inflationary impact on growth oriented assets, the importance of a well balanced portfolio became even more evident.

The best performing sub-asset class in the portfolio for the year was the inflation indexed bond portfolio which advanced 11.3%. Other notable positive contributors to return included real estate at 9.5%, core fixed income at 8.7%, private market investments at 7.5% and U.S. equities at 6.2%. Sub-asset classes that detracted from the overall return included emerging market equities down 14.3%, developed international equities falling 9.8% and commodities falling 5.9%. For complete performance attribution details see page 73 of the report.

Navigating to Tomorrow

Immediately following the end of the fiscal year, at the July 2012 meeting, the board made the decision to lower the nominal investment return assumption from 8.5% to 8.0% commencing in FY13. This decision is reflective of the current low interest rate environment and the expectation that economic growth may remain muted for several years as debt levels come down.

At the same meeting, the board also made, what I believe will be viewed in the years ahead as a seminal decision regarding the investment program, a decision to move away from returns-based allocation to risk-based allocation. This decision will shape the direction of the portfolio well into the future and will likely be the primary driver of future investment performance. Very much like the decision to materially alter the allocation in 2002, which moved MOSERS away from its institutional peers, the changes adopted in July will have a similar impact. As a result, the changes will be viewed as radical by the masses; however, it is our belief that over the next several years the masses will see that the direction we are headed is simply a better foundation from which to manage the portfolio in an uncertain world. For several years now, forward-thinking investors have been exploring the concept of allocating capital based on risk as opposed to today's standard methodology of allocating capital based on returns. Returns-based allocation models, geared to generate returns typical of what MOSERS and other pension fund investors are trying to achieve (6.5% to 8.5% annually), end up concentrating heavily on equities or equity-like assets to produce the preponderance of the investment return while using "diversifiers" to marginally reduce risk. Concentrated equity risk is a benefit when the economy is growing strongly and inflation is under control, like it was through the majority of the 20-year period ended 1999. However, in today's more uncertain economic environment, a portfolio built upon an equal risk-weighted set of core assets with different fundamental economic drivers is expected to substantially mitigate the risks associated with this uncertainty.

Risk-based allocation modeling reduces the concentration in equities and increases the allocation to diversifiers such as nominal bonds, inflation indexed bonds, commodities and alternative risk factors found in hedge fund strategies. Because many of these asset classes have lower expected returns than equities, a modest amount of leverage must be utilized on them in in order for them to pull their share of the weight from an investment return perspective. While we believe that a risk balanced portfolio will produce a better risk adjusted return over time, there will certainly be periods where the equity centric portfolio produces better results. Additionally, one should expect the new portfolio to lose money during crisis periods when fearful investors favor cash to all other forms of investments. In those environments, no portfolio built around an expectation of producing returns well in excess of cash over the long-term will completely protect capital in the short-term.

A risk-balanced portfolio presents its own unique set of challenges which must be managed. Unlike a more conventional mainstream portfolio, where the volatility of stocks will subject the portfolio to unacceptable losses like those experienced in 2008, the primary risk of a risk balanced portfolio is that our estimates of risk and correlations change materially during crisis periods and the modest amount of leverage being utilized will result in losses that exceed expectations. Risk mitigators include limits on aggregate leverage, intense monitoring, flexibility and, most importantly, a large liquid cash buffer. Recognizing the need to control risks, the board adopted policies that require judicious application of risk mitigators.

It is my hope that this has given you a basic understanding of the direction MOSERS' portfolio management will take over the next several years. I will get into more detail regarding actual positioning in next year's annual report. We will be transitioning the portfolio as opportunities present themselves, therefore details will develop over time. It is important to keep in mind that the future is unpredictable and, because of this, we must be willing to adapt.

The great Albert Einstein once said, "Learn from yesterday, live for today, hope for tomorrow. The important thing is not to stop questioning." MOSERS has never been reluctant to question our investment approach and to recommend change, if change made sense. Our views and opinions about making the best returns for you have not, and will not, be impeded by concerns about other's perceptions of our unconventional strategies. It is my belief that this is a direct result of the exceptional governance model in place at MOSERS, a culture of hard work, ethics and, most importantly, our board of trustees and executive director. Without their willingness to stand up to the criticism of challengers and remain steadfast in the long-term vision of the organization, MOSERS would be just another lemming and the benefits you have been promised would be less secure than they are today and will be in the future.

Best regards,

Rick Dahl

Rick Dahl
Chief Investment Officer

INVESTMENT CONSULTANT'S REPORT

Summit Strategies Group

October 29, 2012

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

Dear Board Members,

What a difference one circling of the sun makes. In my letter from last year's annual report, I talked about the FY11 results of 21% being the best annual return year in MOSERS' history. Now, one year later, I write to you about a much more modest return of 2.2%, which is still positive but lower than average by historical standards. We have said consistently and repeatedly in these annual letters that the markets will do what they are going to do and we cannot control them. These last two years have once again proven this to be true.

However, we are very pleased about the results of the things we can control, and that's relative performance. My analogy is, we can't control the currents or the direction of the wind but we are racing other boats, and there are winners; our collective goal is to win the race. The "fastest boats" in the investment world earn higher absolute returns because of successful relative results, reducing the burden on the taxpayers who ultimately pay the tab.

While 2.2% is a lower-than-average absolute long-term return and a fraction of the previous year's return, it is an impressive outcome given the results of the market. In our sample of public pension plans with more than $1 billion in assets, MOSERS' annual return ranks in the top 14%. This means MOSERS outperformed more than 85% of the large public funds who are also "racing" to be the best. What the investment staff at MOSERS, as well as all of us at Summit Strategies Group, spend a great deal of time on and take an enormous amount of pride in, is that outstanding relative results at MOSERS are the norm, not the exception. For the respective annualized periods from two years to ten, MOSERS' relative rankings were: 10th, 9th, 26th, 15th, 9th, 5th, 4th, 7th, and 4th. Forget about best-in-state, these are best-in-the-country kinds of results!

I believe the consistency of excellence is the most important aspect of MOSERS' operation, and this should be important to you as board members for two critical reasons. Consistency of results over multi-year periods gives you a very strong indication that the risk side of the investment equation is being given the proper attention. The second critical reason is the culture that expects success.

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Anyone can make a huge "bet" and if the market happens to reward that position in that year, they will have a great relative result. But in order to reach the top year after year, especially in the incredibly volatile investment world of the last decade, you must believe in broad diversification, timely tactical calls, possess an eye for genuine investment talent, and maintain a consistent edge over the rest of the field. The latitude given to staff and Summit by the board more than 14 years ago, when it was unheard of in the public sector, is the edge we've needed. The dedication and skill of an extremely stable group of investment professionals internally is what has taken that edge and turned it into "dollars and cents" results.

Over the past decade, MOSERS' ability to be "above average" (relative results) has meant returns almost 30% higher than "average" and a pension system (and ultimately the state) that is $1.5 billion better funded than the "average" public pension fund. Thank you for allowing Summit to be a part of this story.

Sincerely,

Stephen P. Holmes, CFA
President

INVESTMENT POLICY SUMMARY

Guiding Principles

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

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

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

Investment Objective

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

- Develop a real return objective (RRO)[1] that will keep contribution rates reasonably level over long periods of time, absent changes in actuarial assumptions.
- Establish an asset allocation policy that is expected to meet the RRO over long periods of time, while minimizing volatility.
- Minimize the costs associated with implementation of the asset allocation through the efficient use of internal and external resources.

Rising Growth
- Equities
- Corporate/mortgage bonds
- Emerging markets
- Timber
- Real estate
- Commodities

Falling Growth
- Treasuries
- TIPS

Rising Inflation
- Timber
- Real estate
- Emerging markets
- Commodities
- TIPS

Falling Inflation
- Equities
- Corporate bonds
- Treasuries

Deflation
- Long treasuries

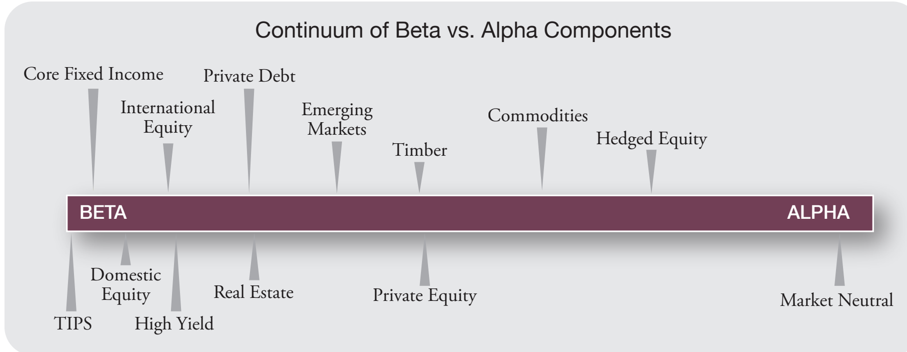
Investment Beliefs

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

- **Diversification is critical because the future is unknown.** MOSERS' investment portfolio has been built upon the premise that very little is known about what the future holds and, as a result, the portfolio is structured to combat a variety of economic outcomes.

  As a result, the portfolio will have significant diversification to provide risk reduction in a variety of markets. The chart above reflects the various economic environments and the types of investments that should be expected to perform well in those environments.

[1] The RRO is the rate by which the total return exceeds the inflation rate as measured by the CPI, U.S. City Average for all Urban Consumers (CPI-U). MOSERS' real return is the excess return over the CPI utilizing the formula: Real = (1+Nominal) ÷ (1+CPI). As of June 30, 2012, the RRO was 5.3%.



- **Every investment should be examined in the context of the two distinct return components – beta and alpha.** Beta is the return which is expected to be earned by investing passively within a specific asset class. Exposures to beta can be purchased very cheaply and, over long periods of time, it is expected that returns from beta should be positive and coincide with the risk associated with a given asset class. In contrast, alpha is the return generated through a manager's ability to select particular investments that perform better than the asset class as a whole. Alpha is a zero-sum game. For every winner, there is a loser on the other side. Historically, MOSERS' portfolio has been heavily weighted towards investments that provided mainly beta returns.

  MOSERS made a decision in 2002, after a formal asset/liability study, to place a greater emphasis on generating alpha returns within the portfolio. At that time, it was expected that returns strictly from beta would not generate the returns necessary to fund the liabilities of the system. That decision was confirmed in the most recent formal asset/liability study completed in July 2007. As reflected in the chart above, several alpha-generating strategies are in place within the portfolio today.

- **Asset classes will be in and out of favor at different times and they all tend to be cyclical, thus flexibility is key.** This belief acknowledges that economies are cyclical; thus, it is only logical that certain investments will fair better than others depending upon the current economic environment. In order to make a "good" investment, the price one pays for an investment must be considered. No investment offers the birthright of a high return. In order to capitalize on potential opportunities that may arise due to asset classes being "cheap" or "expensive" relative to their historical norms, the board has granted the CIO the ability to make strategic sub-asset class allocation decisions subject to predefined ranges.

- **Prudent asset management must first focus on an understanding and balancing of risk.** While it is easy to focus attention on expected investment returns, understanding the fundamental economic drivers of risk taken to generate those returns, should come first. As a result, balancing risk will produce stronger risk-adjusted returns, thus more stability if the contribution rate for the employer.

Roles and Responsibilities

Board of Trustees

The board of trustees bears the ultimate fiduciary responsibility for the investment of system assets. Members of the board must adhere to state law and prudent standards of diligence with respect to their duties as investment fiduciaries. Accordingly, they are required to discharge their duties in the interest of plan participants. They must also "act with the same care, skill, prudence, and diligence under prevailing circumstances that a prudent person, acting in a similar capacity and familiar with those matters, would use in the conduct of a similar enterprise with similar aims."[2]

Specifically related to investments, the board is charged with the duties of establishing and maintaining broad policies and objectives for the investment program along with the recommendations of staff and the external asset consultant.

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

Executive Director

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

Chief Investment Officer and Internal Staff

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

External Asset Consultants

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

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

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

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

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

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

Chief Auditor

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

Master Custodian

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

Asset Allocation

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

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

While the board maintains a set policy allocation mix, they have taken steps to provide flexibility by granting authority to the CIO, with the approval of the external asset consultant and certification of the executive director, to make strategic allocation decisions based upon expectations for each sub-asset class. This flexibility has allowed the system to take advantage of changing market conditions. The board has placed ranges on the sub-asset class allocations in order to maintain appropriate risk controls. The table below illustrates the policy asset mix and ranges formally adopted by the board.

MOSERS Asset Allocation

Asset Class	Policy Weight	Allocation Range	Policy Benchmark
Public Equity	**45.0%**		**MSCI ACWI**
Domestic	Benchmark weight*	+/- absolute 10%	
Int'l developed	Benchmark weight*	+/- absolute 10%	
Emerging markets	Benchmark weight*	+/- absolute 5%	
Public Debt	**30.0%**		**Blended Return**
Core fixed income	10.0%	5.0% - 15.0%	Barclays Aggregate
TIPS	10.0%	5.0% - 15.0%	Barclays TIPS
High yield	5.0%	0.0% - 10.0%	Barclays High Yield
Market neutral	5.0%	0.0% - 10.0%	T-Bills + 4%
Alternatives	**25.0%**		**Blended Return**
Real assets	15.0%	10.0% - 20.0%	Blended Return**
Commodities	3.0%		GSCI
Timber	6.0%		NCREIF Timberland
REITs/private RE	6.0%		Dow Jones U.S. Select REITs
Private investments	10.0%	5.0% - 15.0%	S&P 500 + 3%
Private equity	7.5%		
Private debt	2.5%		

* *The public equity sub-asset class target allocations are not static weights. The weights float based upon capitalization of the MSCI ACWI benchmark.*
** *The policy benchmark is based upon the blending of GSCI, NCREIF Timberland, and Dow Jones U.S. Select REITs at their policy benchmark weights.*

Rebalancing

It is the responsibility of staff to ensure that the asset allocation adheres to the system's rebalancing policy. Staff has engaged NISA Investment Advisors, LLC of St. Louis, Missouri, to assist in the oversight and implementation of the rebalancing policy. MOSERS utilizes a combination of cash market and exchange traded futures transactions to maintain the total fund's allocation at the broad policy level. Month-end reviews are conducted to bring the portfolio back within allowable ranges of the broad policy targets.

Risk Controls

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

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

Performance Objectives and Monitoring Process

Generating returns net of expenses equaling the RRO of 5.3% plus inflation remains the primary performance objective for the total fund over the long term.

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

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

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

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

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

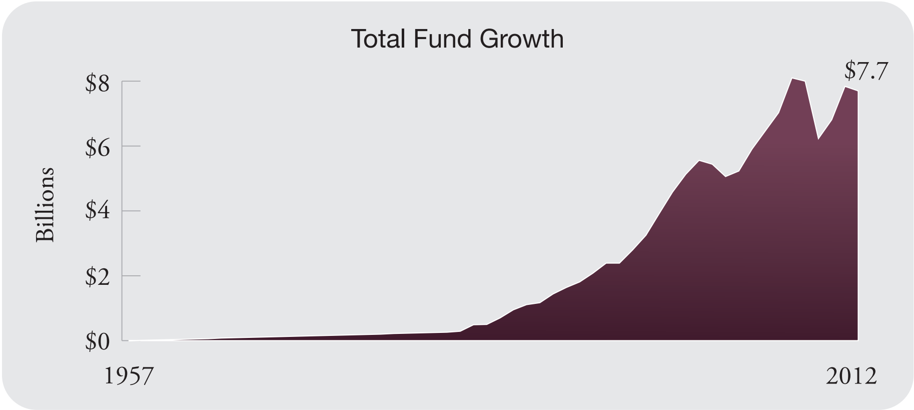
The board receives performance information on a quarterly basis to help ensure adequate monitoring of the fund's overall performance objectives.

Asset Classes

At the broad asset class level, policy and strategy benchmarks have been established to measure board, strategic, and implementation decisions. At the manager level, performance is measured against appropriate benchmarks for each particular investment mandate. Investment guidelines have been established for each manager outlining specific expectations for each portfolio. Many external managers are employed with performance-based fee structures, which help to align the manager's interest with the total fund objectives.

TOTAL FUND REVIEW

As of June 30, 2012, the MOSERS investment portfolio had a market value of $7.7 billion. The graph to the right illustrates the growth of MOSERS' portfolio since the system's inception.



Investment Performance

MOSERS' investments generated a return of 2.2%, net of fees, for FY12. The total fund return exceeded the 1-year policy benchmark of 1.2%. This additional 1% investment return produced $83 million over what would have been earned if the fund had been invested passively. The public debt asset class performance generated the highest return (7.4%) of the three major asset classes, contributing 2% to the total fund return. The global public equity return was -3% and alternative investments return was 5.6%. The table to the right illustrates the contribution to the total return from each sub-asset class.

Sub-Asset Class Returns for Fiscal Year Ended June 30, 2012

Asset Class	Fiscal Year Return	Contribution to Total Return
Total public equity	**(3.0)%**	**(1.2)%**
Domestic equity	6.2%	1.2%
International developed equity	(9.8)%	(1.5)%
Emerging markets	(14.3)%	(0.9)%
Total public debt	**7.4%**	**2.0%**
Core fixed income	8.7%	0.8%
TIPS	11.3%	1.0%
High yield bonds	4.9%	0.2%
Market neutral	0.6%	0.0%
Total alternatives investments	**5.6%**	**1.4%**
Real assets	4.3%	0.6%
Commodities	(5.9)%	(0.2)%
Real estate	9.5%	0.7%
Timber	3.1%	0.1%
Private investments	7.5%	0.8%
Private equity	9.0%	0.6%
Private debt	5.3%	0.2%
Total fund	**2.2%**	

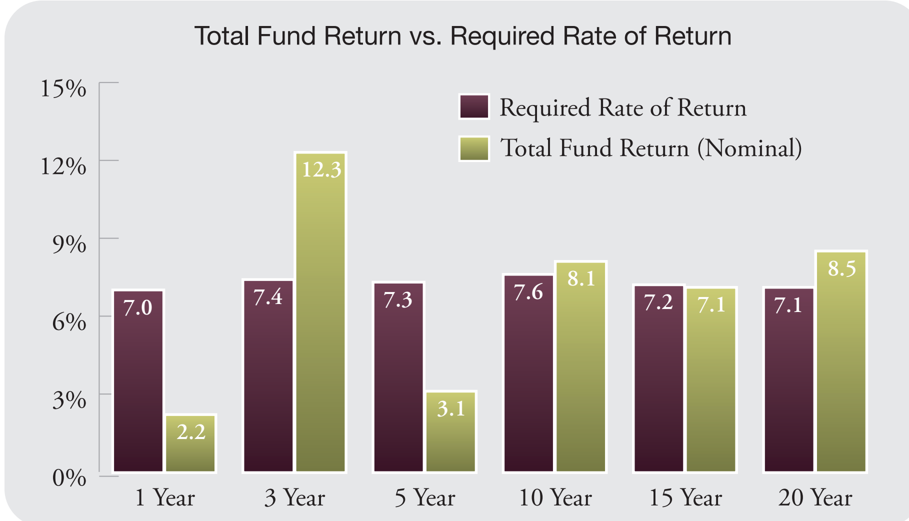
Investment Performance vs. the Required Rate of Return

The total fund investment return is compared to a required rate of return. The required rate of return is established by the board to determine how well the fund is performing over the long term in order to meet future plan obligations after accounting for inflation. This funding objective for FY12 is equal to the RRO (5.3%) plus inflation. The best known measure of inflation is the Consumer Price Index (CPI).[3]

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

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

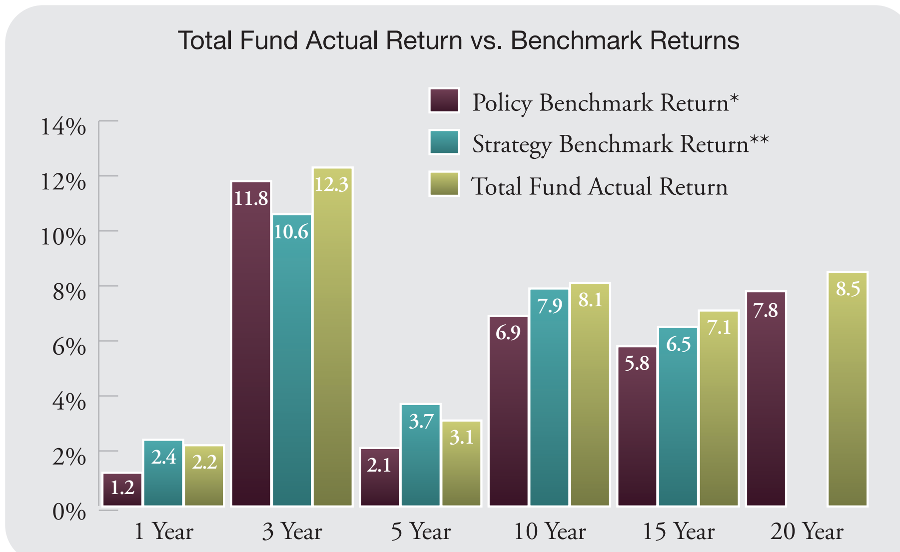
The bar chart to the right reflects that MOSERS' investment returns have exceeded the required rate of return by 1.4% over the 20-year period ended June 30, 2012.[4]



Investment Performance vs. Benchmark Comparisons

In addition to measuring performance relative to the required rate of return, the board also compares fund returns to the following two market benchmarks: the policy benchmark and the strategy benchmark.

The policy benchmark provides an indication of the returns that have been achieved (excluding transaction costs) by a portfolio invested passively in the broad market with percentage weights allocated to each asset class in MOSERS' policy asset allocation. Comparison of the total return to the policy benchmark is a reflection of the extent to which the asset allocation (beta) kept pace with the system's funding objectives. The total fund 1-year actual performance exceeded its policy benchmark by 1%, with the actual 3-, 5-, 10-, 15-, and 20-year returns also exceeding the policy benchmarks by 0.5%, 1%, 1.2%, 1.3% and 0.7%, respectively. The strategy benchmark is more narrowly defined and focuses on sub-asset class allocation decisions made by the CIO.



* As of 6/30/12, the policy benchmark was comprised of the following components: 45% total public equity policy benchmark, 30% total public debt policy benchmark, and 25% total alternative investments policy benchmark.

** As of 6/30/12, the strategy benchmark was comprised of the following components: 45.4% total public equity strategy benchmark, 28.8% total public debt strategy benchmark, and 25.8% total alternative investments strategy benchmark. A strategy benchmark for the 20-year period is not available.

By comparing the policy benchmark to the strategy benchmark, the board is able to determine the value added through strategic decisions (active management) made by the CIO. Value is created when the strategy benchmark returns exceed the policy benchmark returns.

Returns for the total fund versus these benchmarks are displayed in the bottom bar chart.

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

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

Investment Performance vs. Peer Universe

To a lesser extent, the board compares total fund performance to the returns generated by a peer group of public pension funds and compiled by BNY Mellon Master Trust, a diverse global investment solutions firm with clients worldwide. Long-term performance is the best indicator of success. For the past 20-year period ended June 30, 2012, MOSERS' total fund return outperformed 83% of the public pension funds in the BNY Mellon Master Trust universe of public pension plans with assets in excess of $1 billion. MOSERS' total fund performance within the BNY Mellon Master Trust universe is provided in the graph above.

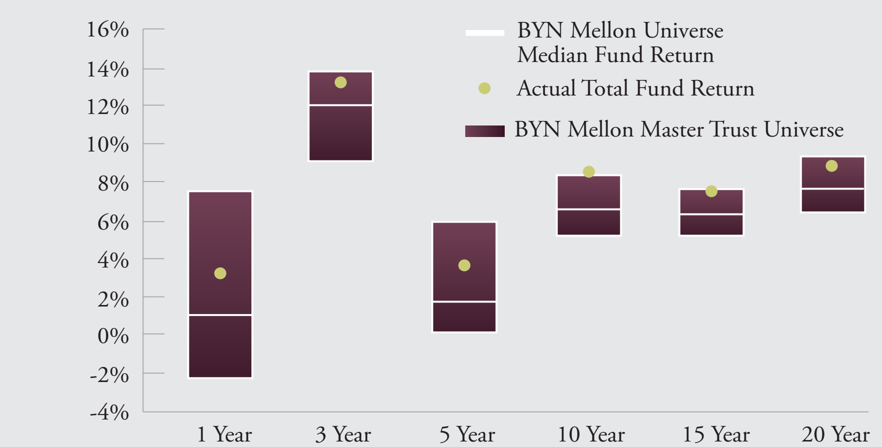
Total Fund Asset Allocation Overview

As of June 30, 2012, the board's broad policy allocation mix was 45% public equity, 30% public debt, and 25% alternative investments. The policy target as of June 30, 2012, for each sub-asset class, along with the actual strategic allocation to each type of investment is shown in the bar graph to the right.

The board has granted authority to the CIO to make strategic decisions related to the allocation subject to predefined sub-asset class ranges. A strategic decision should be thought of as any decision that might cause MOSERS' actual portfolio to differ from the policy asset allocation.

This has allowed MOSERS to capitalize on investment opportunities at the margin by overweighting asset classes that are viewed as "cheap" relative to their historical norm and underweighting asset classes that are

Total Fund Return vs. BNY Mellon Universe*

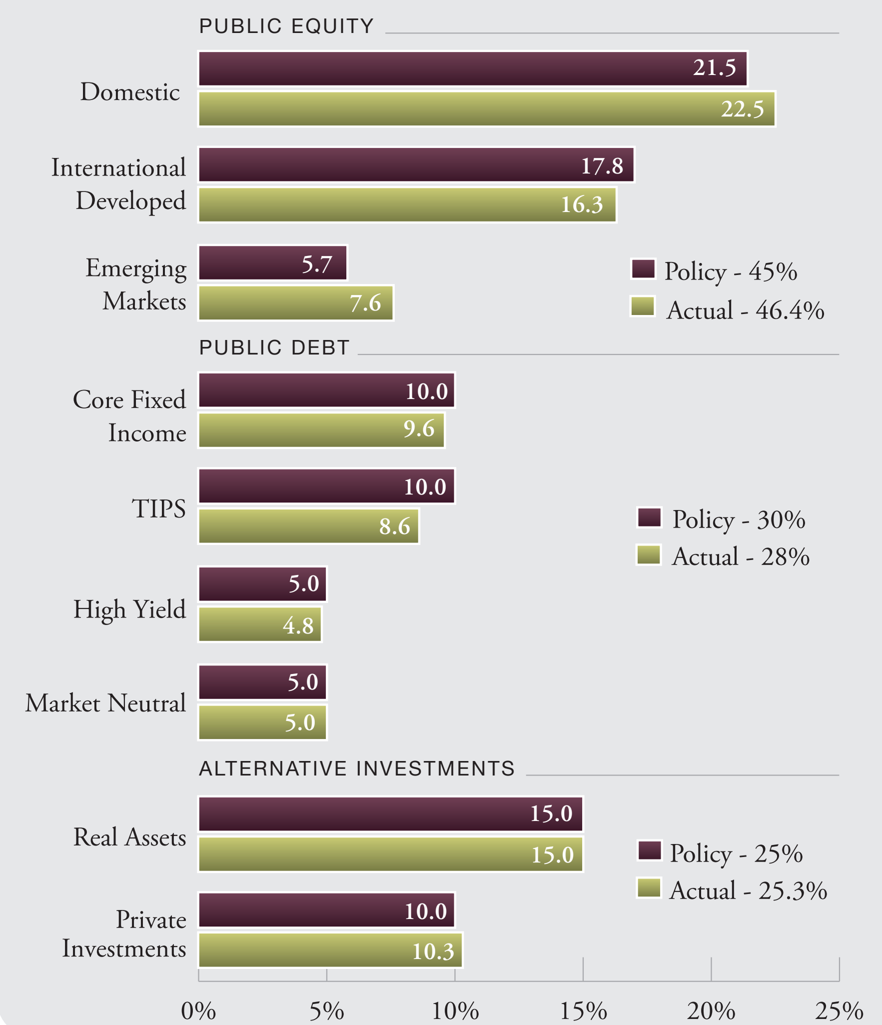


	1 Year	3 Year	5 Year	10 Year	15 Year	20 Year
Percentile Rank	14th	9th	15th	4th	11th	17th
Observations	74	70	69	61	47	37

* BNY Mellon master trust is a global investment solutions firm with clients worldwide. This universe data reflects performance data of funds with assets in excess of $1 billion.

Total Fund Asset Allocation

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



* Actual does not include 0.3% of cash.

"expensive" relative to their historical norm. Since being granted this authority in 2002, the ability to make strategic asset allocation decisions has added 8.1% annually, or approximately $1 billion to the portfolio.

The asset allocation is built upon the belief that diversification is critical. The first table below reflects the asset classes and their correlation to each other.

Statistics

The second table below displays the statistical performance data (net of fees) of the total fund as of June 30, 2012. The excess return (value added) is reflected in dollars as shown below.

Total Fund - Correlation Table - 5 Years

	Public Equity	Core Fixed Income	TIPS	High Yield	Market Neutral	Real Assets	Private Investments
Public equity	1.00						
Core fixed income	0.41	1.00					
TIPS	0.30	0.75	1.00				
High yield	0.64	0.34	0.38	1.00			
Market neutral	0.62	0.62	0.42	0.71	1.00		
Real assets	0.63	0.49	0.37	0.30	0.57	1.00	
Private investments	0.68	0.45	0.34	0.51	0.61	0.68	1.00

Total Fund - Statistical Performance

Portfolio Characteristics	1 Year	3 Year	5 Year	10 Year	15 Year
Annualized return	2.2%	12.3%	3.1%	8.1%	7.1%
Annualized standard deviation	10.11%	8.60%	10.81%	9.32%	10.06%
Sharpe ratio	0.21	1.41	0.19	0.66	0.43
Excess return*	1.05%	0.48%	1.02%	1.13%	1.32%
Beta*	0.72	0.73	0.70	0.76	0.82
Annualized alpha*	1.20%	3.39%	1.42%	2.56%	2.17%
Correlation*	0.99	0.98	0.96	0.96	0.96
Value added in dollars**	$83M	$95M	$420M	$900M	$1.5B

* *As compared to the total fund policy benchmark.*
** *MOSERS earnings above what would have been earned if assets had been invested passively.*

Investment Manager Fees

For the Year Ended Ended June 30, 2012

	Total Fees	Manager Fees	Paid/Accrued Performance Fees
Public equity managers			
Baillie Gifford EAFE Plus	$ 588,187	$ 588,187	$ 0
Blackstone Hedged Equity Fund, LP	995,951	995,951	0
Blakeney Onyx, LP	2,222,877	2,222,877	0
Eminence Fund, Ltd.	3,231,393	980,536	2,250,857
Glenview Institutional Partners, LP	721,081	764,148	(43,067)
Grantham, Mayo, and Van Otterloo & Company	1,172,595	1,172,595	0
Legg Mason Opportunity Trust	455,865	455,865	0
Leuthold Weeden Capital Management	658,711	658,711	0
Morant Wright Investment Management	918,198	918,198	0
Nippon Value Investors	815,275	815,275	0
Pershing Square, LP	1,160,970	691,277	469,693
Silchester International Investors	2,779,830	2,779,830	0
SSGA Emerging Markets	69,158	69,158	0
TPG - Axon Partners, Ltd.	681,421	465,133	216,288
Viking Global Equities III, Ltd.	2,873,946	1,200,768	1,673,178
Total public equity managers	19,345,458	14,778,509	4,566,949
Public debt managers			
Ashmore Emerging Markets Debt and Currency Fund	507,845	507,845	0
Bayview Opportunity Domestic, LP	2,286,489	1,111,622	1,174,867
BlackRock Financial Management Mortgage Opportunities	305,284	305,284	0
BlackRock Financial Management Bank Loans	344,316	344,316	0
BlackRock Financial Management High Yield	345,141	345,141	0
Stone Harbor Investment Partners	395,665	395,665	0
Total public debt managers	4,184,740	3,009,873	1,174,867
Alternative investment managers			
Actis Emerging Markets III	919,057	919,057	0
African Development Partners I, LLC	563,017	563,017	0
Alinda Infrastructure Fund I, LP	424,179	424,179	0
American Industrial Partners Capital Fund V, LP	204,164	204,164	0
Axiom Asia Private Capital Fund II, LP	330,572	400,000	(69,428)
Axxon Brazil Private Equity Fund II B, LP	579,037	579,037	0
Bayview Opportunity Domestic LP	222,000	118,908	103,092
Blackstone Real Estate Partners IV	(1,453,498)	625,587	(2,079,085)
Blackstone Real Estate Partners V	7,139,371	1,202,210	5,937,161
Blackstone Real Estate Partners VI	5,819,614	1,001,422	4,818,192
Blackstone Real Estate Partners VII	794,553	624,167	170,386
Bridgepoint Europe III A, LP	224,744	224,744	0
Bridgepoint Europe IV B, LP	477,753	477,753	0
Campbell Timber Fund II A, LP	470,049	470,049	0
CarVal Investors CVI Global Value Fund A, LP	1,571,216	1,571,216	0
Catalyst Fund Limited Partnership III	1,339,026	857,500	481,526
Catterton Partners V, LP	416,244	246,644	169,600
Catterton Partners VI, LP	4,209,403	459,335	3,750,068
DRI Capital - LSRC	388,543	122,671	265,872
DRI Capital - LSRC II	149,998	149,998	0
Garnet Sky Investors Company, Ltd.	691,160	594,880	96,280
Global Forest Partners GTI7 Institutional Investors Company, Ltd.	579,828	579,828	0
Harvest Fund Advisors, LLC	1,645,257	396,239	1,249,018
JLL Partners Fund V, LP	(1,864)	250,285	(252,149)
JLL Partners Fund VI, LP	2,245,943	1,088,544	1,157,399

Continued on page 78

Investment Manager Fees continued from page 77

	Total Fees	Manager Fees	Paid/Accrued Performance Fees
Linden Capital Partners II, LP	392,061	392,061	0
Merit Energy Partners F II, LP	139,049	139,049	0
MHR Institutional Partners II A, LP	50,152	369,027	(318,875)
MHR Institutional Partners III, LP	1,190,335	1,190,335	0
Millennium Technology Value Partners II	114,022	114,022	0
New Mountain Partners III, LP	573,001	573,001	0
NISA Investment Advisors	332,163	332,163	0
OCM/GFI Power Opportunities Fund II, LP	808,952	25,779	783,173
OCM Opportunities Fund IVB, LP	293	0	293
OCM Opportunities Fund VII B, LP	1,802,075	1,218,200	583,875
OCM Opportunities Fund VIII B, LP	222,045	222,045	0
OCM Power Opportunities III, LP	450,000	450,000	0
OCM Real Estate Opportunities Fund III, LP	7,775,825	28,578	7,747,247
Parish Capital Buyout Fund I, LP	899,218	232,397	666,821
Parish Capital Buyout Fund II, LP	230,516	230,516	0
Parish Opportunities Fund II, LP	139,581	118,716	20,865
Resource Management Service - Wildwood Timberlands, LLC	96,297	751,535	(655,238)
Silver Lake Partners II, LP	(443,501)	140,630	(584,131)
TCW Energy Partners, LLC	8,820	7,800	1,020
TCW Energy Fund XIV, LP	2,917,918	549,060	2,368,858
TCW Energy Fund XV, LP	1,559,266	498,191	1,061,075
TPG Airline Credit Opportunities, LP	1,146,978	599,928	547,050
The Veritas Capital Fund III, LP	852,137	0	852,137
The Veritas Capital Fund IV, LP	751,154	751,154	
Total alternative investment managers	51,957,723	23,085,621	28,872,102
Alpha pool managers			
AQR Absolute Return Institutional Fund, LP	495,549	495,549	0
AQR DELTA Sapphire Fund, LP	1,225,155	1,225,155	0
Blackstone Topaz Fund, LP	2,900,919	2,900,919	0
Brevan Howard, LP	3,153,131	1,054,766	2,098,365
Brevan Howard Emerging Market Strategies Fund, LP	602,265	339,439	262,826
Bridgewater Associates - Diamond Ridge Fund, LLC	2,767,930	2,767,930	0
Claren Road Credit Partners, LP	2,437,580	1,562,813	874,767
COMAC Global Macro Fund, LP	1,107,621	827,132	280,489
CQS ABS Feeder Fund, Ltd.	909,756	341,349	568,407
Davidson Kempner Institutional Partners, LP	3,575,498	1,040,876	2,534,622
Diamondback Partners, LP	1,100,423	1,100,423	0
Elliott International, Ltd.	1,450,355	897,921	552,434
Empyrean Capital Fund, LP	1,177,157	1,177,157	0
Eton Park Fund, LP	817,415	893,041	(75,626)
Farallon Capital Institutional Partners, LP	446,570	309,096	137,474
HBK Offshore Fund, Ltd.	2,321,940	1,244,018	1,077,922
King Street Capital, LP	1,305,655	1,195,684	109,971
King Street Capital, Ltd.	146,199	22,256	123,943
PAAMCO - Newport Pioneer, LLC	133,757	384,187	(250,430)
Pharo Macro Fund, Ltd.	1,360,596	1,328,406	32,190
Visium Balanced Fund, LP	1,023,870	880,196	143,674
Total alpha pool managers	30,459,341	21,988,313	8,471,028
Other managers			
NISA Investment Advisors	1,560,219	1,560,219	0
MOSERS Inc.	145	145	0
Total other managers	1,560,364	1,560,364	0
Grand totals	$107,507,626	$64,422,680	$43,084,946

Schedule of Investment Portfolios by Asset Class

As of June 30, 2012

	Fair Value	Percentage of Investments at Fair Value
Public global equity		
Domestic equity	$1,724,696,266	22.5%
International developed equity	1,251,600,067	16.3
Emerging markets equity	584,117,000	7.6
Total public global equity	3,560,413,333	46.4
Public debt		
Core fixed income	732,714,918	9.6
High yield bonds	367,916,056	4.8
TIPS	660,448,998	8.6
Market neutral	386,921,233	5.0
Total public debt	2,148,001,205	28.0
Alternative investments		
Real assets	1,146,561,549	15.0
Private investments	787,985,716	10.3
Total alternative investments	1,934,547,265	25.3
Cash and other miscellaneous investments	21,901,926	0.3
Grand total	$7,664,863,729	100.0%
Reconciliation to *Statements of Plan Net Assets*		
Total portfolio value	7,664,863,729	
STIF	(933,019,137)	
Uninvested cash	41,902,633	
Interest and dividend receivable	(26,262,959)	
Variation margin	(12,315,809)	
AR securities sold	(9,026,051)	
AP securities purchased	12,932,642	
Incentive fees payable	15,853,386	
Securities lending liability	2,330,804	
Miscellaneous adjustment	(18,398)	
Investments per *Statements of Plan Net Assets (page 27)*	$6,757,240,840	

Schedule of Investment Results*

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

	1 Year	3 Year	5 Year	10 Year	15 Year	20 Year
Total Fund						
MOSERS	2.2%	12.3%	3.1%	8.1%	7.1%	8.5%
Composite total return benchmark	1.2%	11.8%	2.1%	6.9%	5.8%	7.8%
Public equity						
MOSERS	(3.0)%	12.5%	0.3%	7.6%	6.4%	8.8%
Public equity composite benchmark	(6.5)%	10.8%	(2.9)%	5.3%	4.3%	7.3%
Public debt						
MOSERS	7.4%	10.6%	6.2%	7.1%	7.6%	7.6%
Public debt composite benchmark	8.3%	8.9%	7.5%	7.3%	7.7%	7.5%
Alternatives						
MOSERS	5.6%	12.7%	3.8%	9.9%	N/A	N/A
Alternatives composite benchmark	5.8%	15.8%	3.4%	8.9%	N/A	N/A

* *Time weighted rates of return, net of all investment fees and expenses, on market values adjusted for cash flows.*

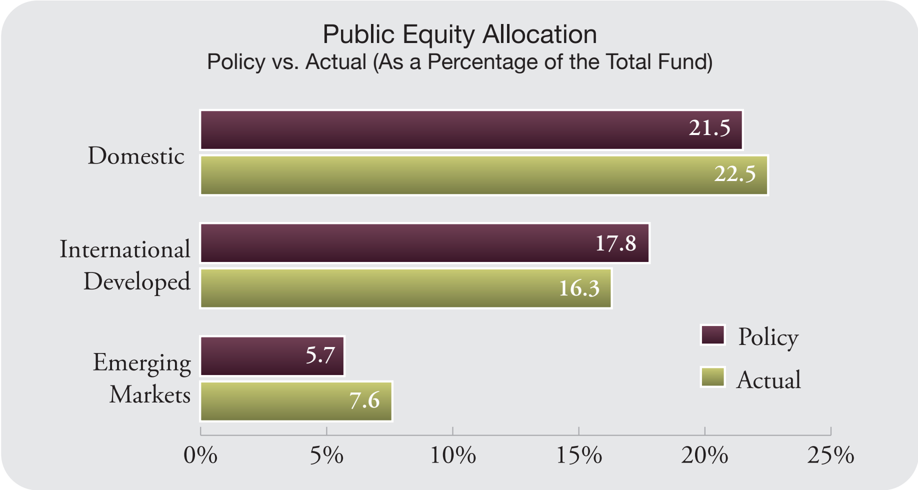
Total Fund - As of 6/30/12, the total fund policy benchmark was comprised of the following components: 45% total public equity policy benchmark, 30% total public debt policy benchmark, and 25% total alternative investments policy benchmark. The individual asset class benchmarks, as listed below are used to generate the total fund policy benchmark.

- **Public Equity** - As of 6/30/12, the policy benchmark was based on the capitalization of the MSCI ACWI benchmark which at that date was 39.5% MSCI World Ex U.S. Net, 47.9% MSCI U.S. Net, and 12.6% MSCI Emerging Markets Net. Similar benchmarks were used in previous years.
- **Public Debt** - As of 6/30/12, the public debt policy benchmark was comprised of 33.3% Barclays Aggregate, 33.3% Barclays U.S. TIPS,16.7% Barclays High Yield, and 16.7% T-Bills + 4%. Similar benchmarks were used in previous years.
- **Alternative Investments** - As of 6/30/12, the alternative investments policy benchmark was comprised of the following components: 40% S&P 500 + 3%, 24% Dow Jones U.S. Select REIT Index, 24% NCREIF Timber, and 12% S&P GSCI Total Return Index. This program did not begin until July 2002. Similar benchmarks were used in previous years.

PUBLIC EQUITY

Asset Class Summary

As of June 30, 2012, the public equity portfolio had a market value of $3.6 billion, representing 46.4% of the total fund. Performance for the fiscal year was -3.0%, net of fees and expenses.



Highlights

There were some strategic changes in the make-up of the public equity portion of the portfolio; one manager was removed and some allocations were altered. Here are the highlights:

- A domestic equity manager was terminated due to unsatisfactory investment returns. The assets were split among existing managers.
- An overweight to large multi-national U.S. companies concentrated in technology, health care, consumer staples and energy sectors was maintained and was a significant contributor to outperforming the benchmark.
- Within emerging equity, significant exposure to frontier markets was maintained in an effort to capture the best growth opportunities with attractive valuations.
- Within international developed, an overweight to Japanese equities that has been in place for several years added meaningful diversification to the portfolio and contributed value to the portfolio.

Portfolio Structure

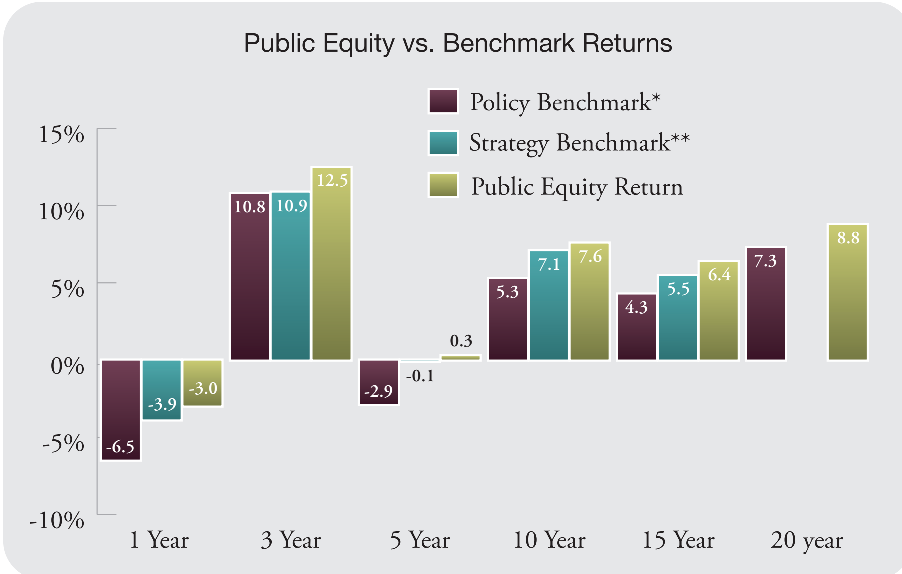
The public equity portfolio has a target allocation of 45% of the total fund. This portfolio is considered global equity and therefore benchmarked against the MSCI All Country World Net Index (ACWI).

As of June 30, 2012, the portfolio includes domestic equity, international developed equity, and emerging markets equity. The policy allocations to each component are not static weights. The weights float based upon capitalization of the MSCI ACWI benchmark. As part of the implementation plan, hedged equity managers are utilized as a risk reducing tool. The bar chart above illustrates the actual allocation relative to the board's policy benchmark. Differences reflect the CIO's strategic decisions to overweight or underweight as of June 30, 2012.

Market Overview

The MSCI ACWI returned -6.5% for the fiscal year. The disappointing performance was due to the international equity markets providing a return of -14.6%. Nearly 4% of this negative performance was due to the strength of the U.S. dollar. The debt situation in Europe continues to be a drag on the equity markets. The uncertainty surrounding the Euro zone adds to the U.S. dollar strength as investors seek safety in the U.S. equity and bond markets. While the domestic equity market returned over 4% for the year, the slow economy and global uncertainty kept markets in check in spite of strong profits and clean balance sheets. The U.S. housing market is starting to show signs of life but high unemployment and low growth continue to provide resistance.

The emerging markets were a disappointment during the fiscal year. The MSCI emerging markets index was down 16% for the year. China's economic growth could continue to slow from its second-quarter of calendar 2012 rate of 7.6%, which was already the slowest in three years. Some of the other emerging markets continue to show a growing consumer economy but concern over the export markets and declines in commodities were a drag on equities. The developed international markets continue to suffer from slow or negative growth as deleveraging continues. One country after another is at or near crisis level as they deal with the reality that they can no longer continue to borrow at ever increasing levels. The actions required to deal with debt problems are causing social issues for several countries.



* As of 6/30/12, the public equity policy benchmark was based on the capitalization of the MSCI ACWI benchmark, which at that date was 39.5% MSCI World Ex US Net, 47.9% MSCI US Net, and 12.6% MSCI Emerging Markets Net.

** As of 6/30/12 the public equity strategy benchmark was comprised of the following components: 49.7% domestic consisting of S&P 500, S&P 100, MSCI U.S. Net, and hedge equity strategy benchmark; 33.7% international developed consisting of MSCI World Ex U.S. Net, MSCI EAFE, MSCI EAFE Ex Japan and TOPIXUSD Index; 16.6% emerging markets consisting of MSCI EMF Net. The 20-year strategy benchmark is not available.

U.S. unemployment is still running high as growth has been slow worldwide. The government is running out of options to jump start the economy as interest rates are at historical levels and recent liquidity increasing efforts have had limited results. While interest rates in the U.S. remain at near record low levels, companies are not investing in new products and equipment as they fear the economy is not strong enough to provide acceptable returns on new investments.

Performance

The public equity portfolio returned -3.0% for the fiscal year, exceeding the policy benchmark return of -6.5% and the strategy benchmark return of -3.9%, as illustrated in the bar chart above.

The outperformance of the equity portfolio, as compared to the policy benchmark, was due to all three sub-asset classes outperforming their respective benchmarks. It is expected that the equity portfolio will outperform the benchmark during periods of poor return as the lower beta of the equity portfolio should offer some protection in significantly down markets. In the domestic portfolio, the active long-only managers did not perform well for the year. Active management was helpful in the developed international space.

The actual public equity return exceeded the strategy benchmark return by 0.9%. This valued added contributed to implementation decisions (manager selection) made by staff in the international equity portfolio. Additionally, the strategy benchmark outperformed the policy benchmark by 2.6%. This is a result of staffs' strategic decisions to overweight Japanese equities, implement a Euro hedge, and to overweight large capitalization and high quality U.S. equity.

In the developed international markets, Ireland was the only member of EAFE with a positive return for the year at 1.3%. On the negative side Greece, Austria and Portugal were the biggest drag on performance at -65.5%, -41.6% and -41.4%, respectively. All of these returns are U.S. dollar based.

In emerging markets, MOSERS' exposure to frontier markets benefited our equity portfolio performance, as the frontier markets were down only 9% while emerging markets in total were down 16%. In emerging markets, the country returns varied widely. Hungary, Poland, Brazil, Russia, and India were each down at least 25%, while China was down 16%. The Philippines, Peru and Thailand were the strongest performers at 25.1%, 16.6% and 9.1%, respectively.

Additional Portfolio Information

The tables as titled below show the top ten publicly traded separate account holdings, the brokerage activity, and the soft dollar expenditures that occurred within the public equity portfolio in FY12.

Public Equity - Top Ten Publicly Traded Separate Account Holdings

Ten Largest Holdings as of June 30, 2012*	Market Value	Percent of the Total Public Equity Portfolio
Sanofi-Aventis	$22,372,069	0.62%
Novaritis AG	18,965,433	0.53
Kao Corporation	17,921,941	0.50
Roche Holding AG	17,059,676	0.48
UBS AG	14,770,185	0.41
Wolters Kluwer N.V.	13,548,803	0.38
Credit Suisse Group	13,464,380	0.38
Total SA	13,239,144	0.37
Vodafone Group PLC	12,099,051	0.34
BAE Systems PLC	12,032,521	0.34

** For a complete list of holdings contact the Manager of Investment Policy & Communications*

Public Equity - Brokerage Activity

			Commissions	
Brokerage Firm	Shares Traded	Dollar Volume of Trades	Dollar Amount	Value Per Share
Weeden & Company	7,004,621	$237,442,115	$137,518	$0.02
RBC Capital Markets, LLC	5,145,567	122,708,899	26,435	0.01
Bernstein Sandford C & Co.	4,463,934	44,291,279	69,836	0.02
Raymond James & Associaties, Inc.	2,884,977	21,221,126	89,805	0.03
Fidelity Cap Markets	2,802,572	74,895,941	55,837	0.02
BNY Convergex	1,798,797	41,252,665	35,976	0.02
Barclays Capital LE	1,748,693	25,841,648	49,428	0.03
Credit Suisse	1,509,760	14,057,857	49,224	0.03
Knight Equity Markets, LP	1,056,625	15,254,254	5,402	0.01
Investment Technology Group	963,635	8,033,827	9,466	0.01
Citigroup Global Markets, Inc.	930,960	16,384,550	28,298	0.03
UBS Securities, LLC	852,584	8,162,303	9,471	0.01
Jefferies & Company, Inc.	755,975	5,924,835	19,507	0.03
Merrill Lynch Pierce Fenner Smith, Inc.	737,974	15,568,140	20,034	0.03
UBS Equities	646,141	4,586,723	2,293	0.00
CSI	614,350	7,731,659	20,125	0.03
Morgan Stanley & Company, Inc.	603,053	18,660,208	17,316	0.03
Goldman Sachs & Company	545,765	8,607,536	19,684	0.04
Deutsche Bank	431,024	2,051,354	4,284	0.01
Liquidnet, Inc.	429,600	9,709,699	8,506	0.02
Others *(88, each contributing less than 1%)*	6,870,102	87,249,908	170,415	0.02
Total	42,796,709	$789,636,526	$848,860	$0.02

Public Equity - Soft Dollar Expenditures*

Types of Service Acquired	Commissions Used	Percentage of Total
Market research	$ 13,094	7.4%
Consulting/benchmarks	5,466	3.1
Research services	156,290	89.0
Trading/analytic services	827	0.5
Total	$175,677	100.0%

** These expendable excess commissions are permitted under current Securities Exchange Commission (SEC) guidelines and represent less than 20.7% of MOSERS' agency commissions.*

DOMESTIC EQUITY

Market Value

The domestic equity allocation was $1.7 billion, or 22.5% of the total fund as of June 30, 2012.

Summary of Portfolio

MOSERS' domestic equity portfolio maintains a significant allocation to publicly traded shares of corporations based in the U.S. domestic equity exposure is achieved through broadly diversified portfolios representing a variety of styles, sectors, market capitalizations, and an allocation to the beta/alpha program (see pages 102-103 for further details). This portfolio is expected to contribute significantly to the fund's achievement of a long-term real return in excess of the 5.3% objective set by the board. It is expected that this portfolio will perform well in periods of falling inflation and rising growth and offer income potential through dividend payments. MOSERS' allocation to domestic equity of 22.5% was overweight to the policy MSCI ACWI weightings to domestic equity of 21.5% at June 30, 2012.

Additional Portfolio Information

MOSERS had contracts with eight external investment advisors who manage assets that comprise 40.5% of the domestic equity portfolio. The remaining 59.5% of the portfolio is in the beta/alpha program described on pages 102-103. One domestic equity manager was terminated in FY12. Management fees can be found on pages 77-78.

The tables as titled below show the investment advisors and statistical performance for the domestic equity portfolio as of June 30, 2012.

Domestic Equity - Investment Advisors

Investment Advisors Name	Style	Portfolio Market Value
Beta/alpha - program	Active	$1,026,633,438
Blackstone Alternative Asset Management	Hedged equity	102,291,812
Eminence Capital	Hedged equity	87,081,648
Glenview Capital	Hedged equity	37,953,520
Legg Mason Opportunity Trust	Active all-cap growth	110,451,011
Leuthold Weeden	Active all-cap growth	165,717,825
Pershing Square	Hedged equity	43,369,744
TPG-Axon	Hedged equity	47,653,510
Viking Global Investors	Hedged equity	103,543,758
		$1,724,696,266

Domestic Equity - Statistical Performance

Portfolio Characteristics	1 Year	3 Year	5 Year	10 Year
Annualized return	6.2%	16.6%	1.2%	6.5%
Annualized standard deviation	17.59%	14.77%	17.10%	15.28%
Sharpe ratio	0.35	1.12	0.02	0.31
Excess return*	1.79%	0.83%	1.55%	1.02%
Beta*	0.95	0.90	0.86	0.93
Annualized alpha*	1.85%	2.06%	1.35%	1.32%
Correlation*	1.00	0.99	0.97	0.97

** As compared to the domestic equity policy benchmark.*

INTERNATIONAL DEVELOPED EQUITY

Market Value

As of June 30, 2012, the international developed equity allocation was $1.3 billion, or 16.3% of the total fund.

Summary of Portfolio

The international developed equity portfolio consists of publicly traded shares of corporations based in non-U.S developed countries. Equity exposure is achieved through broadly diversified portfolios representing a variety of styles; sectors, market capitalizations, and an allocation to the beta/alpha program (see pages 102-103 for further details). This portfolio is expected to contribute significantly to the fund's achievement of a long-term real return in excess of the 5.3% objective set by the board. It is expected that this portfolio will perform well in periods of falling inflation and rising growth and offer income potential through dividend payments. As of June 30, 2012, MOSERS' allocation of 16.3% was underweight to the policy MSCI ACWI weighting of 17.8% for international developed countries.

Additional Portfolio Information

MOSERS had contracts with four external investment advisors who manage assets that comprise 68.9% of the international developed equity portfolio. The remaining 31.1% of the portfolio is in the beta/alpha program described on pages 102-103. There were no managers hired or terminated in the international developed equity portfolio in FY12. Management fees can be found on pages 77-78.

The tables as titled below show the investment advisors and statistical performance for the domestic equity portfolio as of June 30, 2012.

International Developed Equity - Investment Advisors

Investment Advisors	Style	Portfolio Market Value
Baillie Gifford	Active growth int'l developed	$ 112,556,962
Beta/alpha program	Active	388,774,855
Morant Wright Management	Active Japan	92,756,420
Nippon Value Investors	Active Japan	93,962,118
Silchester International Investors	Active growth int'l developed	563,522,911
Miscellaneous international equity	Active growth int'l developed	26,801
		$1,251,600,067

International Developed Equity - Statistical Performance

Portfolio Characteristics	1 Year	3 Year	5 Year	10 Year
Annualized return	(9.8)%	8.6%	0.3%	8.4%
Annualized standard deviation	19.46%	16.53%	18.33%	15.57%
Sharpe ratio	(0.51)	0.52	(0.03)	0.43
Excess return*	4.29%	2.40%	5.99%	3.05%
Beta*	0.81	0.81	0.75	0.79
Annualized alpha*	1.57%	3.13%	4.24%	3.73%
Correlation*	0.98	0.99	0.97	0.97

** As compared to the international developed equity policy benchmark.*

EMERGING MARKET

Market Value

As of June 30, 2012, the emerging market equity portfolio was $584 million, or 7.6% of the total fund.

Summary of Portfolio

The emerging market equity allows for participation in publicly traded shares of corporations based in the emerging economies across the globe. This equity exposure is achieved through broadly diversified portfolios representing a variety of styles; sectors, market capitalizations, and an allocation to the beta/alpha program (see pages 102-103 for further details). The emerging markets equity portfolio is expected to contribute significantly to the fund's achievement of a long-term real return in excess of the 5.3% objective set by the board. As of June 30, 2012, MOSERS' allocation of 7.6% was overweight to the policy MSCI ACWI weighting of 5.7% for emerging market countries. This portfolio provides diversification associated with holding non-dollar assets and offers some of the best fundamental valuations available from equity markets around the globe.

Additional Portfolio Information

MOSERS had contracts with three external investment advisors who manage assets that comprise 76.1% of the emerging market equity portfolio. The remaining 23.9% of the portfolio is in the beta/alpha program described on pages 102-103. There were no managers hired and or terminated in the emerging markets portfolio in FY12. Management fees can be found on pages 77-78.

The tables as titled below show the investment advisors and statistical performance for the domestic equity portfolio as of June 30, 2012.

Emerging Market Equity - Investment Advisors

Investment Advisors	Style	Portfolio Market Value
Beta/alpha program	Index	$139,314,228
Blakeney Management	Active value frontier markets	126,023,793
GMO	Active growth	147,479,616
State Street Global Advisors	Index	170,860,199
Miscellaneous emerging markets	Index	439,164
		$584,117,000

Emerging Market Equity - Statistical Performance

Portfolio Characteristics	1 Year	3 Year	5 Year	10 Year
Annualized return	(14.3)%	9.6%	2.1%	15.9%
Annualized standard deviation	25.16%	20.66%	26.04%	21.47%
Sharpe ratio	(0.57)	0.46	0.04	0.65
Excess return*	1.34%	(0.54)%	1.95%	1.55%
Beta*	0.83	0.88	0.84	0.84
Annualized alpha*	(1.78)%	0.45%	1.50%	3.21%
Correlation*	0.99	0.98	0.97	0.97

** As compared to the emerging market equity policy benchmark.*

PUBLIC DEBT

Asset Class Summary

As of the fiscal year ending June 30, 2012, the public debt allocation had a market value of $2.2 billion, representing 28% of the total fund. Performance for the fiscal year was 7.4%, net of fees and expenses.

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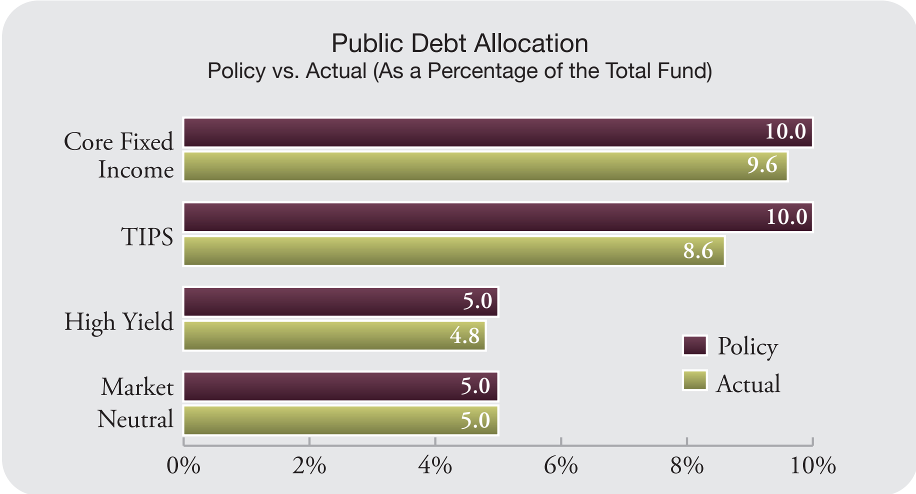


Highlights

There were some modest tactical changes made to the public debt portfolio during the fiscal year:

- The substantial overweight to treasuries initiated in 2007 was maintained, with the offsetting underweight coming primarily from investment grade corporate securities and government guaranteed mortgages.
- The emerging market debt exposure added in 2011 was increased in the core portfolio and maintained in the high yield portfolio, adding significantly to portfolio yield and non-dollar currency exposure.
- The overweight to high yield was reduced throughout the year as credit spreads were no longer at compelling levels. The high yield allocation diminished from 5.3% to a 4.8% weight, which is almost a neutral position compared to the policy weight of 5%.
- Within high yield, significant exposure continued to be maintained in security classes carrying attributes of high yield that are not represented within the benchmark, namely bank loans and mortgage securities/whole loans. These non-index securities are generally believed to carry more protection in downside scenarios and, in some cases, offer inflation protection in the form of floating rate coupons.

Portfolio Structure

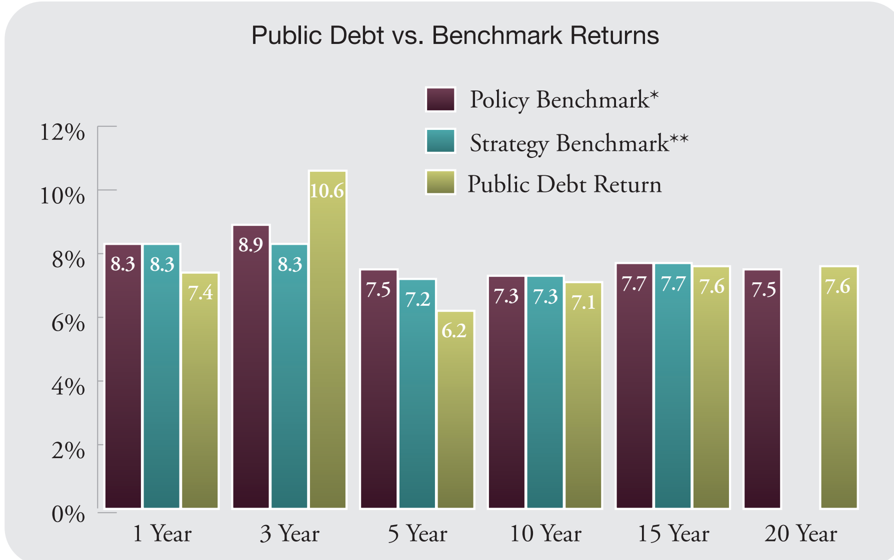
The public debt portfolio has a target allocation of 30% of the total fund. This portfolio is comprised of four sub-asset classes which include core fixed income, high yield bonds, treasury inflation protected securities (TIPS) and market neutral. The bar chart above illustrates the actual sub-asset allocations relative to the board's policy allocation for each of these sub-asset classes. Differences reflect the CIOs strategic decisions to overweight or underweight sub-asset classes as of fiscal year end.

Market Overview

A recovery in the financial markets and economic activity that began in the first half of calendar year 2009, continued throughout most of FY12 with some signs of fading due, in part, to the end of stimulus programs, both perceived and actual, as well as economic and financial issues worsening in Europe. As of the end of FY12, the federal funds target rate was zero to 0.25% and the Federal Reserve Board (Fed) stated that the economy was "expanding moderately" and was expected to continue at that pace over the near term and gradually to pick up over time. The Fed "expects to maintain a highly accommodative stance" as "strains in global financial markets continue to pose significant downside risks to the economic outlook."

The Fed completed its second round of quantitative easing at the end of FY11, but continued to reinvest principal payments and extend the average maturity of its security holdings so as to "put downward pressure on longer-term interest rates and help to make broader financial conditions more accommodative." The Fed has maintained its zero interest rate policy since December 2008.

Long treasury prices rallied substantially during the fiscal year as long-term interest rates declined sharply from the beginning of the period from 4.37% to 2.75% at the end of the fiscal year. Short-term rates remained low as the Fed maintained the federal funds rate constant, and market participants continued to show a strong interest in the short-end of the yield curve, seeking liquidity and safety. The curve flattened significantly during the fiscal year, moving closer to its historical average.



* As of 6/30/12, the public debt policy benchmark was comprised of the following components: 33.3% Barclays Aggregate Index; 33.3% Barclays U.S. TIPS Index; 16.7% Barclays High Yield Index; and 16.7% T-Bills + 4%.

** As of 6/30/12, the public debt strategy benchmark was comprised of the following components: 34.4% core bonds consisting of various components of debt indices; 30.8% Barclays U.S. TIPS Index; 16.6% high yield bonds consisting of various components of debt indices and actual portfolio returns; and 18.2% market neutral consisting of T-Bills + 4%. The 20-year strategy benchmark is not available.

The broad debt market as represented by the Barclays Capital Aggregate Index experienced a return of 7.5% during the fiscal year. The three major components of the Aggregate Index, in order of their size contributions to the index, are treasuries, the securitized segment (largely mortgage-backed securities), and corporates. Fiscal year returns for these broad market components were 9.0%, 5.1% and 9.7%, respectively. Apart from the Aggregate Index are three other important segments of the bond market, TIPS, high yield and external emerging markets debt (as distinguished from local currency denominated or internal debt). Fiscal year returns for these bond market segments were 11.7%, 7.3% and 9.0%, respectively. As the fiscal year progressed, yield premiums for credit risk increased commensurate with the general economic slowing and increased risk to the economy from European weakness. The degree of credit deterioration is best measured by investment grade corporate spreads, which widened by 44 basis points over the fiscal year with high yield spreads having widened by 88 basis points.

Overall, the general theme for FY12 was financial markets and the economy continuing to recover from the turmoil experienced in 2008, albeit modestly. World government intervention through monetary and fiscal stimulus helped improve the global economy, but the overhang of large debt burdens in several developed countries (with European sovereigns being of particular focus in FY12) continues to cause financial stress in the global financial markets and economies. Global growth has been muted, as over-indebted countries implement austerity programs and governments have de-escalated the monetary and fiscal stimulus that was implemented during the crisis. The timing and solution to the European debt issues will have a significant impact on global growth and market conditions over the next several years.

Performance

The public debt portfolio returned 7.4% for the fiscal year, significantly underperforming the policy benchmark return of 8.3% and the strategy benchmark return of 8.3%. The bar chart at the top of the page illustrates performance over longer periods of time.

During the fiscal year, the underperformance relative to the policy benchmark was attributable to the implementations primarily within market neutral and high yield. The portfolio is currently positioned with less interest rate risk than is the policy benchmark, a factor that may enable better long-term performance relative to the benchmark as interest rates are at historical lows and likely will rise in the event of a more sustained economic recovery, although imminent recovery may not be attainable over the next several quarters due, in large part, to the headwinds of the European debt crisis and its collateral impact upon the global economy and banking system.

Additional Portfolio Information

The tables as titled below show the top ten publicly traded separate account holdings and the brokerage activity that occurred within the public debt portfolio in FY12.

Public Debt - Top Ten Publicly Traded Separate Account Holdings

Ten Largest Holding as of June 30, 2012*	Market Value	Percent of Total MOSERS Public Debt Portfolio
U.S. Treasury Inflation Index Note - 2.000%, 2014	$80,581,491	3.8%
U.S. Treasury Inflation Index Note - 0.125%, 2016	74,917,711	3.5
U.S. Treasury Inflation Index Bond - 2.375%, 2027	64,929,448	3.1
U.S. Treasury Inflation Index Bond - 2.375%, 2025	63,884,017	3.0
U.S. Treasury Inflation Index Note - 0.500%, 2015	47,189,874	2.2
U.S. Treasury Inflation Index Note - 0.625%, 2021	45,532,429	2.1
U.S. Treasury Inflation Index Note - 2.625%, 2017	43,436,533	2.0
U.S. Treasury Inflation Index Note - 0.125%, 2022	43,066,614	2.0
U.S. Treasury Inflation Index Note - 2.375%, 2017	34,267,719	1.6
U.S. Treasury Inflation Index Bond - 1.750%, 2028	32,622,818	1.5

**For a complete list of holdings contact the Manager of Investment Policy & Communications*

Brokerage Activity

Broker/Dealer Firm	Par Amount Traded	Market Value Traded	Percent of Total Trading Volume by Market Value
Barclays	$216,219,708	$224,551,621	27.6%
Citigroup	101,265,809	116,082,316	14.2
Bank of Nova Scotia	106,194,866	104,111,758	12.8
Credit Suisse	66,252,430	72,046,130	8.8
JP Morgan	41,097,233	52,138,131	6.4
Merrill Lynch	46,608,188	50,110,362	6.2
Jefferies	28,236,955	27,767,799	3.4
Deutsche Bank	50,873,412	27,148,231	3.3
HSBC	18,910,385	22,770,781	2.8
Goldman Sachs	21,132,311	22,531,871	2.8
Morgan Stanley	22,432,142	18,194,353	2.2
UBS	14,166,434	17,966,033	2.2
Santander	8,307,162	12,281,930	1.5
Other (Includes 33, each contributing less than 1%)	46,636,202	47,544,940	5.8
Totals	$788,333,237	$815,246,256	100.0%

CORE FIXED INCOME

Market Value

The core fixed income allocation was $732.7 million as of fiscal year end, or 9.6% of the total fund.

Summary of Portfolio

The core fixed income sub-asset class gives the total fund exposure to high quality fixed income instruments which, in turn, provides stable cash flows and excellent liquidity to the portfolio. Types of fixed income securities that may be held within this portfolio include U.S. Treasuries, mortgage-backed securities, asset-backed securities, agency securities, investment-grade corporate securities and international investment grade securities. Core fixed income is also one portfolio within the public debt asset class that can be efficiently implemented synthetically due to the wide availability of treasury futures and swaps and their acceptance as mainstream instruments of portfolio management. Synthetic implementation of core exposure has been widely used since the addition of the beta/alpha program in FY05. Beta/alpha within the core fixed income portfolio is expected to be an efficient means of achieving superior risk adjusted returns over an entire economic cycle. Refer to the beta/alpha on pages 102-103 for a more complete description of the program and its rationale. The core fixed income portfolio provides meaningful diversification to the fund in a variety of different economic scenarios. Core fixed income performs well, but would typically lag equities in periods of good economic growth and falling inflation. One should also expect adequate performance from this portfolio in periods of falling growth and stable inflation. As of June 30, 2012, MOSERS' allocation was below the 10% policy target allocation to core fixed income.

Additional Portfolio Information

MOSERS had one contract with an external investment advisor for the management of a separate fixed income portfolio of investment grade emerging markets debt. The core fixed income portfolio also participates in the beta/alpha program. In the program, beta and alpha are completely separated such that the beta exposure is gained through synthetic replication of the core components and the alpha is gained through the alpha pool managers. Management fees can be found on pages 77-78.

The tables as titled below shows the investment advisor and statistical performance for the core fixed income portfolio as of June 30, 2012.

Core Fixed Income - Investment Advisor

Investment Advisor	Style	Portfolio Market Value
Beta/alpha program	Active	$653,593,092
Stone Harbor Investment Partners	Emerging markets debt	79,121,826
Total		$732,714,918

Core Fixed Income - Statistical Performance

Portfolio Characteristics	1 Year	3 Year	5 Year	10 Year
Annualized return	8.7%	12.8%	8.1%	6.7%
Annualized standard deviation	3.67%	4.16%	5.63%	4.82%
Sharpe ratio	2.34	3.04	1.25	0.98
Excess return*	1.18%	5.84%	1.30%	1.03%
Beta*	1.29	1.27	1.26	1.11
Annualized alpha*	(0.99)%	3.60%	(0.41)%	0.41%
Correlation*	0.83	0.84	0.79	0.84

**As compared to the core fixed income policy benchmark.*

HIGH YIELD BONDS

Market Value

The high yield bond allocation was $367.9 million as of fiscal year end, or 4.8% of the total fund.

Summary of Portfolio

The high yield bond portfolio invests in debt securities whose credit ratings are below investment grade quality. Relative to the core fixed income portfolio, this sub-asset class provides superior coupon cash flow, as well as some diversification benefit due to a reduced sensitivity to changes in interest rates. MOSERS views this allocation as one that is likely to be variable and very much dependent upon the particular stage of the economic cycle being experienced at the time of the allocation decision. As of fiscal year end, MOSERS was slightly under the 5% policy target allocation to high yield bonds.

Additional Portfolio Information

MOSERS had contracts with six external investment advisors for the management of the high yield bond portfolio. Management fees can be found on pages 77-78.

The tables as titled below show the investment advisors and statistical performance for the high yield bond portfolio as of June 30, 2012.

High Yield Bonds - Investment Advisors

Investment Advisors	Style	Portfolio Market Value
Ashmore Investment Management, Ltd.	Emerging markets debt	$ 52,227,814
Bayview Asset Management, LLC	Opportunistic mortgages	54,959,456
BlackRock Financial Management, Inc.	Active high yield bonds, loans and non-agency MBS	232,844,180
Fortress Investment Group, LLC	Opportunistic mortgages	24,862,908
NISA Investment Advisors, LLC	EURO currency hedge	(50,501)
OCM Capital Management, LLC	Opportunistic European loans	3,072,199
Total		$367,916,056

High Yield Bonds - Statistical Performance

Portfolio Characteristics	1 Year	3 Year	5 Year	10 Year
Annualized return	4.9%	13.0%	2.8%	7.5%
Annualized standard deviation	5.76%	5.23%	11.31%	8.64%
Sharpe ratio	0.84	2.46	0.16	0.64
Excess return*	(2.36)%	(3.32)%	(5.63)%	(2.64)%
Beta*	0.54	0.59	0.67	0.67
Annualized alpha*	0.92%	3.26%	(2.64)%	0.70%
Correlation*	0.94	0.93	0.84	0.85

** As compared to the high yield bond policy benchmark.*

TREASURY INFLATION PROTECTED SECURITIES (TIPS)

Market Value

The TIPS allocation was $660.4 million, or 8.6% of the total fund as of fiscal year end.

Summary of Portfolio

TIPS are fixed income securities issued and guaranteed by the U.S. government. The yield on these securities is specifically tied to inflation, as measured by the U.S. consumer price index, plus a predetermined yield in relation to inflation (real yield). The TIPS allocation provides an excellent match relative to the system's liabilities in terms of its ability to provide inflation protection. As of June 30, 2012, MOSERS' allocation was below the 10% policy target allocation to TIPS.

Additional Portfolio Information

The tables as titled below shows the investment advisor and statistical performance for the domestic equity portfolio as of June 30, 2012.

TIPS - Investment Advisor

Investment Advisor	Style	Portfolio Market Value
Internal staff	Passive	$660,448,998

TIPS - Statistical Performance

Portfolio Characteristics	1 Year	3 Year	5 Year	10 Year
Annualized return	11.3%	9.7%	8.6%	8.0%
Annualized standard deviation	5.08%	4.89%	7.52%	8.48%
Sharpe ratio	2.20	1.96	1.00	0.72
Excess return*	(0.40)%	0.05%	0.14%	0.17%
Beta*	1.00	1.02	1.01	1.01
Annualized alpha*	(0.41)%	(0.09)%	0.08%	0.08%
Correlation*	1.00	1.00	1.00	1.00

** As compared to the TIPS policy benchmark.*

MARKET NEUTRAL

Market Value

As of fiscal year end, the market neutral allocation was $386.9 million, or 5.0% of the total fund.

Summary of Portfolio

The market neutral portfolio consists of a variety of managers who utilize skill-based investment strategies, which allow them to take advantage of periodic inefficiencies that may exist within the market. The expectation for this sub-asset class is to produce consistent absolute returns in various economic environments. More directly, it is expected that this portfolio will generate returns of 4% in excess of returns on 90-day Treasury bills with similar volatility to what is expected from the core fixed income portfolio. Market neutral investments also provide diversification and downside protection to the portfolio. MOSERS utilizes its beta/alpha program described on pages 102-103 to gain exposure to this sub-asset class. This allows MOSERS to invest in an extremely diversified pool comprised of a variety of different types of strategies that provide additional risk protection and alpha that has minimal exposure to both the stock and the bond markets. As of fiscal year end, MOSERS was at the 5% policy target allocation to market neutral.

Additional Portfolio Information

MOSERS' market neutral exposure is captured through the managers comprising the alpha program, which is detailed on pages 102-103.

The tables as titled below shows the investment advisor (alpha program) and statistical performance for the market neutral portfolio as of June 30, 2012.

Market Neutral - Investment Advisor

Investment Advisor	Style	Portfolio Market Value
Beta/alpha program	Market neutral	$386,921,233

Market Neutral - Statistical Performance

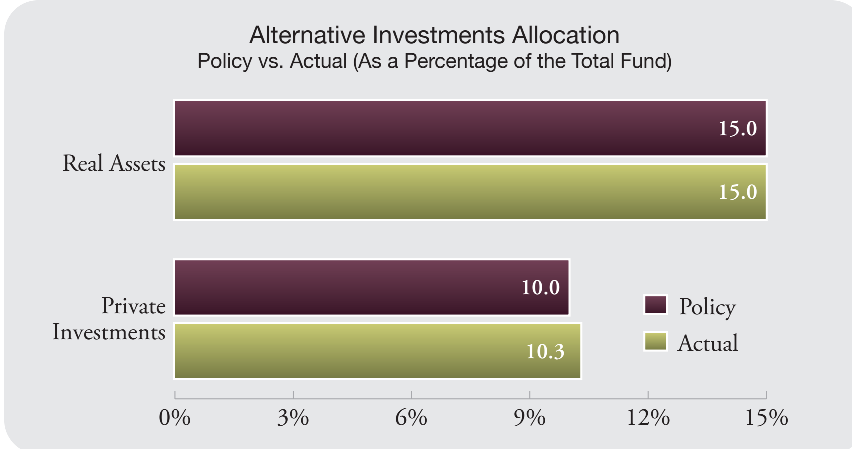
Portfolio Characteristics	1 Year	3 Year	5 Year	Since Inception (Dec. 2002)
Annualized return	0.6%	6.5%	2.1%	4.5%
Annualized standard deviation	1.81%	2.78%	4.87%	3.86%
Sharpe ratio	0.28	2.31	0.21	0.67
Excess return*	(3.47)%	2.43%	(2.79)%	(1.23)%
Beta as compared to S&P 500	0.04	0.10	0.14	0.13
Beta as compared to Barclays Aggregate	0.23	0.35	0.53	0.39

** As compared to the market neutral policy benchmark.*

ALTERNATIVE INVESTMENTS

Asset Class Summary

As of June 30, 2012, the alternative investments portfolio had a market value of approximately $1.9 billion, which accounted for 25.3% of the total fund. For the fiscal year, the asset class returned 5.6%, net of fees and expenses.



Highlights

During the 2012 fiscal year there were a number of significant events that occurred. Below are a few highlights from this diverse portfolio:

Alternative Investments Correlation Table - 5 Year Period

Sub-Asset Class	Real Estate	Commodities	Timber	Private Equity	Private Debt
Real estate	1.00				
Commodities	0.34	1.00			
Timber	0.00	(0.08)	1.00		
Private equity	0.59	0.36	0.21	1.00	
Private debt	0.43	0.61	0.00	0.52	1.00

- The alternative investments portfolio invests across a broad set of markets. For the recent fiscal year, these markets experienced returns that ranged from -10.7% for commodities to 13.3% for publicly traded Real Estate Investment Trusts (REITs).
- The private investments portion of the alternative investments portfolio reached a milestone having completed a decade as part of the total fund. The portfolio has been built over the last ten years and in FY12 distributions from the portfolio exceeded the contributions that were necessary to sustain its targeted allocation.
- MOSERS committed capital to three existing managers as well as to one new relationship. Commitments were made in both the private investments and real assets portfolios. These investments represent distinct strategies that offer the potential for attractive returns as well as further diversification.

Portfolio Structure

The alternative investments portfolio, as set forth by the asset allocation policy, is targeted to comprise 25% of the total fund. The alternative investments portfolio is divided into two sub-asset classes: real assets and private investments. The real assets portfolio has a policy target allocation of 15%, and is further divided into three segments: commodities, timber and real estate. The private investments sub-asset class has a target allocation of 10%, and is focused in two areas: private equity and private debt.

At June 30, 2012, the alternative investments portfolio accounted for 25.3% of the total fund, slightly above the target allocation. The overweight relative to the target allocation is held in the private investments portfolio, 10.3% versus 10.0%. The real assets allocation is at its 15.0% target. The bar chart above illustrates the actual allocations relative to the board's policy allocation.

The alternative investments portfolio is invested in a broad group of assets and geographies. Each asset type has a set of characteristics which leads to an expected rate of return and risk profile. These characteristics are combined in a portfolio that is designed to provide additional diversification to the total fund. The table above shows the five investment components and their correlation to each other.

Market Overview

The alternative investments portfolio covers a number of asset types that vary greatly in terms of expected return and risk. The paragraphs that follow provide a high level description of each market and some return data on how each performed during the past year.

Commodities represent a group of tangible assets that are typically used as inputs to produce an end product. These inputs can serve a variety of purposes; such as making up part of the food supply (as is the case with wheat or corn), or they can be used in the production of end-products (like oil and industrial metals). Commodities, as an asset class, refers to a broad group of inputs each of which has a specific use as well as a specific set of supply and demand characteristics.

One of the major indexes used to track the performance of commodities is the Standard & Poor's GSCI (GSCI). This particular index contains 24 individual commodities in such areas as energy, industrial metals, precious metals, agriculture and livestock. The GSCI assigns each commodity a weight based on world production statistics. Given this methodology, and the important role energy plays in the economy, the index has a large allocation to the energy sector which is represented by six of the 24 commodities. Over the fiscal year, the GSCI returned -10.7%, on a total return basis. The industrial metals component experienced the largest loss during this period, declining 23.2%. While industrial metals declined the most its impact on the index was relatively small given its 7% weight. The primary driver of the negative return can be attributed to the energy component which declined by 11.7% and accounts for about 68% of the index.

The universe of real estate is large and includes assets that are differentiated by a number of characteristics including: geography, property type, stage of development, use of leverage and whether or not it is publicly traded. The institutional real estate market, a sub-set of the real estate universe, focuses on a variety of property types: office, industrial, retail, multi-family and hotel. One gauge of real estate performance is the Dow Jones REIT (Real Estate Investment Trust) Index. This index tracks the performance of publicly traded REIT securities in the U.S. These individual REITs typically invest in large institutional quality properties within a specific property-type. For year ended June 30, 2012, the Dow Jones REIT Index returned 13.3%, which was the highest among the benchmarks used to measure performance of the sub-asset classes within the alternative investments portfolio.

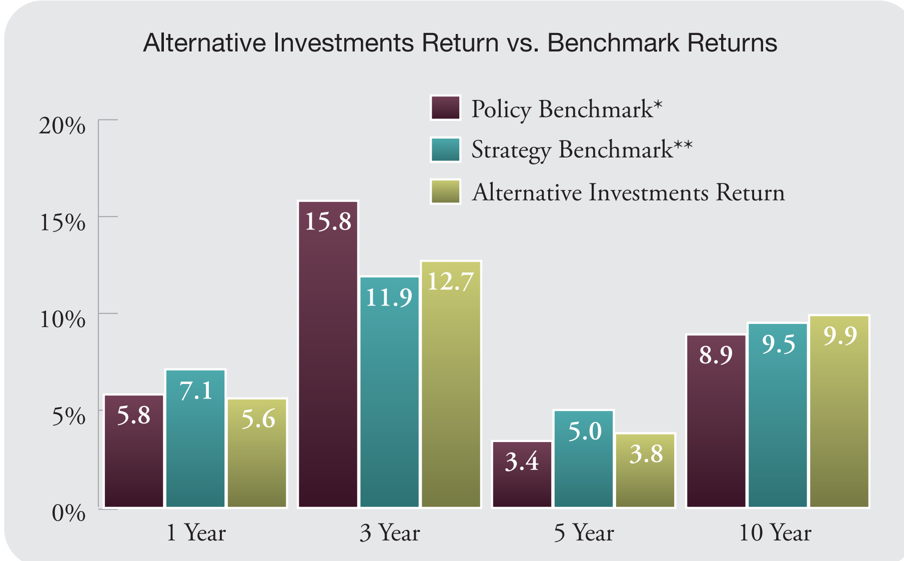
The third and final component within real assets is timber. From an investment perspective, timber possesses a number of characteristics that differentiate it from other assets. Timber has a long-term investment horizon and can generate significant cash flows over time. To a certain extent, these cash flows can be adjusted to meet the liquidity needs of the investor. For example, once timberland reaches a certain level of maturity harvests can be planned to generate a targeted amount of cash. Also, harvest schedules can be altered to take advantage of strong markets or to avoid weak markets. Another benefit is that if a harvest is postponed the tree can be left on the stump where it continues to grow and add volume. The NCREIF Timberland Index is used to measure performance. This index is maintained by NCREIF (The National Council of Real Estate Investment Fiduciaries) to track the return of private timberlands in the south, northwest and northeast regions of the U.S. Over the most recent fiscal year the index returned 1.1%.

Private equity and private debt are the two components included in the private investments sub-asset class. Benchmarking this sub-asset class has always been a challenge. In order for a benchmark to be valid it needs to satisfy a number of criteria. Meaningful benchmarks are: identifiable in advance, investable, able to be calculated frequently and consistent with the manager's investment style. When dealing with assets in private markets these criteria are not consistency met. This lack of consistency leads private market investors to use a variety of other methods to benchmark performance. One that is typically used is to add an illiquidity risk premium to an index of publicly traded equities, such as the S&P 500 Index. The rationale behind this method is that an investor in private securities should expect to receive a return premium above the return provided by the public market alternative because they forfeit the ability to sell these assets on demand. This incremental return is expected to compensate investors for the added risk and illiquidity associated with private investments. For the fiscal year, the private investments benchmark, calculated using the methodology described above, returned 8.5%.

Performance

The alternative investments portfolio returned 5.6% for the fiscal year, which was just below the policy benchmark return of 5.8%. The portfolio also trailed the 1-year strategy benchmark return of 7.1%.

The performance of the alternative investments portfolio reflects the blended performance of the real assets (real estate, timber and commodities) and private investments (private equity and private debt) portfolios. For the fiscal year, the real assets portfolio returned 4.3%, while the private investments portfolio returned 7.5%. The 1-year returns of the five components ranged from +9.5% to -5.9%. These 1-year results all fall within the expected range of outcomes for assets of this type.



* As of 6/30/12, the alternative investment policy benchmark was comprised of the following components: 40% S&P 500+3%, 24% Dow Jones U.S. Select REIT, 24% NCREIF Timber, and 12% Goldman Sachs Commodity.

** As of 6/30/12, the alternative investment strategy benchmark was comprised of the following components: 40.3% S&P 500 + 3%; 28.9% real estate consisting of NCREIF, STIF Return, S&P MLP TR Index, actual return of Bayview; 19.6% NCREIF Timber; and 11.2% commodities consisting of S&P GSCI TR Index and S&P GSCI Gold Excess Return Index.

Results for the alternative investment portfolio and its benchmarks, for the latest 1-, 3-, 5-, and 10-year periods, are illustrated in the bar chart above.

The policy benchmark for the alternative investments portfolio is a weighted average of the allocation mix and the policy benchmark of each component. In order to determine the amount of value-added, the actual return is compared with the policy benchmark. During FY12, the alternative investments portfolio underperformed the policy benchmark by 0.2%. The primary reason for the shortfall can be attributed to the real estate component of the real assets sub-asset class, which returned 9.5% compared to the 13.3% return of the Dow Jones REIT Index. Over a longer time frame, like the latest 5-year period, the portfolio returned 3.8%, which outperformed the policy benchmark return of 3.4%. The outperformance relative to the policy benchmark can be attributed to the real assets sub-asset class. Since inception the portfolio has returned 9.9%, annualized, compared to the policy benchmark return of 8.9%.

As described in the total fund review section, the strategy benchmark attributes performance to decisions made by staff. These decisions to either deviate, within parameters, from the policy asset allocation or to make specific investment manager selections are tracked on an ongoing basis. The strategy benchmark utilizes a set of indexes that are appropriate given the characteristics of the underlying investments. During FY12, the return of the portfolio trailed the strategy benchmark by 1.6%. This underperformance was due to the real estate component and both the private equity and private debt components of the alternative investments portfolio. While each 1-year return is meaningful, given the long-term nature of the asset class, measurement over longer periods is more relevant. Since inception (10 years), the portfolio has achieved a return of 9.9%, which outperformed the strategy benchmark return of 9.5%.

Additional Portfolio Information

The tables as titled below show the top ten publicly traded separate account holdings and the brokerage activity that occurred within the alternative investments portfolio in FY12. The brokerage activity resulted from trading in the real assets publicly traded MLP accounts. There were no commissions directed for soft dollar credits for this portfolio during the fiscal year ended June 30, 2012.

Alternative Investments - Top Ten Publicly Traded Separate Account Holdings

Ten Largest Holdings as of June 30, 2012*	Market Value	Percent of Total MOSERS Alternative Investments Portfolio
Enterprise Products Partners LP	$21,343,356	1.1%
U.S. Treasury Bond - 5.00, 2037	16,582,770	0.9
U.S. Treasury Bill, 2012	16,396,393	0.8
U.S. Treasury Bond - 5.375, 2031	15,019,505	0.8
Missouri Active Reserve	14,633,438	0.8
Plains All American Pipeline LP	14,590,003	0.7
NCUA Guaranteed Notes - R2 2a, 2020	12,114,743	0.6
U.S. Treasury Bond - 5.50, 2028	11,139,717	0.6
NCUA Guaranteed Notes - R1 1a, 2020	10,770,348	0.6
NCUA Guaranteed Notes - R3 1a, 2020	10,655,453	0.5
NCUA Guaranteed Notes - R4 1a, 2020	10,485,927	0.5
Kinder Morgan Management LLC	10,379,459	0.5

* *For a complete list of holdings contact the Manager of Investment Policy & Communications*

Alternative Investments - Brokerage Activity

			Commissions	
Brokerage Firm	Shares Traded	Dollar Volume of Trades	Dollar Amount	Cents Per Share
Baird, Robert W & Co., Inc.	30,164	$ 542,934	$ 905	0.03
Barclays Capital	184,339	5,520,231	5,530	0.03
Cititgroup Global Markets, Inc.	616,660	18,465,181	18,418	0.03
Global Hunter Securities, LLC	269,802	5,700,822	8,094	0.03
Goldman Sachs	1,078	44,899	5	0.00
Instinet Corp.	1,064,600	41,922,252	10,646	0.01
J. P. Morgan Securities, Inc.	9,947	362,897	298	0.03
Jones Trading Institutional Services, LLC	132,594	4,155,709	3,978	0.03
Madison Williams & Co.	175,031	6,847,587	5,251	0.03
Merlind Securities, LLC	1,245,060	36,158,004	16,401	0.01
Morgan Stanley & Co., Inc.	9,046	164,943	134	0.01
National Financial Services, Corp.	24,174	204,750	725	0.03
Pershing, LLC	66,981	2,451,152	1,178	0.02
Pickering Energy Partners	3,357	131,239	101	0.03
Raymond James & Associates, Inc.	52,617	1,688,470	1,579	0.03
RBC Capital Markets, LLC	87,688	2,467,678	2,631	0.03
USCA Securites, LLC	129,270	4,973,133	3,878	0.03
Wells Fargo Securities, LLC	118,746	3,691,459	3,155	0.03
Total	4,221,154	$135,493,340	$82,907	0.02

REAL ASSETS

Market Value

At the end of FY12, the value of the real assets sub-asset class was $1.1 billion, representing 15% of the total fund.

Summary of Portfolio

The policy allocation target for real assets is 15% of the total fund. The actual allocation can move within a range of 10% to 20%. As previously discussed, the portfolio is made up of three separate and distinct components with the following market values and percentages of the total fund: commodities, $193.5 million or 2.53%; timber, $377.0 million or 4.92%; and real estate, $576.0 million or 7.51%. Compared to their individual policy target allocations, real estate is overweight while timber and commodities are underweight.

The real assets portfolio has been part of the total fund for the past decade. Over this period the portfolio has been successful in exceeding its return objective. Since inception the real assets portfolio has returned an annualized 9.8%. This return has outperformed the policy and strategy benchmark returns of 8.0% and 8.6%, respectively. It is also worth noting that each segment of the portfolio (commodities, timber and real estate) exceeded their individual policy and strategy benchmarks over this period.

MOSERS obtains its exposure to commodities through an account managed by an external investment advisor. The manager implements the strategy through the use of exchange-traded futures contracts and/or swap agreements. Together the futures/swaps and the underlying cash make up a portfolio that is benchmarked against the GSCI. From time to time, the manager or MOSERS will attempt to add incremental return as market opportunities are identified.

The timber portfolio consists of timberlands situated around the globe. The portfolio holds assets in the southeast and northwest regions of the U.S., as well as in Australia, New Zealand and South America. The portfolio is diversified by geography, age-class and species. The strategy is implemented through three Timber Investment Management Organizations (TIMOs). Timber is expected to provide economic diversification over the long term through its growth characteristics and its ability to protect against rising inflation.

MOSERS' real estate portfolio contains investments in private real estate partnerships as well as select strategies that have characteristics that are similar to those of real estate. The real estate portion consists of a number of private assets. These assets should, over an investment cycle, provide returns that are higher than those provided by publicly-traded REIT securities that comprised the benchmark. The incremental return is expected to come from strategies pursued by the manager, the value added by the manager through their specialized skill and the illiquidity premium associated with owning private assets. The remainder of the portfolio is held in income producing assets that have the potential to provide moderate capital appreciation. These assets include Master Limited Partnerships (MLPs), oil and gas assets and private debt investments.

Additional Portfolio Information

MOSERS' exposure to real assets is held in portfolios managed by 11 external investment firms and staff. During the fiscal year, no new managers were added however; additional capital was committed to one of the system's long-standing real estate managers. Management fees can be found on pages 77-78.

The tables as titled below shows the investment advisor and statistical performance for the real assets portfolio as of June 30, 2012.

Real Assets - Investment Advisors

Investment Advisor	Style	Portfolio Market Value
Blackstone Real Estate Advisors	Active real estate	$ 249,411,050
The Campbell Group	Northwestern U.S. timber	40,183,156
CarVal Investors	Distressed investments	41,200,000
EIG Global Energy Partners	Mezzanine debt, diversified energy	98,112,406
Global Forest Partners	International timber	170,427,639
Harvest Fund Advisors	Active MLP	87,184,508
Internal Staff*	Active duration U.S. Treasuries	49,582,033
Internal Staff	Passive MLP	79,657,333
Merit Energy	Oil & gas	9,047,469
NISA Investment Advisors	Commodities	168,111,202
Oaktree Capital Management	Active real estate	10,638,998
Resource Management Service	Southeastern U.S. timber	116,844,633
Total		$1,120,400,427

* *Temporary place holders for future capital drawdowns to fund managers.*

Real Assets - Statistical Performance

Portfolio Characteristics	1 Year	3 Year	5 Year	10 Year
Annualized return	4.3%	10.5%	5.1%	9.8%
Annualized standard deviation	7.33%	7.03%	8.44%	8.50%
Sharpe ratio	0.57	1.48	0.48	0.92
Excess return*	0.27%	(2.86)%	2.01%	1.77%
Beta*	0.50	0.37	0.30	0.41
Annualized alpha*	2.03%	5.34%	3.99%	6.19%
Correlation*	0.92	0.59	0.61	0.66

**As compared to the real assets policy benchmark.*

PRIVATE INVESTMENTS

Market Value

The private investments portfolio had a value of $788.0 million, representing 10.3% of the total fund at the end of the fiscal year.

Summary of Portfolio

As of June 30, 2012, the private investments allocation was slightly above its 10% policy target and near the middle of the designated range of 5% to 15%. During FY12, the private investments portfolio received distributions of almost $63 million in excess of capital contributed. While the size and timing of future distributions will be impacted by a number of exogenous factors, being in a position where distributions exceed contributions demonstrates that MOSERS' private investments program has reached a significant level of maturity. Private investments include: the private equity portfolio, valued at $546.6 million, or 7.13% of the total fund, and the private debt portfolio, valued at $241.4 million, or 3.15% of the total fund.

The private investments portfolio, as it exists today, began after the 2002 fiscal year. In each of the past ten years, commitments have been made in an effort to build a program that is diversified by investment type, investment strategy and geography.

The objective of the private investments portfolio is to achieve a high level of return by capturing the illiquidity premium associated with private markets. The portfolio is expected to produce returns in excess of those achieved by public equities and is proxied by the S&P 500 Index plus 3%. Since the public equity markets can be quite volatile, especially over shorter time periods, performance is best viewed over a longer time frame which is in line with the long-term nature of this sub-asset class. Since inception the private investments portfolio has returned an annualized 11.9%, slightly below the policy and strategy benchmark which returned 12.2%.

During FY12, three commitments were made within the private investments portfolio. Two of the three commitments were made to firms that currently manage assets on MOSERS' behalf. These two managers specialize in identifying and investing in a variety of opportunities within a number of rapidly growing emerging markets. The one new commitment made during the year was to a group that focuses on companies within the industrial sector. Collectively, these strategies are additive for a number of reasons: 1) they provide exposure to areas and strategies where MOSERS has limited exposure, 2) they possess an attractive risk-return profile, and 3) they provide additional diversification.

The private investments portfolio provides return and economic diversification to the overall investment portfolio during periods of rising growth and during periods when inflation, both expected and unexpected, is changing.

Additional Portfolio Information

MOSERS' private investments sub-asset class was invested in a broad and diverse group of strategies. These strategies are managed by 24 external investment firms and represent exposure to U.S. corporate buyout, European corporate buyout, emerging market private equity, distressed debt, royalties and special situation strategies. MOSERS will continue to search for high quality managers that offer compelling strategies. Investments will be made in order to maintain exposure as outlined by the asset allocation policy. Management fees can be found on pages 77-78.

The tables as titled below show the investment advisors and statistical performance for the private investments portfolio as of June 30, 2012.

Private Investments

Investment Advisor	Style	Portfolio Market Value
Actis	Emerging markets	$ 43,924,117
Alinda Capital Partners	Corporate buyout	28,076,317
American Industrial Partners	Corporate buyout	1,784,013
Axiom Asia Private Capital	Emerging markets	15,555,657
Axxon Group	Emerging markets	3,458,272
Bridgepoint Capital Partners	Corporate buyout; Europe	50,388,247
CarVal Investors	Distressed investments	41,200,000
Catalyst Capital Group	Distressed debt	24,245,160
Catterton Partners	Corporate buyout	49,452,449
DDJ Capital Management	Distressed debt	5,817,878
Development Partners International	Emerging markets	27,070,876
DRI Capital	Royalties	25,584,210
JLL Partners	Corporate buyout	38,461,139
Linden Capital	Corporate buyout	6,181,607
MHR Fund Management	Distressed debt	98,353,931
Millennium Technology Ventures	Direct secondary	12,592,323
New Mountain Capital	Corporate buyout	33,245,233
NISA Investment Advisors*	Cash equitization	11,327,248
Oaktree Capital Management	Distressed debt/corporate buyout	71,734,841
Oaktree Capital Management/GFI	Corporate buyout	8,057,378
StepStone	Corporate buyout; fund-of-funds	41,094,197
Silver Creek Management	Special situations	57,583,983
Silver Lake Partners	Corporate buyout	19,529,976
TPG Credit Management	Special situations	17,625,216
Veritas Capital Partners	Corporate buyout	55,641,448
Total		$787,985,716

** Temporary place holder for future capital drawdowns to private equity managers.*

Private Investments - Statistical Performance

Portfolio Characteristics	1 Year	3 Year	5 Year	Since Inception (Sept. 2002)
Annualized return	7.5%	16.2%	1.4%	11.9%
Annualized standard deviation	5.52%	6.62%	10.83%	11.50%
Sharpe ratio	1.35	2.44	0.03	0.86
Excess return*	(0.93)%	(3.17)%	(2.10)%	(0.29)%
Beta*	0.13	0.19	0.40	0.53
Annualized alpha*	6.18%	11.79%	(0.08)%	5.16%
Correlation*	0.41	0.45	0.69	0.69

** As compared to the private investments policy benchmark.*

BETA/ALPHA PROGRAM

The beta/alpha program began as a result of MOSERS' investment belief that returns from these two components should be managed separately.

The beta portion of the program is managed by NISA Investment Advisors. NISA uses futures, total return swaps, and/or Exchange-Traded Funds (EFTs) to gain market exposure to various predefined asset classes. The alpha program is a group of active managers with minimal systematic beta exposure. The objective of the alpha component is to provide a net of fees alpha return of cash plus 4% with similar to slightly higher volatility. This return can then be applied to various asset classes. The combination of the two components produces an efficient total return and also provides MOSERS a great deal of flexibility in the management of the fund.

BETA PROGRAM

Market Value

The total notional exposure was $2.19 billion as of June 30, 2012.

Summary of Program

The beta component was added to the total fund in FY05. The beta component contained total return swaps and futures as of June 30, 2012. MOSERS is utilizing the beta component within the domestic equity, international equity, commodities and core fixed income sub-asset classes. The beta manager seeks market exposure in the most cost efficient manner. The beta manager seeks to produce a market return gross of the financing cost to gain beta exposure. The manager's goal is to provide market exposure.

ALPHA PROGRAM

Market Value

The alpha program allocation was $2.45 billion, or 32.05% of the total fund, as of June 30, 2012.

Summary of Portfolio

The alpha program portfolio was added to the total fund in FY05 with an initial investment in a fund-of-fund manager. MOSERS' hedge fund program is currently comprised of multiple direct hedge fund investments and one customized fund-of-funds vehicle. Alpha program managers utilize skill-based investment strategies, which allow them to take advantage of periodic inefficiencies that may exist within the market. Alpha program managers seek to produce consistent returns in various economic environments.

The ultimate goal within the alpha program is to provide consistent alpha with little correlation to other areas of the fund. MOSERS utilizes several different strategies within the alpha program including global macro, event driven, credit related value, multi-strategy, and long/short equity. This portfolio targets the return of cash plus 4% net of fees over long periods of time.

Additional Beta/Alpha Program Information

The tables as titled below show the beta/alpha program investment advisors and the statistical performance for the alpha program as of June 30, 2012. The impact of the beta exposures is contained in the portfolios where the beta resides. Futher information regarding futures contracts and swap contracts can be found on page 41. Management fees can be found on pages 77-78.

Beta Program - Investment Advisor

Investment Advisor	Style	Total Notional Value
NISA Investment Advisors	Synthetic beta exposure	$2,194,320,403

Alpha Program - Investment Advisors

Investment Advisor	Style	Portfolio Market Value
AQR Capital Management	Multi-strategy	$ 175,804,517
Blackstone Alternative Asset Management	Fund-of-funds	300,314,854
Brevan Howard Capital Management	Global macro	132,073,483
Bridgewater Associates	Global macro	73,170,136
Claren Road Asset Management	Long/short credit	101,867,402
COMAC Capital	Global macro	48,725,327
CQS	Long/short credit	78,569,262
Davidson Kempner Capital Management	Event driven	85,606,841
Diamondback Capital Management	Long/short equity	85,625,239
Elliott International Capital Advisors	Multi-strategy	82,778,485
Empyrean Capital Partners	Event driven	47,688,146
Eton Park Capital Management	Multi-strategy	72,648,072
Farallon Capital Management	Multi-strategy	7,240,000
HBK Investments	Multi-strategy	85,494,379
King Street Capital Management	Credit driven	82,337,295
Mast Capital Management	Credit driven	72,401,199
Moon Capital Management	Long/short equity	822,179
Pacific Alternative Asset Management Co.	Fund-of-funds	6,108,387
Perry Capital	Multi-strategy	316,091
Pharo Global Advisors	Global macro	71,090,827
Silver Point Capital	Credit driven	4,596,519
Wellington Hedge Management	Long/short equity	944,903
Visium Asset Management	Long/short equity	50,574,697
Alpha program cash	Short-term cash	789,844,509
Total		$2,456,642,749

Alpha Program - Statistical Performance

Portfolio Characteristics	1 Year	3 Year	5 Year	Since Inception (Oct. 2004)
Annualized return	0.3%	6.2%	1.3%	2.8%
Annualized standard deviation	1.79%	2.76%	4.94%	4.20%
Sharpe ratio*	1.18	2.25	0.26	0.67
Beta as compared to S&P 500	0.04	0.10	0.14	0.14
Beta as compared to Barclays Aggregate	0.04	0.05	0.17	0.02

* *Sharpe ratio equals the annualized alpha program returns less the risk free rate divided by the annualized standard deviation. Fees related to the beta program also reflect the risk-free rate; therefore, the risk-free rate is not considered in this calculation.*

SECURITIES LENDING PROGRAM

During the fiscal year ending June 30, 2012, MOSERS earned net income of $1,537,701 through its securities lending program. MOSERS lends its domestic equity, international equity, and fixed income securities through Deutsche Bank which manages the program in an agent capacity. In an agent lending program, the agent lender is responsible for making the loans to various broker-dealers, investing the cash collateral associated with the loaned securities, marking the loans and collateral to market on a daily basis, and, in most cases, indemnifying the lender against the default of a broker-dealer to whom they have loaned securities on behalf of the beneficial owner.

In FY12, domestic equity income increased due to an increase in the lending margin and utilization, international equity income decreased stemming from a decrease in the average on loan balance, lending margin and utilization rate, and the income from fixed income decreased due to a decrease in the lending margin. The tables as titled below show the activity for the securities lending program including domestic equity, international equity, and fixed income.

Domestic Equity

Year	Average Lendable	Average on Loan	Average Utilization	Lending Margin (basis points)	Net Income
FY12	$ 424,041,044	$145,373,164	34.3%	19.1	$ 810,972
FY11	376,047,357	111,263,248	29.6	16.5	619,648
FY10	321,114,801	83,944,408	26.1	26.9	864,401
FY09	307,082,718	114,261,769	37.2	52.0	1,596,245
FY08	440,025,347	195,971,154	44.5	36.6	1,611,536
FY07	711,856,029	281,338,681	39.5	14.0	994,416
FY06	856,712,658	377,314,359	44.0	14.2	1,218,245
FY05	775,821,287	247,175,198	31.9	8.4	648,218
FY04	1,552,186,713	176,626,818	11.4	7.2	1,114,144
FY03	1,420,413,446	234,776,497	16.5	10.6	1,504,152

International Equity

Year	Average Lendable	Average on Loan	Average Utilization	Lending Margin (basis points)	Net Income
FY12	$309,052,299	$47,666,253	15.4%	7.5	$230,655
FY11	320,082,404	88,623,017	27.7	10.4	333,000
FY10	277,251,343	19,736,528	7.1	4.0	109,946
FY09	342,215,198	32,267,851	9.4	14.9	510,622
FY08	467,893,205	56,944,925	12.2	15.5	726,565
FY07	485,230,034	41,033,858	8.5	8.1	395,017
FY06	483,512,648	48,077,237	9.9	12.9	605,315
FY05	360,790,809	39,881,555	11.1	13.2	476,226
FY04	462,783,570	53,655,836	11.6	9.7	446,880
FY03	544,976,709	36,820,686	6.8	13.7	744,985

Fixed Income

Year	Average Lendable	Average on Loan	Average Utilization	Lending Margin (basis points)	Net Income
FY12	$ 776,256,144	$ 516,553,974	66.5%	6.4	$ 496,074
FY11	805,579,308	505,690,676	62.8	7.2	581,875
FY10	836,242,270	190,547,907	22.8	2.8	230,031
FY09	859,512,525	517,356,516	60.2	43.3	3,722,523
FY08	1,082,813,165	894,372,380	82.6	56.4	6,104,526
FY07	950,069,746	695,743,093	73.2	15.5	1,469,860
FY06	1,183,366,350	776,959,063	65.7	15.7	1,853,181
FY05	1,091,262,589	776,038,981	71.1	19.5	2,126,695
FY04	1,231,730,491	1,043,891,521	84.7	20.1	2,475,630
FY03	969,156,824	757,537,477	78.2	17.6	1,707,400

Actuarial Section

ACTUARY'S CERTIFICATION LETTER

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October 29, 2012

The Board of Trustees
Missouri State Employees' Retirement System
907 Wildwood Drive
Jefferson City, Missouri 65102

Dear Board Members:

The basic financial objective of the Missouri State Employees' Retirement System (MOSERS) is to establish and receive contributions which:

(1) when expressed in terms of percent 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 MOSERS.

In order to measure progress toward this fundamental objective, MOSERS and the Judges Retirement Plan (Judges) annual actuarial valuations are performed. The purposes of the valuations are to (i) measure present financial position, (ii) establish contribution rates that provide for the normal cost and level percent of payroll amortization of unfunded actuarial accrued liabilities over a reasonable period, and (iii) to determine the actuarial information for Governmental Accounting Standards Board (GASB) Statement No. 25. The latest completed actuarial valuations were based upon data and assumptions as of June 30, 2012 presented to the board in separate reports. These valuations indicate that the contribution rates for the fiscal year ending June 30, 2014, adopted by the board of trustees for the benefits scheduled to be in effect on and after July 1, 2012, meet the basic financial objective. These contribution rates are 16.98% of payroll for 51,332 general state employees, and 59.69% of payroll for 398 judges.

The actuarial valuations are based upon financial and participant data which is prepared by retirement system staff, assumptions regarding future rates of investment return, salary increases, and inflation, and assumptions regarding rates of retirement, turnover, death, and disability among MOSERS' members and their beneficiaries. The data is reviewed by us 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.

We are not responsible for the accuracy or completeness of the data. The demographic assumptions were adopted by the board of trustees on June 20, 2012 based upon recommendations made in an experience study covering the period from 2007 to 2012. The economic assumptions were adopted by the board of trustees on July 19, 2012. The assumptions and methods used in this valuation, in our opinion, meet the parameters established by Governmental Accounting Standards Board Statement No. 25.

The benefit structure is outlined in this section of the annual report. 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 State Employees' Retirement System and the Judicial Plan continue to operate in accordance with actuarial principles of level percent of payroll financing. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the plans as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

This report should not be relied on for any purpose other than the purposes described. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

The undersigned actuaries are independent of the plan sponsor and members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,

David T. Kausch

David T. Kausch, F.S.A., E.A., M.A.A.A
Senior Consultant & Actuary

Brad L Armstrong

Brad Lee Armstrong, A.S.A., E.A., M.A.A.A
Senior Consultant & Actuary

SUMMARY OF ACTUARIAL ASSUMPTIONS

Economic Assumptions

The investment return rate used in the valuations was 8% per year, compounded annually (net after investment expenses). This assumption is used to account for the fact that equal amounts of money payable at different points in time in the future do not have the same value presently.

Pay increase assumptions for individual active members are shown for sample ages on page 109-110. Part of the assumption for each age is for merit and/or seniority increase, and the other 3% recognizes wage inflation. This assumption is used to project a member's current salary to the salaries upon which benefits will be based.

The active member payroll is assumed to increase 3% annually, which is the portion of the individual pay increase assumptions attributable to wage inflation. The annual cost-of-living adjustment (COLA) is assumed to be 4%, on a compounded basis, when a minimum COLA of 4% is in effect. When no minimum COLA is in effect, price inflation is assumed to be 2.5% and the annual COLA is assumed to be 2% (80% of 2.5%), on a compounded basis.

Non-Economic Assumptions

The mortality table, for post-retirement mortality, used in evaluating allowances to be paid was the RP 2000 mortality table, projected to 2016 with Scale AA. Related values are shown on page 109. This assumption is used to measure the probabilities of each benefit payment being made after retirement. The pre-retirement mortality rates used were 100% of the post-retirement mortality rates for males and 80% of the post-retirement mortality for females. The mortality tables include a margin of 15% for men and 17% for women for mortality improvements based on the four year experience study from June 30, 2007 to June 30, 2011. The mortality assumption was first used in the June 30, 2012 valuation.

The probabilities of age and service retirement are shown on page 108 and 110. It was assumed that each member will be granted one half year (4 months for 2011 plan members) of service credit for unused leave upon retirement and military service purchases. The probabilities of withdrawal from service, disability and death-in-service are shown for sample ages on page 109-110. For disability retirement, impaired longevity was recognized by use of special mortality tables.

The entry age normal actuarial cost method of valuation was used in determining liabilities and normal cost. Each member's normal cost was based on the benefit provisions applicable to that member. The normal cost is projected to the applicable fiscal year. Differences in the past between assumed experience and actuarial experience ("actuarial gains and losses") become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments (principal & interest), which are level percents of payroll contributions.

The amortization of the unfunded actuarial accrued liability is based on a 30-year amortization period, level percent of payroll amortization. The amortization is based on the projected unfunded actuarial accrued liability at the beginning of the fiscal year. This method was first used in the June 30, 2010 valuation.

Employer contribution dollars were assumed to be paid in equal installments throughout the employer's fiscal year.

Actuarial value of assets. Valuation assets recognize assumed investment return fully each year. Differences between actual and assumed investment return are phased-in over a closed five-year period. Valuation assets are not permitted to deviate from the market value by more than 20%.

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

It is assumed that among active members 75% are married at retirement, 70% of those dying in active service are married, and men are three years older than their spouses for MSEP and four years older than their spouses for the Judicial Plan.

The liabilities for active members hired on or after July 1, 2011 were based on MSEP 2011 benefits. The liabilities for active members hired on or after July 1, 2000 (April 26, 2005 for administrative law judges) were based on MSEP 2000 benefits. The liabilities for active members hired before July 1, 2000 for elected officials, general assembly, and uniformed water patrol were based on MSEP benefits. The liabilities for all other active members hired before July 1, 2000 were based on the assumption that members would elect MSEP 2000 prior to age 62 and MSEP on or after age 62.

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

MSEP - Retirement Values - June 30, 2012

Sample Attained Ages	Present Value of $1/Month the First Year (with 50% Joint & Survivor) Increasing 4.0%/2.0% Yearly				Present Value of $1/Month the First Year Increasing 2.0% Yearly				Future Life Expectancy (Years)			
	Service		Disability		Service		Disability		Service		Disability	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
40	$224.11	$224.12	$212.76	$211.89	$184.40	$186.75	$169.01	$172.32	41.95	44.10	32.39	34.43
45	217.22	217.01	202.65	201.39	177.68	180.43	157.94	162.08	37.15	39.24	27.68	29.69
50	208.28	207.81	190.14	188.39	169.01	172.32	144.49	149.76	32.39	34.43	23.13	25.13
55	196.76	196.07	175.18	172.83	157.94	162.08	128.94	135.56	27.68	29.69	18.87	20.84
60	182.48	181.61	157.88	154.80	144.49	149.76	111.76	119.87	23.13	25.13	14.96	16.90
65	165.46	164.49	138.11	134.44	128.94	135.56	92.72	102.82	18.87	20.84	11.39	13.32
70	145.94	144.91	116.94	112.03	111.76	119.87	73.10	84.62	14.96	16.90	8.29	10.12
75	123.90	123.17	96.04	88.83	92.72	102.82	55.15	66.19	11.39	13.32	5.83	7.37
80	100.55	100.10	76.52	68.15	73.10	84.62	40.28	50.49	8.29	10.12	4.03	5.31
85	78.09	77.41	59.89	52.82	55.15	66.19	30.32	40.10	5.83	7.37	2.91	4.05

MSEP - Separations From Active Employment Before Service Retirement and Individual Pay Increase Assumptions - June 30, 2012

Sample Ages	Years of Service	Percent of Active Members Separating Within the Next Year						Pay Increase Assumptions for an Individual Employee		
		Withdrawal		Death*		Disability				
		Men	Women	Men	Women	Men	Women	Merit and Seniority**	Base (Economy)	Increase Next Year
	0	23.0%	26.9%							
	1	18.0	20.5							
	2	15.0	15.4							
	3	13.0	12.5							
	4	11.0	10.9							
25	5+	13.0	13.3	0.03%	0.01%	0.17%	0.30%	2.9%	3.0%	5.9%
30		10.2	10.5	0.04	0.02	0.17	0.30	2.2	3.0	5.2
35		7.9	8.1	0.07	0.03	0.21	0.30	1.6	3.0	4.6
40		5.6	5.7	0.09	0.04	0.26	0.32	1.2	3.0	4.2
45		4.2	4.3	0.12	0.07	0.34	0.38	0.9	3.0	3.9
50		2.8	2.9	0.16	0.10	0.49	0.57	0.7	3.0	3.7
55		2.8	2.9	0.27	0.19	1.07	0.89	0.5	3.0	3.5
60		2.8	2.9	0.52	0.37	1.50	1.50	0.4	3.0	3.4
65		2.8	2.9	1.02	0.72	1.60	1.70	0.3	3.0	3.3
70		2.8	2.9	1.74	1.24	1.60	1.70	0.2	3.0	3.2

** 2% of the deaths in active service are assumed to be duty-related*
*** Does not apply to members of the General Assembly*

SUMMARY OF ACTUARIAL ASSUMPTIONS

Elected Officials and Legislators - Separations From Active Employment Before Service Retirement and Individual Pay Increase Assumptions - June 30, 2012

Years of Service	Withdrawal Men/Women	Years of Service	Withdrawal Men/Women
1	8.0%	5	12.0%
2	8.0	6	12.0
3	8.0	7	12.0
4	8.0	8+	35.0

MSEP - Percent of Eligible Active Members Retiring Next Year - June 30, 2012

	Normal Retirement Pattern				Early Retirement Pattern		
	MSEP and MSEP 2000* Percent Eligible			MSEP 2011**		MSEP*	MSEP 2011**
Retirement Age	1st Year	2nd Year	3rd Year	Percent Eligible	Retirement Age	Percent Eligible	Percent Eligible
48	22%						
49	22	10%					
50	22	10	21%				
51	22	10	21				
52	22	10	21				
53	22	10	18				
54	22	10	18				
55	22	12	26	45%			
56	22	12	25	45			
57	22	12	22	35	57	2.5%	
58	22	12	22	35	58	3.5	
59	22	12	20	30	59	3.5	
60	21	12	22	35	60	5	
61	20	12	20	25	61	6	
62	19	22	30	40	62	6	10%
63	15	18	25	30	63	6	10
64	15	20	17	20	64	6	10
65	20	20	27	30	65	6	50
66	22	20	26	25	66	6	50
67	15	25	22	20	67	6	
68	15	20	22	20	68	6	
69	15	20	22	20	69	6	
70	25	20	22	20	70	6	
71	25	20	22	20	71	6	
72	25	20	22	20	72	6	
73	25	20	22	20	73	6	
74	25	20	22	20	74	6	
75	50	50	22	50	75	6	
76	50	50	22	50	76	6	
77	75	75	22	75	77	6	
78	100	100	100	100	78	100	

** For Members Hired Prior to January 1, 2011*
*** For Members Hired On or After January 1, 2011*

SUMMARY OF ACTUARIAL ASSUMPTIONS

Judicial Plan - Retirement Values - June 30, 2012

Sample Attained Ages	Present Value of $1/Month the First Year (with 50% Joint & Survivor) Increasing 4.0%/2.0% Yearly				Present Value of $1/Month the First Year Increasing 2.0% Yearly				Future Life Expectancy (Years)			
	Service		Disability		Service		Disability		Service		Disability	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
40	$224.38	$223.90	$213.16	$211.47	$184.40	$186.75	$169.01	$172.32	80.50	80.50	70.50	70.50
45	217.58	216.73	203.19	200.83	177.68	180.43	157.94	162.08	75.50	75.50	65.50	65.50
50	208.75	207.44	190.84	187.67	169.01	172.32	144.49	149.76	70.50	70.50	60.50	60.50
55	197.38	195.60	176.09	171.92	157.94	162.08	128.94	135.56	65.50	65.50	55.50	55.50
60	183.27	181.03	159.02	153.70	144.49	149.76	111.76	119.87	60.50	60.50	50.50	50.50
65	166.45	163.79	139.51	133.14	128.94	135.56	92.72	102.82	55.50	55.50	45.50	45.50
70	147.12	144.11	118.57	110.55	111.76	119.87	73.10	84.62	50.50	50.50	40.50	40.50
75	125.29	122.34	97.88	87.30	92.72	102.82	55.15	66.19	45.50	45.50	35.50	35.50
80	102.13	99.32	78.52	66.77	73.10	84.62	40.28	50.49	40.50	40.50	30.50	30.50
85	79.74	76.76	61.89	51.78	55.15	66.19	30.32	40.10	35.50	35.50	25.50	25.50

Judicial Plan - Percent of Eligible Active Members Retiring Next Year - June 30, 2012

Normal Retirement Pattern					Early Retirement Pattern		
Retirement Age	Judicial Plan* Percent Eligible		Judicial Plan 2011** Percent Eligible		Retirement Age	Judicial Plan* Percent Eligible	
	Men	Women	Men	Women		Men	Women
55	15%	4%					
56	15	4					
57	15	4					
58	15	4					
59	5	4					
60	10	10					
61	5	10					
62	10	10	30%	35%	62	8%	4%
63	10	10	20	20	63	8	4
64	10	10	15	20	64	8	4
65	15	23	30	50	65	8	4
66	20	23	25	25	66	8	4
67	20	23	20	25	67	8	4
68	30	23	20	25	68	8	4
69	30	23	30	50	69	8	4
70	100	100	100	100	70	100	100

** For Members Hired Prior to January 1, 2011*
*** For Members Hired On or After January 1, 2011*

Judicial Plan - Separations From Active Employment Before Service Retirement and Individual Pay Increase Assumptions - June 30, 2012

Sample Ages	Percent of Active Members Separating Within the Next Year				Pay Increase Assumptions for an Individual Employee			Percent of Active Members Separating Within the Next Year		
	Death		Disability					Withdrawal		
	Men	Women	Men	Woman	Merit and Seniority	Base (Economy)	Increase Next Year	Service Index	Men	Women
25	0.03%	0.01%	0.01%	0.01%	2.2%	3.0%	5.2%	1	4.0%	4.0%
30	0.04	0.02	0.02	0.01	2.2	3.0	5.2	2	1.0	1.0
35	0.07	0.03	0.03	0.02	1.5	3.0	4.5	3	1.3	1.3
40	0.09	0.04	0.04	0.03	0.8	3.0	3.8	4	1.3	1.3
45	0.12	0.07	0.05	0.04	0.6	3.0	3.6	5	1.3	1.3
50	0.16	0.10	0.08	0.07	0.5	3.0	3.5	6-10	1.3	1.3
55	0.27	0.19	0.13	0.12	0.4	3.0	3.4	11-31	1.0	1.0
60	0.52	0.37	0.20	0.19	0.0	3.0	3.0			
65	1.02	0.72	0.20	0.19	0.0	3.0	3.0			

SUMMARY OF ACTUARIAL ASSUMPTIONS

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

June 30, 2012

Pay Increase Timing

Beginning of fiscal year.

Decrement Timing

Decrements of all types are assumed to occur mid-year.

Eligibility Testing

Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

Benefit Service

Exact fractional service is used to determine the amount of the benefit payable.

Decrement Relativity

Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

Decrement Operation

Disability and mortality decrements do not operate during the first five years of service. Disability and withdrawal do not operate during normal retirement eligibility.

Normal Form of Benefit

The assumed normal form of benefit is the straight life form for MSEP 2000 with 50% continuing to an eligible surviving spouse for MSEP. No adjustment has been made for post-retirement option election changes.

For judges, the assumed normal form of benefit is the straight life form, with 50% continuing to an eligible surviving spouse for members hired prior to January 1, 2011.

Other Liability Adjustments

MSEP 2000 benefits for active employees option elections were studied for MSEP 2000 retirees and the normal and early retirement alternate forms of payment assumption are slightly negatively subsidized. The actuarial accrued liability and normal cost have been adjusted by a factor of 0.99 for MSEP 2000 and MSEP 2011 retirements and by .995 for MSEP retirements based on the current rate of form of payment elections.

Pre-Retirement Survivor Benefits for Spouse of Terminated-Vested Member

Age	Male	Female
<30	2.15	1.85
30-39	1.46	1.34
40-49	1.16	1.12
>50	1.04	1.03

Incidence of Contributions

Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made. New entrant normal cost contributions are applied to the funding of new entrant benefits.

MSEP 2000 Election

All regular state employees hired on or before June 30, 2000 are assumed to elect MSEP 2000 prior to age 62 and MSEP on or after age 62. Elected officials, General Assembly, and uniformed water patrol members hired before July 1, 2000 and administrative law judges hired before April 26, 2005 are assumed to elect MSEP at retirement.

Service Adjustment

It is assumed that each member will be granted one half year of service credit, 3 months for unused leave upon retirement and 3 months for military service purchases. For members hired on or after January 1, 2011 it is assumed that each member will be granted 4 months for unused leave.

Forfeitures

For those hired on or after January 1, 2011, 50% of state employees terminating at first vesting eligibility are assumed to take a refund and forfeit their deferred pension. This percentage decreases to 0% at first retirement eligibility.

For judges, vested members are assumed not to take a refund of member contributions and forfeit their benefit upon separation from service.

Data Adjustments

Active and retired member data was reported as of May 31, 2012. It was brought forward to June 30, 2012, by adding one month of service for all active members and the June COLA for certain retired members. It is expected that this procedure resulted in a slight overstatement of total liabilities as of June 30, 2012. Financial information continues to be reported as of June 30, 2012. This procedure was instituted to provide sufficient time for the board of trustees to certify the appropriate contribution rate prior to the October 1 statutory deadline. It is assumed for valuation purposes that there is no turnover among members and no new entrants during the month of June. New entrant assumed demographic patterns are based on the demographics of active members hired within the last five years.

Summary of Member Data Included in Valuations

Pension Trust Funds - June 30, 2012

Active Members

Valuation Group	Number	Payroll	Group Averages		
			Salary	Age (Yrs.)	Service (Yrs.)
MSEP					
Regular state employees	48,084	$1,687,755,845	$ 35,100	45.6	11.0
Elected officials	6	659,978	109,996	50.6	6.8
Legislative clerks	29	917,553	31,640	59.2	20.8
Legislators	197	7,087,518	35,977	51.3	4.5
Uniformed water patrol	16	935,899	58,494	39.6	14.3
Conservation department	1,419	58,295,925	41,082	44.2	13.8
School-term salaried employees	1,551	105,475,392	68,005	55.6	19.9
Administrative law judges	30	2,941,383	98,046	56.4	18.3
Total MSEP group	51,332	$1,864,069,493	$ 36,314	45.9	11.3
Judicial Plan	398	$ 45,835,501	$115,165	56.5	12.5

Retired Lives

Type of Benefit Payment	Number	Annual Benefits	Group Averages	
			Benefit	Age (Yrs.)
MSEP				
Retirement	33,124	$514,639,941	$15,537	69.2
Disability	8	29,712	3,714	60.8
Survivor of active member	1,474	14,594,888	9,902	61.6
Survivor of retired member	2,702	29,346,482	10,861	75.1
Total MSEP group	37,308	$558,611,023	$14,973	69.3
Judicial Plan	488	$ 26,964,555	$55,255	75.5

Others

Group	Terminated Vested	Leave of Absence	Long-Term Disability
MSEP	18,034	241	1,085
Judicial Plan	41	0	0

Active Members by Attained Age and Years of Service

June 30, 2012

MSEP

	Years of Service to Valuation Date							Totals	
Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
15-19	35							35	$ 705,204
20-24	1,377	13						1,390	34,426,087
25-29	3,339	726	13					4,078	120,841,818
30-34	2,545	1,985	582	7				5,119	165,890,661
35-39	1,759	1,529	1,599	399	8			5,294	183,157,259
40-44	1,614	1,313	1,704	1,460	347	24		6,462	232,733,876
45-49	1,481	1,296	1,479	1,271	1,110	576	29	7,242	272,967,723
50-54	1,394	1,281	1,586	1,202	1,103	1,080	517	8,163	313,620,415
55-59	1,071	1,128	1,411	1,139	1,060	733	552	7,094	278,098,454
60	151	211	282	198	171	93	110	1,216	48,040,182
61	170	190	231	164	148	110	86	1,099	42,651,555
62	130	149	219	157	140	80	83	958	37,501,128
63	103	135	166	136	113	61	57	771	31,822,724
64	82	116	140	93	85	39	39	594	23,437,418
65	66	111	128	89	60	38	45	537	22,849,433
66	45	76	94	57	45	36	45	398	17,625,156
67	17	41	49	43	31	16	18	215	9,710,853
68	17	24	43	30	18	15	19	166	7,023,666
69	10	15	42	24	6	8	18	123	5,285,080
70 & Over	43	71	86	60	43	20	55	378	15,680,801
Totals	15,449	10,410	9,854	6,529	4,488	2,929	1,673	51,332	$1,864,069,493

While not used in the financial computations, the following group averages are computed and shown because of their general interest.
Group Averages: Age - 45.9 years • Service - 11.3 years • Annual pay - $36,314

Judicial Plan

	Years of Service to Valuation Date							Totals	
Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
35-39	5	4						9	$ 984,296
40-44	11	10	2					23	2,578,732
45-49	21	16	11	1				49	5,628,732
50-54	15	13	20	11	3	1		63	7,245,736
55-59	14	18	18	23	9	6	3	91	10,470,584
60	2	6	3	5	3	2		21	2,444,394
61	2	3	11	7	1		1	25	2,842,842
62	1	6	4	1	1		1	14	1,605,554
63		1	6	7	2	5	2	23	2,656,556
64	1	5	5	4	2	3	1	21	2,426,706
65	2	2	6	5	2	1		18	2,120,845
66	1	3	4	2	1		1	12	1,420,176
67		2		1	3	3	3	12	1,446,738
68		1	3	2	2	2		10	1,115,896
69			3				1	4	470,818
70		1				2		3	376,896
Totals	75	91	96	69	29	25	13	398	$45,835,501

While not used in the financial computations, the following group averages are computed and shown because of their general interest.
Group Averages: Age - 56.5 years • Service - 12.5 years • Annual pay - $115,165

Schedules of Active Member Valuation Data

Six Years Ended June 30, 2012

MSEP

	Schedule of Active Member Valuation Data			
Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
June 30, 2007	54,363	$1,846,643,330	$33,969	4.15%
June 30, 2008	54,542	1,916,527,398	35,139	3.44
June 30, 2009	55,057	2,002,402,087	36,370	3.50
June 30, 2010	53,478	1,945,095,321	36,372	0.01
June 30, 2011	51,660	1,875,569,816	36,306	(0.18)
June 30, 2012	51,332	1,864,069,493	36,314	.02

Judicial Plan

	Schedule of Active Member Valuation Data			
Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
June 30, 2007	400	$40,846,581	$102,116	(0.09)%
June 30, 2008	401	44,542,530	111,079	8.78
June 30, 2009	397	45,505,512	114,623	3.19
June 30, 2010	402	46,112,730	114,708	0.07
June 30, 2011	399	45,888,020	115,008	0.26
June 30, 2012	398	45,835,501	115,165	0.14

Retirees and Beneficiaries Added and Removed

Six Years Ended June 30, 2012

MSEP

			Added to Rolls	
Fiscal Year Ended	Classification	Benefit Type	Number	Annual Allowances
June 30, 2007	General employees	Retirement	2,211	$37,839,159
		Survivor of active	89	897,874
		Survivor of retired	213	2,630,107
		Disability	0	1,104
		Occupational disability	0	0
	Lincoln university - vested	Retirement	0	0
		Survivor of active	0	0
	Legislators	Retirement	19	303,741
		Survivor of active	1	8,157
		Survivor of retired	5	95,976
	Elected officials	Retirement	0	0
		Survivor of active	0	2,771
		Survivor of retired	0	1,178
	ALJs	Retirement	0	35,846
		Survivor of active	0	0
		Survivor of retired	0	6,071
June 30, 2008	General employees	Retirement	2,159	36,365,696
		Survivor of active	91	971,449
		Survivor of retired	234	2,715,274
		Disability	0	900
		Occupational disability	0	0
	Lincoln university - vested	Retirement	2	5,478
		Survivor of active	0	0
	Legislators	Retirement	9	147,136
		Survivor of active	0	4,489
		Survivor of retired	5	114,053
	Elected officials	Retirement	0	37,804
		Survivor of active	0	2,882
		Survivor of retired	0	1,225
	ALJs	Retirement	2	102,631
		Survivor of active	0	0
		Survivor of retired	1	30,876
June 30, 2009	General employees	Retirement	2,195	37,338,992
		Survivor of active	82	996,258
		Survivor of retired	251	3,077,466
		Disability	0	876
		Occupational disability	0	0
	Lincoln university - vested	Retirement	0	0
		Survivor of active	0	0
	Legislators	Retirement	21	746,414
		Survivor of active	0	5,137
		Survivor of retired	4	84,108
	Elected officials	Retirement	2	105,141
		Survivor of active	0	2,997
		Survivor of retired	0	1,274
	ALJs	Retirement	3	168,517
		Survivor of active	0	0
		Survivor of retired	2	57,238

Source of Data: MOSERS benefit payment database as of June 30, 2012.
Other Actuarial Section information reported based on MOSERS data as of May 31, 2012.

Removed from Rolls		Rolls at End of Year				
Number	Annual Allowances	Number	Annual Allowances	Percentage Increase (Decrease) in Annual Allowances	Average Annual Allowances	Percentage Increase (Decrease) in Average Annual Allowances
740	$8,391,528	25,293	$371,145,149	8.62	$14,674	2.30
39	281,916	1,304	10,777,493	6.06	8,265	2.00
106	810,074	2,021	18,489,454	10.92	9,149	5.05
4	18,658	12	39,590	(30.72)	3,299	(7.64)
0	0	0	0	0.00	0	0.00
0	0	11	50,475	0.00	4,589	0.00
0	0	1	2,624	0.00	2,624	0.00
7	178,306	250	4,735,015	2.72	18,940	(2.21)
0	0	14	150,712	5.72	10,765	(1.83)
0	0	52	618,929	18.35	11,902	6.97
0	0	12	477,190	0.00	39,766	0.00
0	0	1	72,045	4.00	72,045	4.00
0	0	1	30,618	4.00	30,618	4.00
0	0	25	1,090,746	3.40	43,630	3.40
0	0	0	0	0.00	0	0.00
0	0	9	215,092	2.90	23,899	2.90
853	9,745,552	26,599	397,765,293	7.17	14,954	1.91
59	259,787	1,336	11,489,155	6.60	8,600	4.05
137	916,500	2,118	20,288,228	9.73	9,579	4.70
1	4,074	11	36,416	(8.02)	3,311	0.36
0	0	0	0	0.00	0	0.00
0	0	13	55,953	10.85	4,304	(6.21)
0	0	1	2,624	0.00	2,624	0.00
10	300,216	249	4,581,935	(3.23)	18,401	(2.85)
0	0	14	155,201	2.98	11,086	2.98
3	24,638	54	708,344	14.45	13,117	10.21
0	0	12	514,994	7.92	42,916	7.92
0	0	1	74,927	4.00	74,927	4.00
0	0	1	31,843	4.00	31,843	4.00
2	94,035	25	1,099,342	0.79	43,974	0.79
0	0	0	0	0.00	0	0.00
0	0	10	245,968	14.35	24,597	2.92
852	9,903,887	27,942	425,200,398	6.90	15,217	1.76
54	390,167	1,364	12,095,246	5.28	8,867	3.10
110	827,564	2,259	22,538,130	11.09	9,977	4.15
1	4,237	10	33,055	(9.23)	3,306	(0.15)
0	0	0	0	0.00	0	0.00
0	0	13	55,953	0.00	4,304	0.00
0	0	1	2,624	0.00	2,624	0.00
8	120,396	262	5,207,953	13.66	19,878	8.03
1	14,128	13	146,210	(5.79)	11,247	1.45
2	20,473	56	771,979	8.98	13,785	5.09
0	0	14	620,135	20.42	44,295	3.21
0	0	1	77,924	4.00	77,924	4.00
0	0	1	33,117	4.00	33,117	4.00
2	90,337	26	1,177,522	7.11	45,289	2.99
0	0	0	0	0.00	0	0.00
1	27,354	11	275,852	12.15	25,077	1.95

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Continued from pages 116 - 117

Retirees and Beneficiaries Added and Removed

Six Years Ended June 30, 2012

MSEP

			Added to Rolls	
Fiscal Year Ended	Classification	Benefit Type	Number	Annual Allowances
June 30, 2010	General employees	Retirement	2,298	$34,755,192
June 30, 2010		Survivor of active	83	1,054,292
June 30, 2010		Survivor of retired	246	3,080,424
June 30, 2010		Disability	0	830
June 30, 2010		Occupational disability	0	0
June 30, 2010	Lincoln university - vested	Retirement	1	5,671
June 30, 2010		Survivor of active	0	0
June 30, 2010	Legislators	Retirement	12	201,562
June 30, 2010		Survivor of active	0	3,975
June 30, 2010		Survivor of retired	5	78,765
June 30, 2010	Elected officials	Retirement	0	0
June 30, 2010		Survivor of active	0	3,117
June 30, 2010		Survivor of retired	1	34,780
June 30, 2010	ALJs	Retirement	3	113,877
June 30, 2010		Survivor of active	0	0
June 30, 2010		Survivor of retired	0	7,332
June 30, 2011	General employees	Retirement	2,850	41,203,358
June 30, 2011		Survivor of active	65	914,689
June 30, 2011		Survivor of retired	298	3,059,195
June 30, 2011		Disability	0	79
June 30, 2011		Occupational disability	0	0
June 30, 2011	Lincoln university - vested	Retirement	1	1,780
June 30, 2011		Survivor of active	0	0
June 30, 2011	Legislators	Retirement	41	601,171
June 30, 2011		Survivor of active	0	2,903
June 30, 2011		Survivor of retired	5	73,841
June 30, 2011	Elected officials	Retirement	0	0
June 30, 2011		Survivor of active	0	3,242
June 30, 2011		Survivor of retired	0	1,053
June 30, 2011	ALJs	Retirement	4	212,519
June 30, 2011		Survivor of active	0	0
June 30, 2011		Survivor of retired	0	2,599
June 30, 2012	General employees	Retirement	2,637	39,423,910
June 30, 2012		Survivor of active	82	1,129,634
June 30, 2012		Survivor of retired	282	3,665,503
June 30, 2012		Disability	0	458
June 30, 2012		Occupational disability	0	0
June 30, 2012	Lincoln university - vested	Retirement	0	0
June 30, 2012		Survivor of active	0	0
June 30, 2012	Legislators	Retirement	13	229,979
June 30, 2012		Survivor of active	0	3,531
June 30, 2012		Survivor of retired	4	80,142
June 30, 2012	Elected officials	Retirement	2	86,431
June 30, 2012		Survivor of active	0	3,371
June 30, 2012		Survivor of retired	0	1,336
June 30, 2012	ALJs	Retirement	3	124,248
June 30, 2012		Survivor of active	1	25,592
June 30, 2012		Survivor of retired	2	57,704

Source of Data: MOSERS benefit payment database as of June 30, 2012.
Other Actuarial Section information reported based on MOSERS data as of May 31, 2012.

Removed from Rolls		Rolls at End of Year				
Number	Annual Allowances	Number	Annual Allowances	Percentage Increase (Decrease) in Annual Allowances	Average Annual Allowances	Percentage Increase (Decrease) in Average Annual Allowances
833	$9,979,318	29,407	$449,976,272	5.83%	$15,302	0.56%
49	276,401	1,398	12,873,137	6.43	9,208	3.85
117	1,078,265	2,388	24,540,289	8.88	10,277	3.01
1	2,985	9	30,900	(6.52)	3,433	3.84
0	0	0	0	0.00	0	0.00
0	0	14	61,624	10.14	4,402	2.28
0	0	1	2,624	0.00	2,624	0.00
12	239,880	262	5,169,635	(0.74)	19,731	(0.74)
1	16,709	12	133,476	(8.71)	11,123	(1.10)
0	0	61	850,744	10.20	13,947	1.18
1	66,911	13	553,224	(10.79)	42,556	(3.93)
0	0	1	81,041	4.00	81,041	4.00
0	0	2	67,897	105.02	33,949	2.51
1	46,794	28	1,244,605	5.70	44,450	(1.85)
0	0	0	0	0.00	0	0.00
0	0	11	283,184	2.66	25,744	2.66
892	10,670,476	31,365	480,509,154	6.79	15,320	0.12
46	261,503	1,417	13,526,323	5.07	9,546	3.67
176	1,670,990	2,510	25,928,494	5.66	10,330	0.52
1	1,732	8	29,247	(5.35)	3,656	6.50
0	0	0	0	0.00	0	0.00
0	0	15	63,404	2.89	4,227	(3.98)
0	0	1	2,624	0.00	2,624	0.00
10	185,635	293	5,585,171	8.04	19,062	(3.39)
1	19,612	11	116,767	(12.52)	10,615	(4.57)
2	16,628	64	907,957	6.73	14,187	1.72
0	0	13	553,224	0.00	42,556	0.00
0	0	1	84,283	4.00	84,283	4.00
0	0	2	68,950	1.55	34,475	1.55
0	0	32	1,457,124	17.08	45,535	2.44
0	0	0	0	0.00	0	0.00
1	27,724	10	258,059	(8.87)	25,806	0.24
895	11,116,063	33,107	508,817,001	5.89	15,369	0.32
34	197,452	1,465	14,458,505	6.89	9,869	3.38
158	1,416,283	2,634	28,177,714	8.67	10,698	3.56
0	0	8	29,705	1.57	3,713	1.56
0	0	0	0	0.00	0	0.00
2	11,032	13	52,372	(17.40)	4,029	(4.68)
0	0	1	2,624	0.00	2,624	0.00
8	139,545	298	5,675,605	1.62	19,046	(0.08)
0	0	11	120,298	3.02	10,936	3.02
3	52,550	65	935,549	3.04	14,393	1.45
0	0	15	639,655	15.62	42,644	0.21
0	0	1	87,654	4.00	87,654	4.00
0	0	2	70,286	1.94	35,143	1.94
3	158,072	32	1,423,300	(2.32)	44,478	(2.32)
0	0	1	25,592	0.00	25,592	0.00
0	0	12	315,763	22.36	26,314	1.97

Retirees and Beneficiaries Added and Removed

Six Years Ended June 30, 2012

Judicial Plan

		Added to Rolls		Removed from Rolls	
Fiscal Year Ended	Benefit Type	Number	Annual Allowances	Number	Annual Allowances
June 30, 2007	Retirement	47	$2,802,873	15	$967,969
	Survivor of active	1	64,452	2	40,742
	Survivor of retired	13	526,008	4	91,948
	Disability	0	0	1	54,000
June 30, 2008	Retirement	21	1,554,013	17	946,602
	Survivor of active	0	31,650	4	53,658
	Survivor of retired	11	387,194	8	181,387
	Disability	0	0	0	0
June 30, 2009	Retirement	30	1,922,615	15	957,943
	Survivor of active	1	59,484	0	0
	Survivor of retired	9	418,266	2	61,344
	Disability	0	0	0	0
June 30, 2010	Retirement	12	1,137,305	13	750,021
	Survivor of active	0	32,700	2	32,399
	Survivor of retired	11	436,312	5	130,920
	Disability	0	0	0	0
June 30, 2011	Retirement	36	2,501,248	9	563,214
	Survivor of active	0	14,893	1	35,792
	Survivor of retired	4	167,535	9	206,465
	Disability	0	0	0	0
June 30, 2012	Retirement	18	1,490,554	14	1,074,572
	Survivor of active	0	22,717	0	0
	Survivor of retired	8	371,622	6	218,310
	Disability	0	0	0	0

Source of Data: MOSERS benefit payment database as of June 30, 2012.
Other Actuarial Section information reported based on MOSERS data as of May 31, 2012.

Rolls at End of Year				
Number	Annual Allowances	Percentage Increase (Decrease) in Annual Allowances	Average Annual Allowances	Percentage Increase (Decrease) in Average Annual Allowances
307	$18,052,462	11.31%	$58,803	(0.29)%
40	1,018,949	2.38	25,474	4.94
93	2,577,100	20.25	27,711	8.62
0	0	(100.00)	0	(100.00)
311	18,659,873	3.36	60,000	2.04
36	996,941	(2.16)	27,693	8.71
96	2,782,907	7.99	28,989	4.61
0	0	0.00	0	0.00
326	19,624,545	5.17	60,198	0.33
37	1,056,425	5.97	28,552	3.10
103	3,139,829	12.83	30,484	5.16
0	0	0.00	0	0.00
325	20,011,829	1.97	61,575	2.29
35	1,056,726	0.03	30,192	5.74
109	3,445,221	9.73	31,608	3.69
0	0	0.00	0	0.00
352	21,949,863	9.68	62,358	1.27
34	1,035,827	(1.98)	30,466	0.91
104	3,406,291	(1.13)	32,753	3.62
0	0	0.00	0	0.00
356	22,365,845	1.90	62,825	0.75
34	1,058,544	2.19	31,134	2.19
106	3,559,603	4.50	33,581	2.53
0	0	0.00	0	0.00

Short-Term Solvency Test

Ten Years Ended June 30, 2012

MSEP

Fiscal Year	Actuarial Accrued Liabilities for: Member Contributions (1)	Current Retirees and Beneficiaries (2)	Active and Inactive Members, Employer Financed Portion (3)	Actuarial Value of Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Actuarial Value of Assets Available for (1)	(2)	(3)
2003	$ 0	$3,016,029,050	$3,646,262,356	$6,057,329,072	100.0%	100.0%	83.4%
2004	0	3,405,053,804	3,824,957,124	6,118,214,495	100.0	100.0	70.9
2005	0	3,629,506,014	3,948,522,003	6,435,344,102	100.0	100.0	71.1
2006	0	3,876,349,145	4,136,856,269	6,836,567,188	100.0	100.0	71.6
2007	0	4,208,621,537	4,291,807,104	7,377,289,283	100.0	100.0	73.8
2008	0	4,408,682,437	4,719,665,033	7,838,495,768	100.0	100.0	72.7
2009	0	4,737,859,976	4,756,946,739	7,876,079,342	100.0	100.0	66.0
2010	0	5,012,677,769	4,840,477,676	7,923,377,393	100.0	100.0	60.1
2011	67,126	5,357,794,617	4,765,682,300	8,022,481,408	100.0	100.0	55.9
2012	706,422	5,748,985,566	5,043,959,589	7,897,167,203	100.0	100.0	42.6

ALJLAP*

Fiscal Year	Actuarial Accrued Liabilities for: Member Contributions (1)	Current Retirees and Beneficiaries (2)	Active and Inactive Members, Employer Financed Portion (3)	Actuarial Value of Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Actuarial Value of Assets Available for (1)	(2)	(3)
2003	$0	$9,709,096	$10,237,391	$15,626,461	100.0%	100.0%	57.8%
2004	0	9,188,086	11,196,127	16,238,804	100.0	100.0	63.0

** Assets and liabilities transferred to the MSEP during fiscal year 2005*

Judicial Plan

Fiscal Year	Actuarial Accrued Liabilities for: Member Contributions (1)	Current Retirees and Beneficiaries (2)	Active and Inactive Members, Employer Financed Portion (3)	Actuarial Value of Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Actuarial Value of Assets Available for (1)	(2)	(3)
2003	$ 0	$157,923,805	$109,126,052	$ 34,566,516	100.0%	21.9%	0.0%
2004	0	162,539,486	117,857,978	39,120,142	100.0	24.1	0.0
2005	0	168,703,822	123,600,064	44,223,509	100.0	26.2	0.0
2006	0	171,677,032	137,325,720	51,652,867	100.0	30.1	0.0
2007	0	199,489,503	127,176,870	61,903,516	100.0	31.0	0.0
2008	0	216,369,879	138,426,574	73,194,379	100.0	33.8	0.0
2009	0	231,505,591	137,601,250	81,337,881	100.0	35.1	0.0
2010	0	236,113,077	145,899,696	88,976,738	100.0	37.7	0.0
2011	284	251,532,354	141,951,951	98,398,628	100.0	39.1	0.0
2012	795	258,642,149	154,689,594	102,266,706	100.0	39.5	0.0

Derivation of Experience Gain (Loss)

Year Ended June 30, 2012

MSEP

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
(1) Unfunded actuarial accrued liability (UAAL) at beginning of year	$2,101.1
(2) Normal cost from last valuation	159.2
(3) Actual employer contributions	273.9
(4) Interest accrual: (1)x.085+[(2)-(3)]x(.085/2)	173.7
(5) Expected UAAL before changes: (1)+(2)-(3)+(4)	2,160.1
(6) Change from any changes in benefits, assumptions, or methods	259.1
(7) Expected UAAL after changes: (5)+(6)	2,419.2
(8) Actual UAAL at end of year	2,896.5
(9) Gain (loss) (7)-(8)	(477.3)
(10) Gain (loss) as a percent of actuarial accrued liabilities at start of year ($10,124)	(4.7)%

Valuation Date June 30	Actuarial Gain (Loss) As a % of Beginning Accrued Liabilities
2003	(6.4)
2004	(6.0)
2005	(3.4)
2006	(0.1)
2007	1.0
2008	0.1
2009	(5.2)
2010	(4.0)
2011	(2.4)
2012	(4.7)

Judicial Plan

The actuarial gains or losses realized in the operation of the retirement system provide an experience test. Gains and losses often cancel each other over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the actuarial gain (loss) is shown below, along with a year-by-year comparative schedule.

	$ Millions
(1) Unfunded actuarial accrued liability (UAAL) at beginning of year	$295.1
(2) Employer normal cost middle of year	8.7
(3) Employer contributions	26.3
(4) Interest	
a. on (1)	25.1
b. on (2)	0.3
c. on (3)	1.1
d. total [a+b-c]	24.3
(5) Expected UAAL end of year before changes	301.8
(6) Change in UAAL end of year	
a. amendments	0.0
b. assumptions	7.0
c. methods	0.0
d. total	7.0
(7) Expected UAAL after changes: (5)+(6d.)	308.7
(8) Actual UAAL at end of year	311.1
(9) Gain (loss) (7)-(8)	(2.3)
(10) Gain (loss) as a percent of actuarial accrued liabilities at start of year ($393.5)	(0.6)%

Valuation Date June 30	Actuarial Gain (Loss) As a % of Beginning Accrued Liabilities
2003	(1.6)
2004	(1.0)
2005	(0.1)
2006	(1.1)
2007	(0.6)
2008	(3.0)
2009	(1.8)
2010	(1.1)
2011	(0.4)
2012	(0.6)

Comparison of Plans for General State Employees

June 30, 2012

MSEP • MSEP 2000 • MSEP 2011

Benefit Provisions	MSEP
Membership eligibility	• Members who work in a permanent position normally requiring at least 1,040 hours of work a year.
Vesting	• 5 years
Base benefit formula	• .016 x FAP x service *In the past, formula increases have been passed along to MSEP retirees.*
Temporary benefit formula	• Not available
Benefit payment options	• Life income annuity • *Unreduced* joint & 50% survivor • Joint & 100% survivor • Life income with 60 guaranteed payments • Life income with 120 guaranteed payments
Cost-of-living adjustment (COLA)	• If hired before August 28, 1997, will receive 4-5% each year until reaching the 65% cap. After COLA cap, the rate is based on 80% of the percentage increase in the CPI (0-5%). • If hired on or after August 28, 1997, annual COLA will be based on 80% of the percentage increase in the CPI (0-5%).
Normal retirement eligibility	• Age 65 and active with 4 years of service • Age 65 with 5 years of service • Age 60 with 15 years of service • "Rule of 80"- at least age 48 with age and service equaling 80 or more • Age 50 if first became eligible prior to August 28, 2003
Early retirement eligibility	• Age 55 with 10 years of service *Base benefit will be reduced ½ of 1% (.005) for each month member's age is younger than normal retirement.*
Death before retirement	• Non duty-related death *(vested members)* – Survivor benefit to eligible spouse calculated using the joint & 100% survivor option or 80% of the member's life income annuity paid to eligible children. • Duty-related death *(no minimum service requirement).* – Survivor benefit to eligible spouse or children no less than 50% of average compensation.
In-service COLA	• COLA given for service beyond age 65. COLA provisions are determined by employment date.
BackDROP	• Must work at least two years beyond normal retirement eligibility to be eligible for BackDROP.
Service purchases	• May purchase up to 4 years of active-duty military service or qualifying public sector service at subsidized rate. May also purchase public sector service at full actuarial cost.
Service transfers	• May transfer state service to other positions covered by MOSERS under 104.800.
Member contributions	• None

MSEP 2000	MSEP 2011
• Members hired for the first time on or after July 1, 2000, in a permanent position normally requiring at least 1,040 hours of work a year. • Members who left state employment prior to becoming vested and returned to work on or after July 1, 2000, in a permanent position normally requiring at least 1,040 hours of work a year.	• Members hired for the first time on or after January 1, 2011, in a permanent position normally requiring at least 1,040 hours of work a year.
• 5 years	• 10 years
• .017 x FAP x service *Future formula increases, if any, will not be passed along to retirees.*	• .017 x FAP x service *Future formula increases, if any, will not be passed along to retirees.*
• .008 x FAP x service *Available to those who retire under the "Rule of 80."*	• .008 x FAP x service *Available to those who retire under the "Rule of 90."*
• Life income annuity • Joint & 50% survivor • Joint & 100% survivor • Life income with 120 guaranteed payments • Life income with 180 guaranteed payments	• Life income annuity • Joint & 50% survivor • Joint & 100% survivor • Life income with 120 guaranteed payments • Life income with 180 guaranteed payments
• Based on 80% of the percentage increase in the CPI (0-5%).	• Based on 80% of the percentage increase in the CPI (0-5%).
• Age 62 with 5 years of service • "Rule of 80" - at least age 48 with age and service equaling 80 or more • Age 50 if first became eligible prior to August 28, 2003	• Age 67 with 10 years of service • "Rule of 90" - at least age 55 with age and service equaling 90 or more *Terminated-vested members not eligible for "Rule of 90."*
• Age 57 with 5 years of service *Base benefit will be reduced ½ of 1% (.005) for each month member's age is younger than normal retirement.*	• Age 62 with 10 years of service; base benefit will be reduced ½ of 1% (.005) for each month member's age is younger than normal retirement. *Terminated-vested members are not eligible.*
• 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. • Survivor benefit to eligible spouse or children no less than 50% of average compensation (no service requirement).	• 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. • Survivor benefit to eligible spouse or children no less than 50% of average compensation (no service requirement).
• Not available	• Not available
• Must work at least two years beyond normal retirement eligibility to be eligible for BackDROP..	• Not available
• May purchase up to 4 years of active-duty military service or qualifying public sector service at subsidized rate. May also purchase public sector service at full actuarial cost.	• May purchase qualifying public sector service at full actuarial cost.
• May transfer service under 104.1090 from other systems with written agreements to transfer required funds.	• Not available
• None	• 4% of pay

Comparison of Plans for Legislators

June 30, 2012

MSEP • MSEP 2000 • MSEP 2011

Benefit Provisions	MSEP
Membership eligibility	• Elected to the General Assembly
Vesting	• 3 full-biennial assemblies (6 years)
Base benefit formula	• Biennial assemblies x $150 *In the past, formula increases have been passed along to MSEP retirees.*
Temporary benefit formula	• Not available
Benefit payment options	• Life income annuity • *Unreduced* joint & 50% survivor • Joint & 100% survivor • Life income with 60 guaranteed payments • Life income with 120 guaranteed payments
Cost-of-living adjustment (COLA)	• If sworn in before August 28, 1997, will receive 4-5% each year until reaching 65% cap. After COLA cap, the rate is based on 80% of the percentage increase in the CPI (0-5%). • If sworn in on or after August 28, 1997, COLA will be based on 80% of the percentage increase in the CPI (0-5%).
Normal retirement eligibility	• Age 55 with 3 full-biennial assemblies or • "Rule of 80" - at least age 48 with age and service equaling 80 or more
Early retirement eligibility	• Not available
Death before retirement	• Non duty-related death *(vested members)* – Survivor benefit to eligible spouse calculated using the joint & 100% survivor option or 80% of the member's life income annuity paid to eligible children. • Duty-related death *(no minimum service requirement)* – Survivor benefit to eligible spouse or children no less than 50% of the rate of compensation.
In-service COLA	• COLA given for service beyond age 65. COLA provisions are determined by employment date.
BackDROP	• Not available
Service purchases	• May purchase up to 4 years of active-duty military service or qualifying public sector service at subsidized rate. May also purchase public sector service at full actuarial cost.
Service transfers	• May transfer state service to other positions covered by MOSERS under 104.800.
Member contributions	• None

MSEP 2000	MSEP 2011
• Elected to the General Assembly on or after July 1, 2000	• Elected to the General Assembly on or after January 1, 2011
• 3 full-biennial assemblies (6 years)	• 3 full-biennial assemblies (6 years)
• (Active legislator's pay ÷ 24) x service *Capped at 100% of pay; future formula increases, if any, will not be passed along to retirees.*	• (Active legislator's pay ÷ 24) x service *Capped at 100% of pay; future formula increases, if any, will not be passed along to retirees.*
• Not available	• Not available
• Life income annuity • Joint & 50% survivor • Joint & 100% survivor • Life income with 120 guaranteed payments • Life income with 180 guaranteed payments	• Life income annuity • Joint & 50% survivor • Joint & 100% survivor • Life income with 120 guaranteed payments • Life income with 180 guaranteed payments
• Benefit adjustment based on increase in pay for an active member of the general assembly.	• Benefit adjustment based on increase in pay for an active member of the general assembly.
• Age 55 with 3 full-biennial assemblies or • "Rule of 80" - at least age 50 with age and service equaling 80 or more	• Age 62 with 3 full-biennial assemblies or • "Rule of 90" - at least age 55 with age and service equaling 90 or more
• Not available	• Not available
• Non duty-related death *(vested members)* – Survivor benefit to eligible spouse calculated using the joint & 100% survivor option or 80% of the member's life income annuity paid to eligible children. • Duty-related death *(no minimum service requirement)* – Survivor benefit to eligible spouse or children no less than 50% of rate of compensation.	• Non duty-related death *(vested members)* – Survivor benefit to eligible spouse calculated using the joint & 100% survivor option or 80% of the member's life income annuity paid to eligible children. • Duty-related death *(no minimum service requirement)* – Survivor benefit to eligible spouse or children no less than 50% of rate of compensation.
• Not available	• Not available
• Not available	• Not available
• May purchase up to 4 years of active-duty military service or qualifying public sector service at subsidized rate. May also purchase public sector service at full actuarial cost.	• May purchase qualifying public sector service at full actuarial cost.
• May transfer service under 104.1090 from other systems with written agreements to transfer required funds.	• Not available
• None	• 4% of pay

Comparison of Plans for Statewide Elected Officials

June 30, 2012

MSEP • MSEP 2000 • MSEP 2011

Benefit Provisions	MSEP
Membership eligibility	• Elected to state office
Vesting	• 4 years (1 term)
Base benefit formula	• Less than 12 years of service FAP x .016 x service • 12 or more years of service Monthly statutory compensation x .50 *In the past, formula increases have been passed along to MSEP retirees.*
Temporary benefit formula	• Not available
Benefit payment options	• Life income annuity • *Unreduced* joint & 50% survivor • Joint & 100% survivor • Life income with 60 guaranteed payments • Life income with 120 guaranteed payments
Cost-of-living adjustment (COLA)	• Less than 12 years of service – Statewide elected officials sworn in before August 28, 1997 will receive 4-5% each year until they reach 65% cap. After COLA cap, the rate is based on 80% of the percentage increase in the CPI (0-5%). – Statewide elected officials sworn in between August 28, 1997 and June 30, 2000, will receive a COLA equal to 80% of percentage increase in the CPI (0-5%). • 12 or more years of service Statewide elected officials with 12 or more years of service will receive a COLA based on increases in statutory compensation for the highest position held.
Normal retirement eligibility	• Age 60 with 15 years of service or • "Rule of 80" - at least age 50 with age and service equaling 80 or more
Early retirement eligibility	• Age 55 with 10 years of service
Death before retirement	• Non duty-related death *(vested members)* – Survivor benefit to eligible spouse calculated using the joint & 100% survivor option or 80% of the member's life income annuity paid to eligible children. • Duty-related death *(no minimum service requirement)* – Survivor benefit to eligible spouse or children no less than 50% of current pay.
In-service COLA	• COLA provisions determined by amount of service relative to 12 years and date of employment.
BackDROP	• Not available
Service purchases	• May purchase up to 4 years of active-duty military service or qualifying public sector service at subsidized rate. May also purchase public sector service at full actuarial cost.
Service transfers	• May transfer state service to other positions covered by MOSERS under 104.800.
Member contributions	• None

MSEP 2000	MSEP 2011
• Elected to state office on or after July 1, 2000	• Elected to state office on or after January 1, 2011
• 4 years (1 term)	• 4 years (1 term)
• (Active elected official's pay ÷ 24) x service *Capped at 12 years of service or 50% of pay; future formula increases, if any, will not be passed along to retirees.*	• (Active elected official's pay ÷ 24) x service *Capped at 12 years of service or 50% of pay; future formula increases, if any, will not be passed along to retirees.*
• Not available	• Not available
• Life income annuity • Joint & 50% survivor • Joint & 100% survivor • Life income with 120 guaranteed payments • Life income with 180 guaranteed payments	• Life income annuity • Joint & 50% survivor • Joint & 100% survivor • Life income with 120 guaranteed payments • Life income with 180 guaranteed payments
• Benefit adjustment based on increase in pay for an active statewide elected official.	• Benefit adjustment based on increase in pay for an active statewide elected official.
• Age 55 with 4 years of service or "Rule of 80" - at least age 50 with age and service equaling 80 or more	• Age 62 with 4 years of service or "Rule of 90" - at least age 55 with age and service equaling 90 or more
• Not available	• Not available
• Non duty-related death *(vested members)* – Survivor benefit to eligible spouse calculated using the joint & 100% survivor option or 80% of the member's life income annuity paid to eligible children. • Duty-related death *(no minimum service requirement)* – Survivor benefit to eligible spouse or children no less than 50% of current pay.	• Non duty-related death *(vested members)* – Survivor benefit to eligible spouse calculated using the joint & 100% survivor option or 80% of the member's life income annuity paid to eligible children. • Duty-related death *(no minimum service requirement)* – Survivor benefit to eligible spouse or children no less than 50% of current pay.
• Not available	• Not available
• Not available	• Not available
• May purchase up to 4 years of active-duty military service or qualifying public sector service at subsidized rate; may also purchase public sector service at full actuarial cost.	• May purchase qualifying public sector service at full actuarial cost.
• May transfer service under 104.1090 from other systems with written agreements to transfer required funds.	• Not available
• None	• 4% of pay

Comparison of Plans for Judges

June 30, 2012

Judicial Plan • Judicial Plan 2011

Benefit Provisions	Judicial Plan
Membership eligibility	• Must be a judge or commissioner of the supreme court or the court of appeals, a judge of the circuit court, probate court, magistrate court, court of common pleas, court of criminal corrections, a justice of the peace, or a commissioner or deputy commissioner of the circuit court appointed after February 29, 1972; a commissioner of the juvenile division of the circuit court appointed pursuant to Section 211.023, RSMo; a commissioner of the drug court pursuant to Section 478.466, RSMo; or a commissioner of the family court.
Vesting	• Immediate
Base benefit formula	• Monthly pay x .50 = monthly base benefit
Temporary benefit formula	• Not available
Benefit payment options	• Life income annuity • Automatic *unreduced* joint and 50% survivor option *If married at least two continuous years immediately preceding judges death.*
Cost-of-living adjustment (COLA)	• If hired before August 28, 1997, will receive 4-5% each year until reaching 65% cap. After COLA cap, the rate is based on 80% of the percentage increase in the CPI (0-5%) • If hired on or after August 28, 1997, based on 80% of the percentage increase in the CPI (0-5%).
Normal retirement eligibility	• Age 62 with 12 years service • Age 60 with 15 years service • Age 55 with 20 years service
Reduced retirement eligibility	• Age 60 if less than 15 years service • Age 62 if less than 12 years service
Death before retirement	• Non duty-related death – Survivor benefit to eligible spouse equal to 50% of the benefit the member would have received based on service to age 70. • Duty-related death – Survivor benefit to eligible spouse equal to 50% of the member's annuity at the time of death.
In-service cola *Service beyond age 65*	• Judges who are at least age 60 and work beyond the date first eligible for unreduced benefits will receive COLAs for each year worked beyond normal retirement eligibility. COLA provisions are determined by date of employment.
BackDROP	• Not available
Service purchases	• May purchase up to 4 years of active-duty military service or qualifying public sector service at subsidized rate. May also purchase public sector service at full actuarial cost.
Service transfers	• May transfer state service to other positions covered by MOSERS under 104.800.
Member contributions	• None

Judicial Plan 2011
• Must be a judge or commissioner of the supreme court or the court of appeals, a judge of the circuit court, probate court, magistrate court, court of common pleas, court of criminal corrections, a justice of the peace, or a commissioner or deputy commissioner of the circuit court; a commissioner of the juvenile division of the circuit court appointed pursuant to Section 211.023, RSMo; a commissioner of the drug court pursuant to Section 478.466, RSMo; or a commissioner of the family court appointed or elected a judge for the first time on or after January 1, 2011.
• Immediate
• Monthly pay x .50 = monthly base benefit
• Not available
• Life income annuity • Joint & 50% survivor • Joint & 100% survivor • Life income with 120 guaranteed payments • Life income with 180 guaranteed payments
• Based on 80% of the percentage increase in the CPI (0-5%)
• Age 67 with 12 years service • Age 62 with 20 years service
• Age 67 if less than 12 years service • Age 62 if less than 20 years service
• Non duty-related death – Survivor benefit to eligible spouse equal to 50% of the benefit the member would have received based on service to age 70. • Duty-related death – Survivor benefit to eligible spouse equal to 50% of the member's annuity at the time of death.
• Not available
• Not available
• May purchase qualifying public sector service at full actuarial cost.
• May transfer state service to other positions covered by MOSERS under 104.800.
• 4% of pay

Comparison of Plans for Uniformed Members of the Water Patrol

June 30, 2012

MSEP • MSEP 2000

Benefit Provisions	MSEP	MSEP 2000
Membership eligibility	• Members who work in a permanent position normally requiring at least 1,040 hours of work a year.	• Members hired for the first time on or after July 1, 2000, in a permanent position normally requiring at least 1,040 hours of work a year. • Members who left state employment prior to becoming vested and returned to work on or after July 1, 2000, in a permanent position normally requiring at least 1,040 hours of work a year.
Vesting	• 5 years of service	• 5 years of service
Base benefit formula	• 1.6% x FAP x service increased by 33.3%	• 1.7% x FAP x service
Temporary benefit formula	• Not available	• 0.8% x FAP x service *(must retire under "Rule of 80")*
Benefit payment options	• Life income annuity • *Unreduced* joint and 50% survivor • Joint & 100% survivor • 120 Or 180 guaranteed payments	• Life income annuity • Joint & 50% survivor • Joint & 100% survivor • 120 Or 180 guaranteed payments
Cost-of-living adjustment (COLA)	• If hired before August 28, 1997, will receive 4-5% each year until reaching 65% cap. After COLA cap, the rate is based on 80% of the percentage increase in the CPI (0-5%). • If hired on or after August 28, 1997, based on 80% of the percentage increase in the CPI (0-5%).	• Based on 80% of the percentage increase in the CPI (0-5%).
Normal retirement eligibility	• Age 55 and active with 4 years of service • Age 55 with 5 years of service • "Rule of 80"- minimum age 48	• Age 62 with 5 years of service • "Rule of 80" - minimum age 48
Early retirement eligibility	• Not available	• Age 57 with 10 years of service
Death before retirement	• Non duty-related death *(vested members)* – Survivor benefit to eligible spouse calculated using the joint & 100% survivor option or 80% of the member's life income annuity paid to eligible children. • Duty-related death *(no minimum service requirement)* – Survivor benefit to eligible spouse or children no less than 50% of current pay.	• Non duty-related death *(vested members)* – Survivor benefit to eligible spouse calculated using the joint & 100% survivor option or 80% of the member's life income annuity paid to eligible children. • Duty-related death *(no minimum service requirement)* – Survivor benefit to eligible spouse or children no less than 50% of current pay.
In-service COLA	• COLA given for service beyond age 65. COLA provisions are determined by employment date.	• Not available
BackDROP	• Not available	• Not available
Service purchases	• May purchase up to 4 years of active-duty military service or qualifying public sector service at subsidized rate. May also purchase public sector service at full actuarial cost.	• May purchase qualifying public sector service at full actuarial cost.
Service transfers	• May transfer state service to other positions covered by MOSERS under 104.800.	• Not available
Member contributions	• None	• None

Administrative Law Judges and Legal Advisors Plan

June 30, 2012

Benefit Provisions	Requirements
Membership eligibility	• Administrative law judge or legal advisor in the Division of Workers' Compensation, a member or legal counsel of the Labor and Industrial Relations Commission, chairperson of the State Board of Mediation, or an administrative hearing commissioner hired prior to April 26, 2005.
Vesting	• Immediate
Base benefit formula	• Normal retirement eligibility 50% of the average highest 12 consecutive months of salary
Temporary benefit formula	• Not available
Benefit payment options	• Life income annuity (if unmarried) • Automatic *unreduced* joint and 50% survivor option – If married on date of termination and two continuous years immediately preceding judges death.
Cost-of-living adjustment (COLA)	• If hired before August 28, 1997, will receive 4-5% each year until reaching 65% cap. After COLA cap, the rate is based on 80% of the percentage increase in the CPI. • If hired on or after August 28, 1997, based on 80% of the percentage increase in the CPI (0-5%).
Normal retirement eligibility	• Age 62 with 12 years of service • Age 60 with 15 years of service • Age 55 with 20 years of service
Reduced retirement eligibility	• Age 65 with less than 12 years of service with reduced benefit, based upon years of service relative to 12 years.
Death before retirement	• Non duty-related death – Survivor benefit to eligible spouse equal to 50% of the benefit the member would have received based on service relative to 12 years. • Duty-related death – Survivor benefit to eligible spouse equal to 50% of the member's annuity at the time of death.
In-service COLA	• Not available
BackDROP	• Not available
Service purchases	• May purchase up to 4 years of active-duty military service or qualifying public sector service at subsidized rate. May also purchase public sector service at full actuarial cost.
Service transfers	• May transfer state service to other positions covered by MOSERS under 104.800.
Member contributions	• None

* *All new administrative law judges and legal advisors hired on or after April 26, 2005, who were not previously covered by a retirement system under Chapter 287, RSMo, participate in the MSEP, which is covered under Chapter 104, RSMo.*

Life Insurance Plans

June 30, 2012

MOSERS administers basic and optional term life insurance plans for eligible state employees and retirees.

Active Members*

Plan Provision	Requirement
• **Basic life insurance** - An amount equal to one times annual salary (with a minimum of $15,000) while actively employed.	• Actively employed in an eligible state position resulting in membership in MOSERS.
• **Duty-related death benefit** - Duty-related death benefit equivalent to two times the annual salary the member was earning at the time of death in addition to the basic life insurance amount of one times annual salary.	• Actively employed in an eligible state position resulting in membership in MOSERS.
• **Optional life insurance** - Additional life insurance may be purchased in a flat amount in multiples of $10,000 not to exceed the maximum (lesser of six times annual salary or $800,000). Spouse coverage may be purchased in multiples of $10,000 up to a maximum of $100,000; however, the amount of spouse coverage cannot exceed the amount of optional life insurance coverage the member has purchased. Coverage for children is available in a flat amount of $10,000 per child.	• Actively employed in an eligible state position resulting in membership in MOSERS.

* *Terminating employees may convert coverage up to the amount they had as an active employee at individual rates.*

Retired Members

Plan Provision	Requirement
• **Basic life insurance at retirement** - $5,000 basic life insurance during retirement.	• Must retire directly from active employment.
• **Optional life insurance at retirement (MSEP)** - An employee may retain up to the lesser of $60,000 or the amount of optional life insurance coverage held at the time of retirement at the group rate and may convert any remaining basic and optional life insurance at individual rates.	• Must retire directly from active employment.
• **Optional life insurance at retirement (MSEP 2000)** - Under "Rule of 80", an employee may retain the current amount of coverage prior to retirement until age 62 at which time coverage is reduced to $60,000, and may convert any remaining basic and optional life insurance at individual rates. Coverage for spouse ends at member's retirement and may be converted at individual rates.	• Must retire directly from active employment.
• **Optional life insurance at retirement (MSEP 2011)** - Under "Rule of 90", an employee may retain the current amount of coverage prior to retirement until age 62 at which time coverage is reduced to $60,000, and may convert any remaining basic and optional life insurance at individual rates. Coverage for spouse ends at member's retirement and may be converted at individual rates.	• Must retire directly from active employment.

Long-Term Disability (LTD) Plans

June 30, 2012

MOSERS administers the LTD Plan for eligible state employees who become disabled during active employment.

Active Members

Classification	Requirement
• **General state employees, legislators, and elected state officials** - Members of MOSERS in a position normally requiring 1,040 hours of work a year are covered under the LTD plan, unless they work for a state agency which has its own LTD plan.	• Eligible participants receive 60% of their compensation minus primary social security, workers' compensation, and employer provided income. Benefits commence after 90 days of disability or after sick leave expires, whichever occurs last. LTD benefits cease upon the earliest of (i) when disability ends, (ii) when the member is first eligible for normal retirement benefits or is receiving early retirement benefits, (iii) when the member returns to work, or (iv) upon a member's death.
• **Water patrol**	• Uniformed members who are eligible for statutory occupational disability receive benefits equal to 50% of compensation with no offset for social security at the time of disability. For nonoccupational disabilities, eligible participants receive the same benefit as general employees.
• **Judges**	• In addition to the disability benefits provided to general employees, judges also receive benefits under the state constitution. Participants receive 50% of salary until the current term expires.

Changes in Plan Provisions

On July 10, 2012, Senate Bill 625 was signed into law and contained provisions relating to the transfer of service and assets between MOSERS and the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS) and also changed the interest rate used in calculating employee refunds.

Transfers of Service and Assets between MOSERS and MPERS

Prior to August 28, 2011, service transfers between MOSERS and MPERS involved only transfers of service credit – that is, the receiving system took on the liabilities for any transferred service without receiving the accompanying assets. After August 28, 2011, transfers of service credit also included the transfer of assets. The provision is necessary cleanup that will address service credit transferred before and after August 28, 2011. Specifically, this provision will exclude the asset transfer requirement for any service transfer that occurred prior to August 28, 2011, when the asset transfer requirement in section 104.603 became effective. If any assets were transferred after August 28, 2011, for service that was transferred prior to the date, the system that received the asset transfer would be required to return the assets transferred to the sending system. These changes are necessary because prior to August 28, 2011, no assets were required to be transferred. The intention of the provision enacted on August 28, 2011, was that it would apply only to prospective transfers after that date.

Interest Rate Used in Calculating Employee Refunds

The legislation also includes provisions that change the interest rate used in calculating employee refunds from 4% to the investment rate that is published by the U.S. Department of Treasury, or any successor agency, for 52-week treasury bills for the relevant auction that is nearest to the to the preceding July first, or a successor treasury bill investment rate approved by the board if the 52-week treasury bill is no longer issued. In addition, the legislation clarified that such interest credits would cease upon retirement or death. Lastly, the bill clarified that refunds due a beneficiary upon the member death would include interest credited thereon.

Actuarial Present Values

June 30, 2012

MSEP

Actuarial Present Value June 30, 2012 for	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities
Active members			
Service retirement benefits based on services rendered before and likely to be rendered after valuation date	$4,723,202,252	$657,426,610	$ 4,065,775,642
Disability benefits likely to be paid to present active members who become totally and permanently disabled	139,757,505	86,609,170	53,148,335
Survivor benefits likely to be paid to widows and children of present active members who die before retiring	93,690,228	21,815,025	71,875,203
Separation benefits likely to be paid to present active members	422,810,397	199,410,351	223,400,046
Refunds likely to be paid to present active members	13,763,945	13,057,523	706,422
Active member totals	$5,393,224,327	$978,318,679	4,414,905,648
Members on leave of absence & LTD			
Service retirement benefits based on service rendered before the valuation date			130,424,203
Terminated-vested members			
Service retirement benefits based on service rendered before the valuation date			498,910,658
Retired lives			5,748,985,566
BackDROP installment payments incurred, but not yet paid			425,502
Total actuarial accrued liability			10,793,651,577
Actuarial value of assets			7,897,167,203
Unfunded actuarial accrued liability			$ 2,896,484,374
Funded Ratio			73.2%

Judicial Plan

Actuarial Present Value June 30, 2012 for	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued Liabilities
Active members			
Service retirement benefits based on services rendered before and likely to be rendered after valuation date	$192,213,158	$51,794,147	$140,419,011
Disability benefits likely to be paid to present active members who become totally and permanently disabled	805,789	849,646	(43,857)
Survivor benefits likely to be paid to widows and children of present active members who die before retiring	4,175,393	2,199,954	1,975,439
Refunds likely to be paid to present active members	26,741	25,946	795
Active member totals	$197,221,081	$54,869,693	142,351,388
Retired lives			258,642,149
Terminated-vested members			12,339,001
Total actuarial accrued liability			413,332,538
Actuarial value of assets			102,266,706
Unfunded actuarial accrued liability			$311,065,832
Funded Ratio			24.7%

Statistical Section

SUMMARY

Plan Membership

Membership in the pension trusts administered by MOSERS increased by 1,984. Active members decreased by 329, retired members and their beneficiaries increased by 1,995, and terminated-vested members increased by 318. Membership data for the last ten years ended June 30, 2012, can be found on page 147. Page 150 depicts the location of benefit recipients, showing that the majority remain in the state of Missouri after retirement.

Net Assets vs. Liabilities

The charts on pages 142-145 graphically represent the funding progress of the pension plans for the ten years ended June 30, 2012. The area charts in the middle of the pages show the portion of the pension liabilities that are unfunded compared to the portion covered by assets in the trust funds. The charts on the bottom of the pages illustrate the funded ratio of the plans for the ten years ended June 30, 2012.

The existence of the unfunded actuarial accrued liabilities is not necessarily an indication of financial problems, but the fluctuations are important and must be monitored and controlled.

The remainder of this section contains various statistical and historical data considered useful in evaluating the condition of the plans.

All nonaccounting data is taken from MOSERS' internal sources except for that information which is derived from the actuarial valuations (pages 142-147, 151, and 160-161). Member data may differ between some schedules since the valuations are performed using data as of May 31 each year.

Changes in Net Assets

Last Ten Fiscal Years

	2003	2004	2005	2006
MSEP				
Additions				
Employer contributions	$156,576,150	$ 164,691,836	$194,524,059	$227,233,195
Employee contributions	0	0	0	0
Member service purchases	3,690,820	3,426,367	4,122,001	3,072,315
Service transfers in	53,119	166,510	29,397	161,613
Investment income (net of expenses)	332,901,027	873,793,645	727,341,314	728,526,971
Other	437,574	469,959	1,231,658	501,512
Total additions to plan net assets	493,658,690	1,042,548,317	927,248,429	959,495,606
Deductions				
Benefits	319,607,447	367,248,099	367,431,297	400,169,563
Refunds	4,019	8,585	0	1,341
Service transfers out	2,191,487	529,177	199,201	133,866
Administrative expenses	5,954,365	5,694,082	6,228,609	6,486,597
Total deductions from plan net assets	327,757,318	373,479,943	373,859,107	406,791,367
Transfer from ALJLAP plan	0	0	18,157,148	0
Change in net assets	$165,901,372	$ 669,068,374	$571,546,470	$552,704,239
ALJLAP				
Additions				
Employer contributions	$ 951,023	$ 945,950	$ 1,124,924	$ 0
Investment income (net of expenses)	862,381	2,344,262	2,057,375	0
Other	1,134	1,261	3,484	0
Total additions to plan net assets	1,814,538	3,291,473	3,185,783	0
Deductions				
Benefits	969,918	1,003,355	749,197	0
Administrative expenses	15,425	15,276	17,618	0
Total deductions from plan net assets	985,343	1,018,631	766,815	0
Transfer to MSEP plan	0	0	(18,157,148)	0
Change in net assets	$ 829,195	$ 2,272,842	$(15,738,180)	$ 0
Judicial Plan				
Additions				
Employer contributions	$ 20,802,140	$ 20,636,314	$ 21,852,985	$ 22,401,569
Employee contributions	0	0	0	0
Investment income (net of expenses)	1,932,815	5,800,076	5,409,107	5,933,531
Other	2,541	3,119	9,160	4,085
Total additions to plan net assets	22,737,496	26,439,509	27,271,252	28,339,185
Deductions				
Benefits	16,870,011	17,658,269	18,396,397	19,091,587
Administrative expenses	34,571	37,796	46,321	52,830
Total deductions from plan net assets	16,904,582	17,696,065	18,442,718	19,144,417
Change in net assets	$ 5,832,914	$ 8,743,444	$ 8,828,534	$ 9,194,768
Internal Service Fund				
Operating revenues				
Premium receipts	$ 25,223,043	$ 25,771,703	$ 27,305,305	$ 26,415,236
Deferred compensation receipts	0	0	0	0
Miscellaneous income	436,494	436,489	436,489	436,501
Total operating revenues	25,659,537	26,208,192	27,741,794	26,851,737
Operating expenses				
Premium disbursements	25,169,883	25,736,083	27,271,948	26,379,919
Deferred compensation disbursements	0	0	0	0
Premium refunds	53,160	35,620	33,357	35,317
Administrative expenses	421,507	474,040	466,531	487,699
Total operating expenses	25,644,550	26,245,743	27,771,836	26,902,935
Non-operating revenues				
Investment income	31,179	24,353	49,326	85,124
Change in net assets	$ 46,166	$ (13,198)	$ 19,284	$ 33,926

2007	2008	2009	2010	2011	2012
$ 239,488,751	$ 249,770,156	$ 252,105,008	$ 251,226,187	$ 263,418,048	$ 263,373,924
0	0	0	0	599,761	4,955,399
3,460,923	3,085,133	3,235,999	3,576,954	2,814,551	2,869,085
172,936	38,069	28,075	10,009	142,248	2,675,339
1,283,573,438	110,627,355	(1,508,376,715)	859,898,512	1,395,677,299	158,102,123
542,266	572,274	619,060	639,901	659,474	448,463
1,527,238,314	364,092,987	(1,252,388,573)	1,115,351,563	1,663,311,381	432,424,333
447,240,771	479,853,891	511,466,555	543,284,289	597,424,954	611,522,451
0	0	0	3,106	0	123,709
51,980	251,443	0	462,970	17,745,828	588,180
6,689,710	6,950,878	7,088,483	7,064,544	7,054,581	7,017,057
453,982,461	487,056,212	518,555,038	550,814,909	622,225,363	619,251,397
0	0	0	0	0	0
$1,073,255,853	$(122,963,225)	$(1,770,943,611)	$ 564,536,654	$1,041,086,018	$(186,827,064)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 23,745,467	$ 26,215,309	$ 27,725,882	$ 27,029,198	$ 27,702,682	$ 26,324,526
0	0	0	0	59,958	149,859
11,356,312	1,043,940	(15,847,382)	9,909,718	17,460,050	2,061,916
4,798	5,506	6,504	7,374	8,250	5,849
35,106,577	27,264,755	11,885,004	36,946,290	45,230,940	28,542,150
20,595,504	22,058,085	23,232,088	24,230,545	25,488,531	26,821,412
59,187	66,880	74,473	81,414	88,253	91,514
20,654,691	22,124,965	23,306,561	24,311,959	25,576,784	26,912,926
$ 14,451,886	$ 5,139,790	$ (11,421,557)	$ 12,634,331	$ 19,654,156	$ 1,629,224
$ 27,101,931	$ 27,957,666	$ 28,990,057	$ 29,098,799	$ 28,829,638	$ 28,578,326
0	60,393,973	75,661,047	69,143,267	54,221,226	17,500,476
436,502	536,493	1,027,380	1,039,369	981,404	608,187
27,538,433	88,888,132	105,678,484	99,281,435	84,032,268	46,686,989
27,063,815	27,927,265	28,968,981	29,077,825	28,804,638	28,556,036
0	60,371,802	75,683,218	69,143,267	54,221,226	17,500,476
38,116	30,401	21,076	20,974	24,999	22,291
527,040	708,100	819,581	797,020	826,809	778,529
27,628,971	89,037,568	105,492,856	99,039,086	83,877,672	46,857,332
117,729	77,396	20,755	9,816	11,071	11,068
$ 27,191	$ (72,040)	$ 206,383	$ 252,165	$ 165,667	$ (159,275)

Deductions from Net Assets for Benefits and Refunds by Type

Last Ten Fiscal Years

MSEP

	FY03	FY04	FY05	FY06	FY07
Type of benefit					
Retirement	$257,883,204	$295,200,937	$314,623,851	$338,449,307	$366,185,990
Survivors	19,689,766	21,930,438	24,251,854	26,944,984	29,340,464
Disability	118,279	102,696	82,246	62,324	42,273
Lump sum	1,384,599	320,267	342,720	459,398	556,568
BackDROP	40,531,599	49,693,761	28,130,626	34,253,550	51,115,476
Total benefits	$319,607,447	$367,248,099	$367,431,297	$400,169,563	$447,240,771
Refunds	$4,019	$8,585	$ 0	$ 1,341	$ 0

	FY08	FY09	FY10	FY11	FY12
Type of benefit					
Retirement	$393,328,057	$421,847,017	$448,880,110	$476,841,741	$504,555,055
Survivors	31,894,702	34,615,979	37,718,898	39,968,601	42,963,959
Disability	36,825	33,812	33,403	29,191	29,503
Lump sum	454,643	272,189	409,787	293,147	229,650
BackDROP	54,139,664	54,697,557	56,242,091	80,292,274	63,744,284
Total benefits	$479,853,891	$511,466,554	$543,284,289	$597,424,954	$611,522,451
Refunds	$ 0	$ 0	$ 3,106	$ 0	$ 123,709

ALJLAP*

	FY03	FY04	FY05	FY06	FY07
Type of benefit					
Retirement	$808,124	$ 840,963	$616,370	$0	$0
Survivors	161,794	162,392	132,827	0	0
Total benefits	$969,918	$1,003,355	$749,197	$0	$0

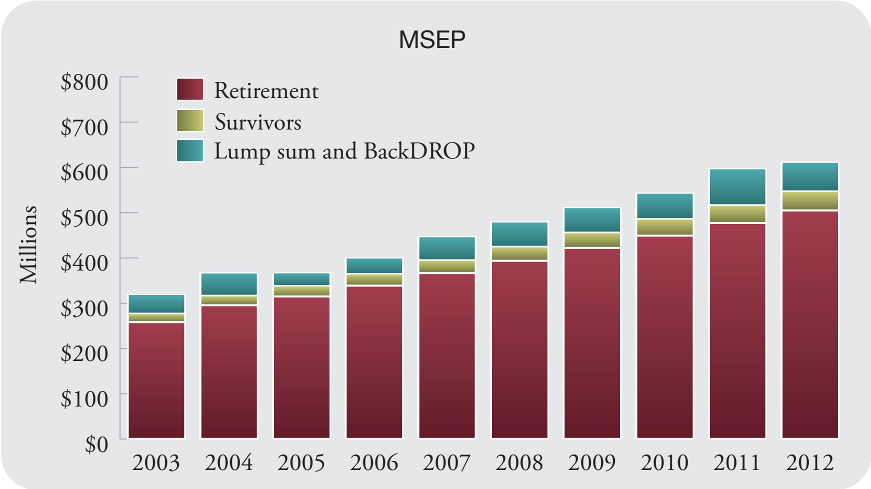
**ALJLAP Plan transitioned to the MSEP Plan in fiscal year 2005*

Judicial Plan

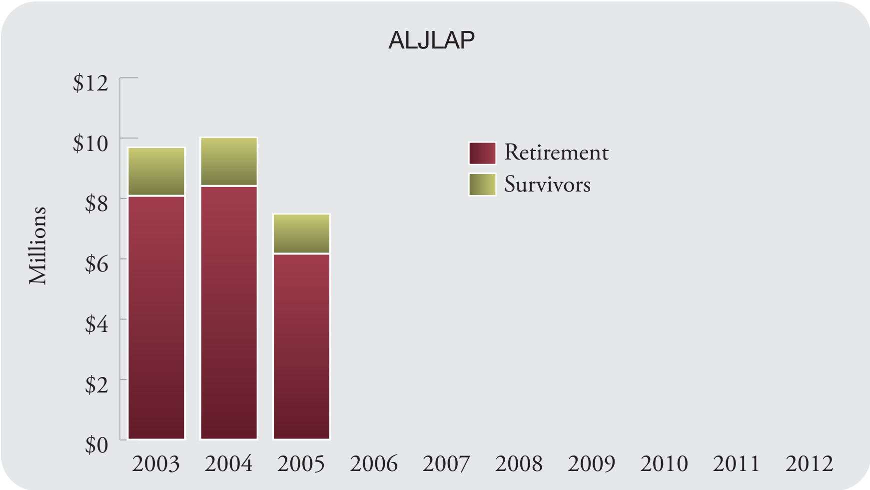
	FY03	FY04	FY05	FY06	FY07
Type of benefit					
Retirement	$14,256,361	$14,913,678	$15,513,182	$15,989,341	$17,135,426
Survivors	2,613,650	2,744,591	2,883,215	3,070,746	3,433,078
Disability	0	0	0	31,500	27,000
Total benefits	$16,870,011	$17,658,269	$18,396,397	$19,091,587	$20,595,504

	FY08	FY09	FY10	FY11	FY12
Type of benefit					
Retirement	$18,342,676	$19,143,753	$19,784,720	$21,025,904	$22,284,844
Survivors	3,715,409	4,088,335	4,445,825	4,462,627	4,536,569
Disability	0	0	0	0	0
Total benefits	$22,058,085	$23,232,088	$24,230,545	$25,488,531	$26,821,412

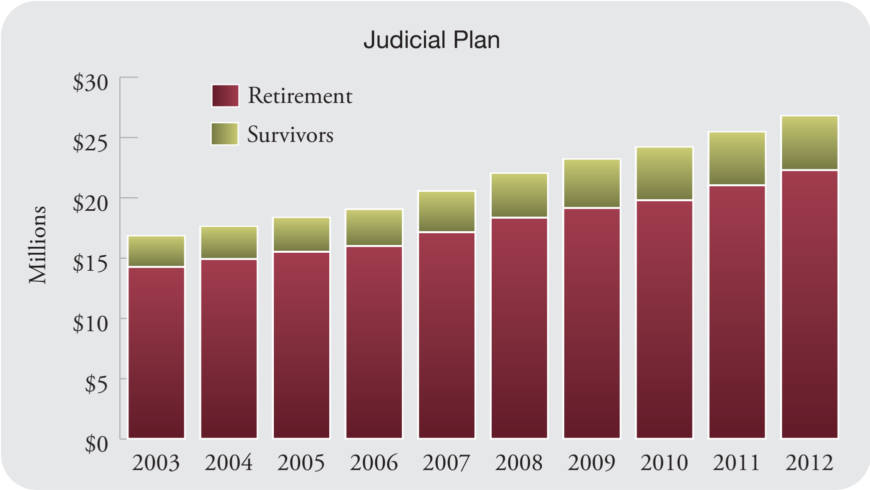
Deductions from Net Assets for Benefits and Refunds by Type
Last Ten Fiscal Years



Disability benefits are included, but amounts are too minimal to display visually in graph.



The ALJLAP was transitioned to the MSEP during FY05.



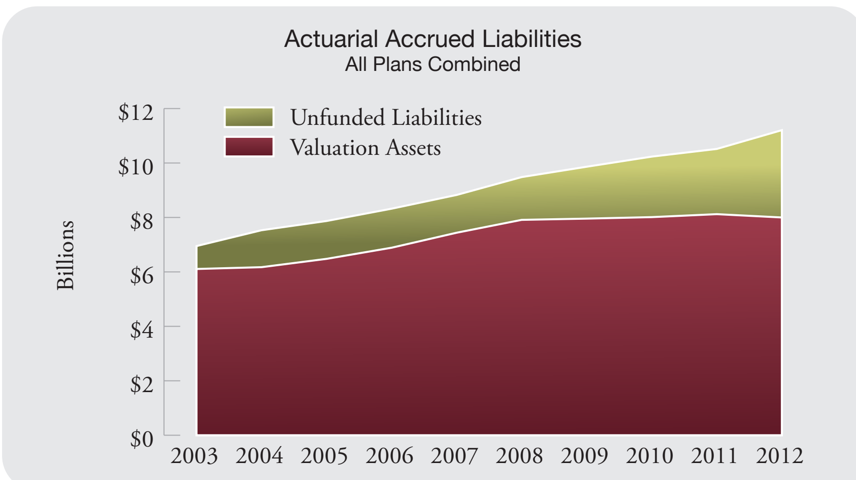
Disability benefits are included, but amounts are too minimal to display visually in graph.

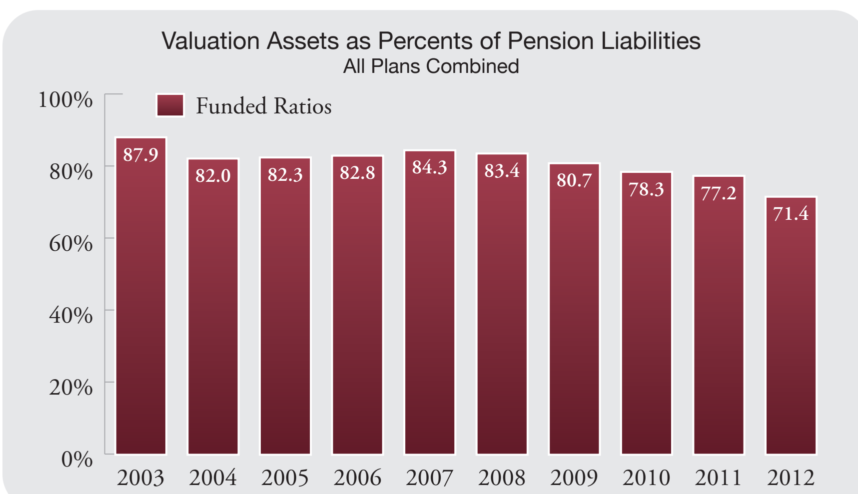
Valuation Assets (Smoothed Market) vs. Pension Liabilities

Pension Trust Funds - Last Ten Fiscal Years

All Plans Combined

	Dollars in Billions			
Fiscal Year	Valuation Assets	Unfunded Liabilities	Accrued Liabilities	Funded Ratios
2003	$6.1075	$0.8417	$ 6.9492	87.9%
2004	6.1735	1.3573	7.5308	82.0
2005	6.4795	1.3908	7.8703	82.3
2006	6.8883	1.4339	8.3222	82.8
2007	7.4392	1.3879	8.8271	84.3
2008	7.9117	1.5714	9.4831	83.4
2009	7.9574	1.9065	9.8639	80.7
2010	8.0124	2.2228	10.2352	78.3
2011	8.1210	2.3960	10.5170	77.2
2012	7.9994	3.2076	11.2070	71.4

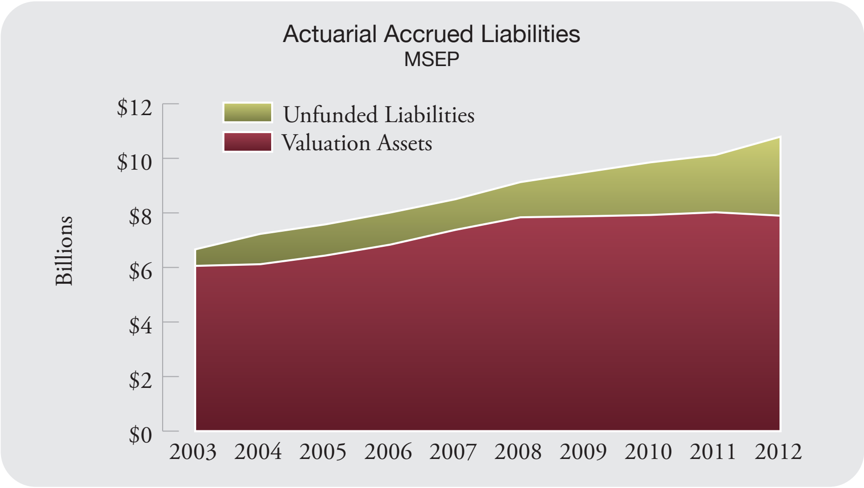


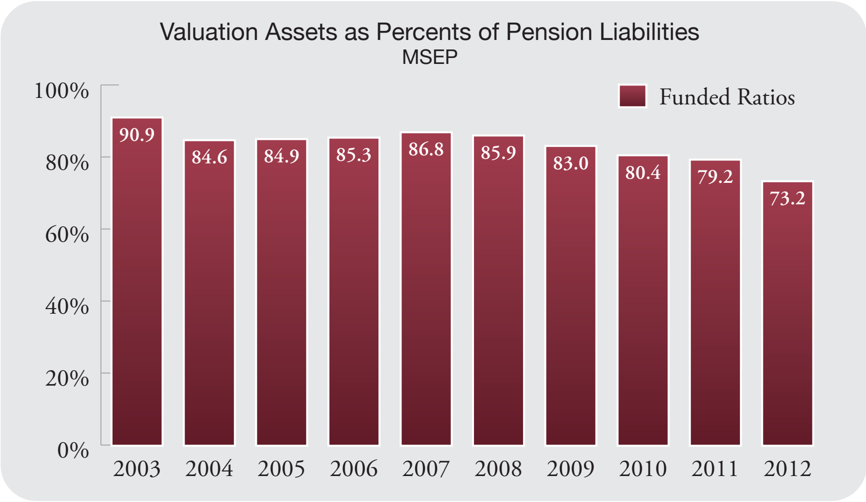


Valuation Assets (Smoothed Market) vs. Pension Liabilities
Ten Years Ended June 30, 2012

MSEP

	Dollars in Billions			
Fiscal Year	Valuation Assets	Unfunded Liabilities	Accrued Liabilities	Funded Ratios
2003	$6.0573	$0.6050	$ 6.6623	90.9%
2004	6.1182	1.1118	7.2300	84.6
2005	6.4353	1.1427	7.5780	84.9
2006	6.8366	1.1766	8.0132	85.3
2007	7.3773	1.1231	8.5004	86.8
2008	7.8385	1.2898	9.1283	85.9
2009	7.8761	1.6187	9.4948	83.0
2010	7.9234	1.9298	9.8532	80.4
2011	8.0225	2.1010	10.1240	79.2
2012	7.8972	2.8965	10.7937	73.2





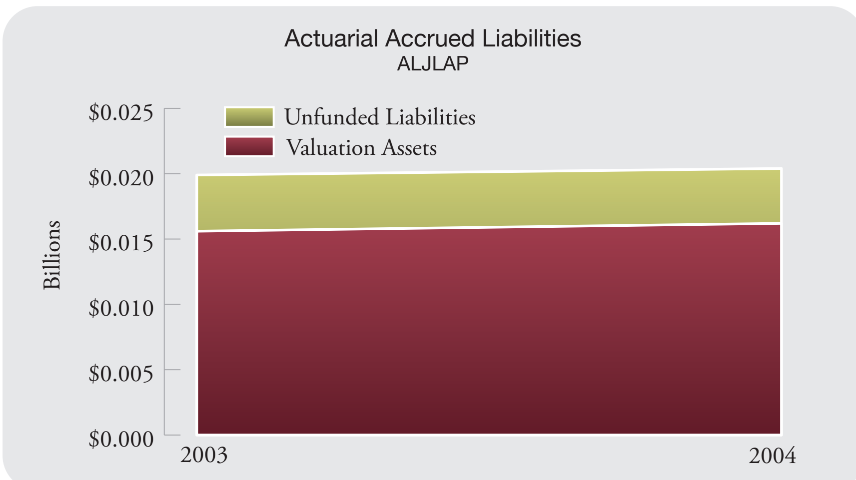
Valuation Assets (Smoothed Market) vs. Pension Liabilities

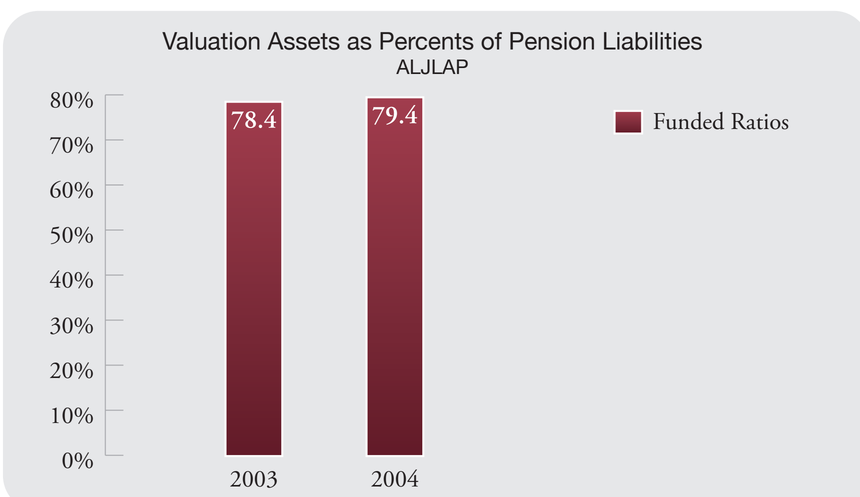
Pension Trust Funds - Last Ten Fiscal Years

ALJLAP*

	Dollars in Billions			
Fiscal Year	Valuation Assets	Unfunded Liabilities	Accrued Liabilities	Funded Ratios
2003	$0.0156	$0.0043	$0.0199	78.4%
2004	0.0162	0.0042	0.0204	79.4

** Assets and liabilities transferred to MSEP during fiscal year 2005.*



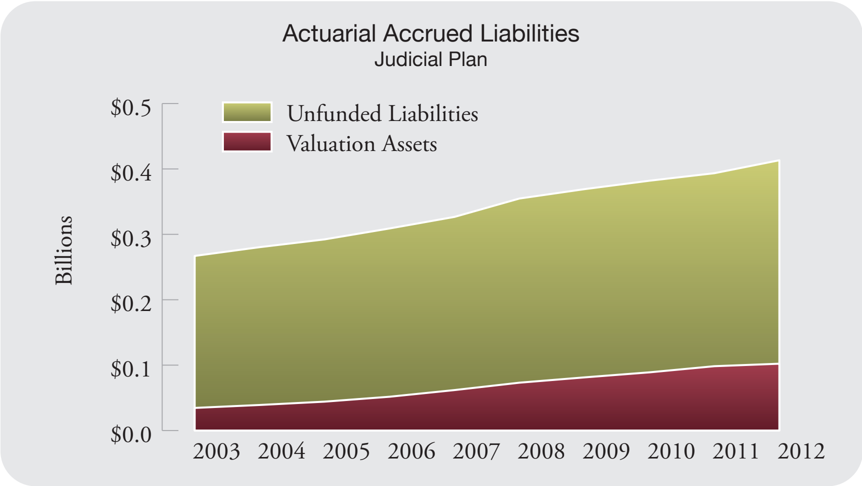


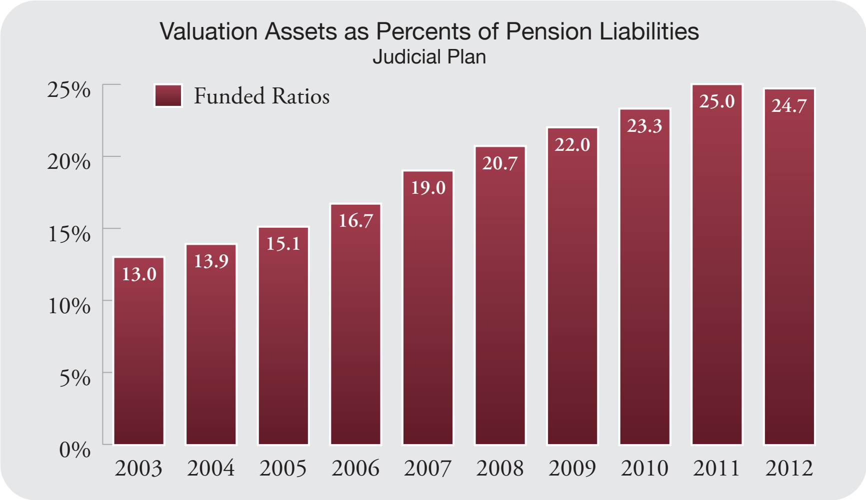
Valuation Assets (Smoothed Market) vs. Pension Liabilities

Ten Years Ended June 30, 2012

Judicial Plan

	Dollars in Billions			
Fiscal Year	Valuation Assets	Unfunded Liabilities	Accrued Liabilities	Funded Ratios
2003	$0.0346	$0.2324	$0.2670	13.0%
2004	0.0391	0.2413	0.2804	13.9
2005	0.0442	0.2481	0.2923	15.1
2006	0.0517	0.2573	0.3090	16.7
2007	0.0619	0.2648	0.3267	19.0
2008	0.0732	0.2816	0.3548	20.7
2009	0.0813	0.2878	0.3691	22.0
2010	0.0890	0.2930	0.3820	23.3
2011	0.0984	0.2951	0.3935	25.0
2012	0.1023	0.3111	0.4133	24.7



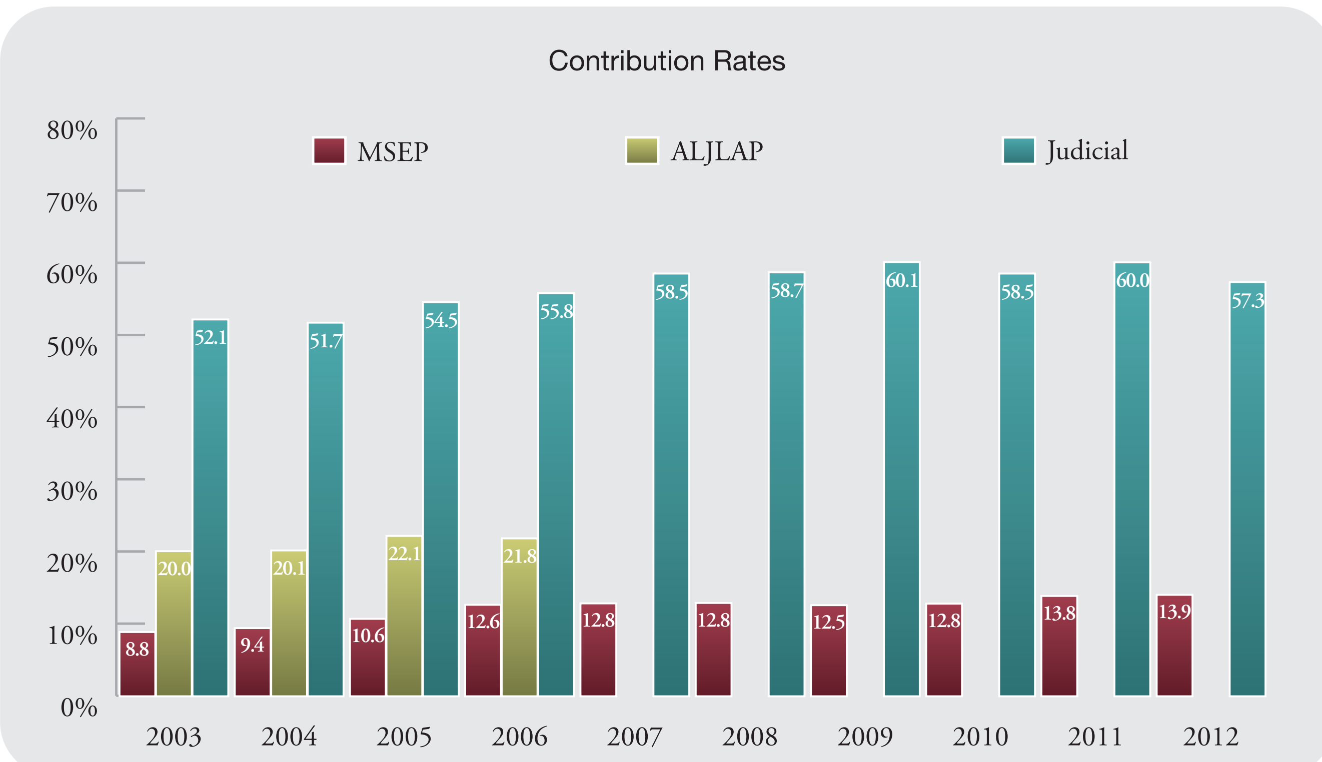


Contribution Rates as a Percent of Payroll

Last Ten Fiscal Years

Fiscal Year	MSEP	ALJLAP*	Judicial Plan
2003	8.81%	20.02%	52.12%
2004	9.35	20.12	51.68
2005	10.64	22.13	54.51
2006	12.59	21.79	55.76
2007	12.78	0.00	58.48
2008	12.84	0.00	58.65
2009	12.53	0.00	60.07
2010	12.75	0.00	58.48
2011	13.81	0.00	60.03
2012	13.97	0.00	57.30

** The ALJLAP was transitioned to MSEP during fiscal year 2005. After fiscal year 2006, the rate for MSEP includes the ALJ's.*



Membership in Retirement Plans

Last Ten Fiscal Years

Fiscal Year	Active	Retired/Beneficiaries	Terminated-Vested	Totals
2003	58,007	23,292	13,073	94,372
2004	56,362	25,179	13,898	95,439
2005	56,336	26,177	14,789	97,302
2006	54,887	27,450	15,829	98,166
2007	54,763	29,129	16,578	100,470
2008	54,943	30,572	17,123	102,638
2009	55,454	32,100	17,304	104,858
2010	53,880	33,716	17,441	105,037
2011	52,059	35,801	17,757	105,617
2012	51,730	37,796	18,075	107,601

Benefit Recipients by Type of Retirement and Option Selected

June 30, 2012

MSEP

Amount of Monthly Benefit	Number of Benefit Recipients	Type of Retirement A	B	C	D	E	F	G
1-250	4,506	1,670	2,042	280	457	2	0	55
251-500	6,429	3,066	2,267	372	660	6	0	58
501-750	4,845	2,985	1,066	280	482	0	0	32
751-1000	4,178	3,214	459	170	312	0	0	23
1001-1250	3,427	2,894	208	105	210	0	0	10
1251-1500	2,790	2,483	87	78	137	0	0	5
1501-1750	2,311	2,109	49	44	107	0	0	2
1751-2000	1,971	1,822	29	40	78	0	0	2
Over 2000	7,208	6,782	45	110	270	0	0	1
Total	37,665	27,025	6,252	1,479	2,713	8	0	188

Judicial Plan

Amount of Monthly Benefit	Number of Benefit Recipients	Type of Retirement A	B	C	D	E	F	G
1-250	3	0	2	0	1	0	0	0
251-500	10	0	8	0	0	0	0	2
501-750	7	0	3	0	3	0	0	1
751-1000	9	0	2	1	6	0	0	0
1001-1250	6	1	3	1	0	0	0	1
1251-1500	4	0	4	0	0	0	0	0
1501-1750	8	0	4	2	1	0	0	1
1751-2000	8	0	4	1	3	0	0	0
Over 2000	441	273	45	29	92	0	0	2
Total	496	274	75	34	106	0	0	7

Type of Retirement

A - Normal retirement
B - Early retirement
C - Survivor of active
D - Survivor of retired
E - Disability
F - Occupational disability (Water Patrol)
G - Ex-spouse

Option Selected									
1	2	3	4	5	6	7	8	9	10
0	17	156	138	245	0	916	541	41	2,452
7	37	191	112	312	4	1,300	1,058	21	3,387
8	34	105	55	223	2	1,051	1,124	5	2,238
11	21	61	36	272	0	889	985	4	1,899
10	17	52	27	305	1	711	714	1	1,589
9	9	40	22	348	0	575	463	0	1,324
10	7	26	15	316	1	472	346	0	1,118
8	2	31	17	303	1	412	231	1	965
69	19	75	31	1,001	0	1,960	1,003	0	3,050
132	163	737	453	3,325	9	8,286	6,465	73	18,022

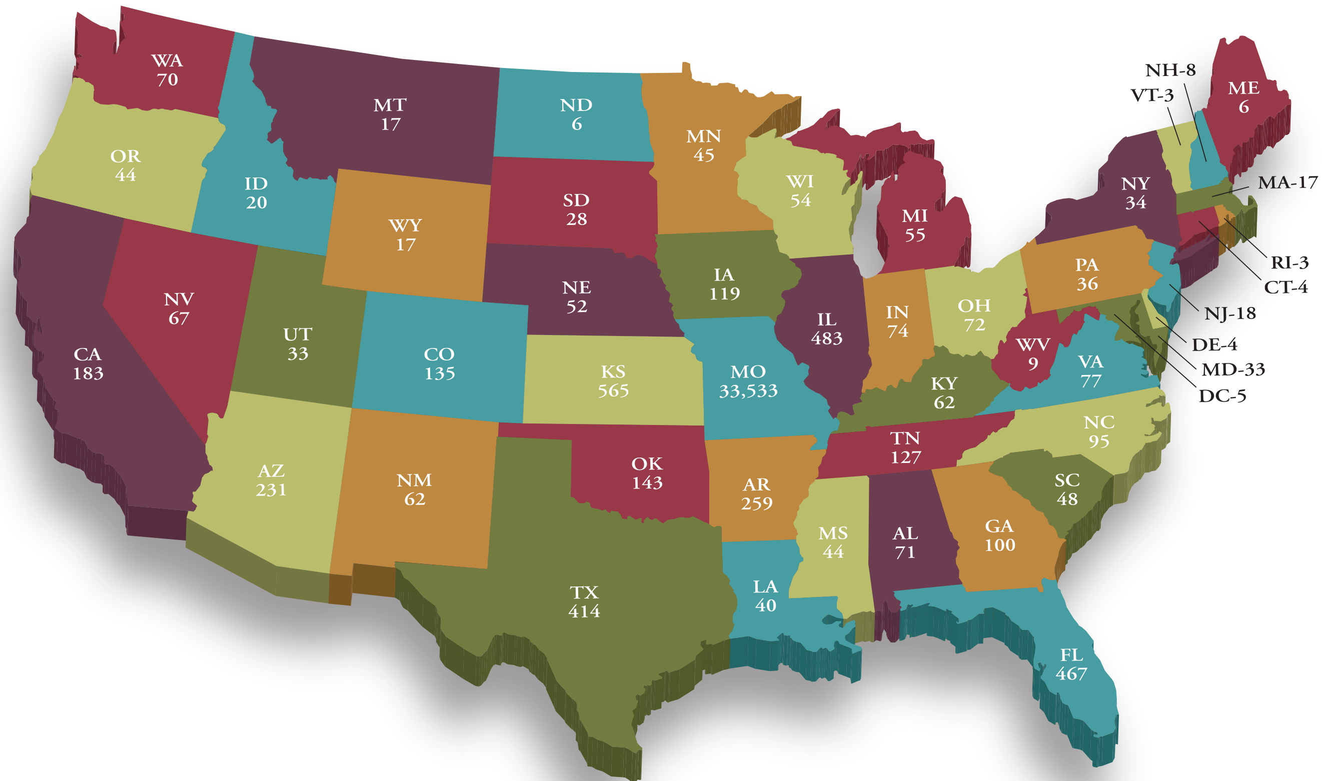
Option Selected									
1	2	3	4	5	6	7	8	9	10
3	0	0	0	0	0	0	0	0	0
8	0	0	0	0	0	0	0	0	2
5	0	0	0	1	0	0	0	0	1
4	0	0	0	2	0	0	0	0	3
4	0	0	0	0	0	0	0	0	2
4	0	0	0	0	0	0	0	0	0
5	0	0	0	0	0	0	0	0	3
5	0	0	0	1	0	0	0	0	2
406	0	0	0	27	0	0	0	1	7
444	0	0	0	31	0	0	0	1	20

Option Selected

1 - Automatic 50% joint & survivor
2 - 60 guaranteed payments
3 - 120 guaranteed payments
4 - 180 guaranteed payments
5 - 50% joint & survivor
6 - 75% joint & survivor
7 - 100% joint & survivor
8 - Unreduced 50% joint & survivor
9 - Automatic minor survivor
10 - No survivor option (includes pop-ups)

Distribution of Benefit Recipients by Location

June 30, 2012



Benefit Recipients Outside the Continental United States

13	Alaska	2	Ireland	1	Sri Lanka
8	Hawaii	2	Israel	1	Sweden
5	Army Post Office	2	Italy	1	Thailand
2	Australia	3	Mexico	1	The Netherlands
10	Canada	1	Marshall Islands	2	United Arab Emirates
1	Colombia, South America	1	Nigeria	2	United Kingdom
1	Costa Rica	1	P. R. China	2	Virgin Islands
1	Germany	1	Panama	1	Wales UK
1	Guam	1	Puerto Rico		
1	India	1	Spain		

Benefits Payable June 30, 2012
Tabulated by Option and Type of Benefit

MSEP

Type of Benefit	Number	Annual Benefits	Average Annual Benefits
Service retirement			
Life annuity	5,079	$ 63,429,949	$12,489
50% joint and survivor	5,390	87,717,538	16,274
100% joint and survivor	2,688	51,312,740	19,090
5-year certain and life	125	1,336,221	10,690
10-year certain and life	135	1,294,811	9,591
Survivor beneficiary	2,205	24,639,020	11,174
Total	15,622	229,730,279	14,706
Disability retirement	8	29,712	3,714
Death-in-service	1,393	14,330,683	10,288
Grand totals	17,023	$244,090,674	14,339

MSEP 2000

Type of Benefit	Number	Annual Benefits	Average Annual Benefits
Service retirement			
Life annuity	12,536	$182,602,844	$14,566
50% joint and survivor	3,033	61,734,134	20,354
100% joint and survivor	3,198	55,370,367	17,314
5-year certain and life	34	512,071	15,061
10-year certain and life	519	5,809,321	11,193
15-year certain and life	387	3,519,945	9,095
Survivor beneficiary	497	4,707,462	9,472
Total	20,204	314,256,144	15,554
Death-in-service	81	264,205	3,262
Grand totals	20,285	$314,520,349	15,505

Judicial Plan

Type of Benefit	Number	Annual Benefits	Average Annual Benefits
Service retirement			
50% joint and survivor	347	$22,287,941	$64,230
Survivor beneficiary	107	3,614,258	33,778
Total	454	25,902,199	57,053
Death-in-service	34	1,062,356	31,246
Grand totals	488	$26,964,555	55,255

Average Monthly Benefit Amounts

Ten Years Ended June 30, 2012

MSEP

Members Retiring During Fiscal Year		Years Credited Service by Category <5	5-10	10-15	15-20	20-25	25-30	30+	All Members
2003	Average monthly benefit	$ 111	$ 275	$ 509	$ 768	$ 1,065	$ 1,464	$ 1,811	$ 1,067
	Average final average salary	$ 1,533	$ 2,211	$ 2,417	$ 2,622	$ 2,741	$ 3,073	$ 3,268	$ 2,779
	Number of retirees	5	198	234	219	279	428	252	1,615
2004	Average monthly benefit	$ 125	$ 283	$ 423	$ 693	$ 1,037	$ 1,450	$ 1,650	$ 1,013
	Average final average salary	$ 1,837	$ 2,404	$ 2,264	$ 2,581	$ 2,704	$ 3,051	$ 3,033	$ 2,732
	Number of retirees	6	295	285	304	377	587	346	2,200
2005	Average monthly benefit	$ 281	$ 287	$ 466	$ 685	$ 1,190	$ 1,571	$ 1,955	$ 946
	Average final average salary	$ 4,085	$ 2,369	$ 2,282	$ 2,585	$ 3,084	$ 3,354	$ 3,488	$ 2,816
	Number of retirees	4	300	257	269	258	325	126	1,539
2006	Average monthly benefit	$ 426	$ 283	$ 440	$ 691	$ 1,044	$ 1,567	$ 1,870	$ 913
	Average final average salary	$ 3,520	$ 2,448	$ 2,333	$ 2,662	$ 2,756	$ 3,319	$ 3,473	$ 2,790
	Number of retirees	3	337	288	278	282	350	153	1,691
2007	Average monthly benefit	$ 150	$ 276	$ 484	$ 689	$ 1,123	$ 1,570	$ 1,841	$ 951
	Average final average salary	$ 2,613	$ 2,348	$ 2,512	$ 2,644	$ 2,965	$ 3,318	$ 3,396	$ 2,837
	Number of retirees	1	415	308	324	334	436	204	2,022
2008	Average monthly benefit	$ 0	$ 263	$ 466	$ 721	$ 1,106	$ 1,587	$ 2,043	$ 933
	Average final average salary	$ 0	$ 2,349	$ 2,437	$ 2,772	$ 2,942	$ 3,364	$ 3,689	$ 2,850
	Number of retirees	0	397	380	324	344	370	189	2,004
2009	Average monthly benefit	$ 111	$ 291	$ 491	$ 754	$ 1,236	$ 1,640	$ 2,173	$ 980
	Average final average salary	$ 1,596	$ 2,420	$ 2,468	$ 2,875	$ 3,238	$ 3,469	$ 3,961	$ 2,973
	Number of retirees	1	443	374	308	401	377	174	2,078
2010	Average monthly benefit	$ 442	$ 285	$ 490	$ 778	$ 1,184	$ 1,608	$ 2,128	$ 943
	Average final average salary	$ 6,215	$ 2,529	$ 2,550	$ 2,891	$ 3,167	$ 3,460	$ 3,829	$ 2,974
	Number of retirees	2	483	435	347	384	333	218	2,202
2011	Average monthly benefit	$ 367	$ 335	$ 491	$ 820	$ 1,222	$ 1,653	$ 2,147	$ 1,007
	Average final average salary	$ 1,442	$ 2,632	$ 2,501	$ 3,068	$ 3,238	$ 3,528	$ 3,892	$ 3,065
	Number of retirees	4	593	493	439	489	489	277	2,784
2012	Average monthly benefit	$ 126	$ 303	$ 521	$ 818	$ 1,232	$ 1,624	$ 2,271	$ 939
	Average final average salary	$ 7,854	$ 2,572	$ 2,648	$ 3,050	$ 3,295	$ 3,488	$ 4,109	$ 3,055
	Number of retirees	5	592	537	407	473	373	196	2,583
Ten Years Ended June 30, 2012									
	Average monthly benefit	$ 224	$ 292	$ 482	$ 748	$ 1,153	$ 1,567	$ 1,969	$ 969
	Average final average salary	$ 3,460	$ 2,459	$ 2,466	$ 2,804	$ 3,042	$ 3,327	$ 3,579	$ 2,903
	Number of retirees	31	4,053	3,591	3,219	3,621	4,068	2,135	20,718

Note: COLA increases and temporary benefits payable under MSEP 2000 until age 62 are excluded from the above for comparison purposes.

Average Monthly Benefit Amounts

Ten Years Ended June 30, 2012

General Employees in the MSEP

Members Retiring During Fiscal Year		Years Credited Service by Category <5	5-10	10-15	15-20	20-25	25-30	30+	All Members
2003	Average monthly benefit	$ 111	$ 248	$ 466	$ 670	$ 1,039	$ 1,460	$ 1,807	$ 1,048
	Average final average salary	$ 1,533	$ 2,178	$ 2,389	$ 2,538	$ 2,737	$ 3,073	$ 3,270	$ 2,767
	Number of retirees	5	190	223	205	274	427	251	1,575
2004	Average monthly benefit	$ 125	$ 272	$ 420	$ 680	$ 1,037	$ 1,450	$ 1,650	$ 1,012
	Average final average salary	$ 1,837	$ 2,392	$ 2,261	$ 2,577	$ 2,704	$ 3,050	$ 3,033	$ 2,730
	Number of retirees	6	289	284	301	377	586	346	2,189
2005	Average monthly benefit	$ 229	$ 262	$ 412	$ 678	$ 1,142	$ 1,571	$ 1,907	$ 923
	Average final average salary	$ 4,449	$ 2,343	$ 2,190	$ 2,581	$ 3,038	$ 3,354	$ 3,510	$ 2,792
	Number of retirees	3	288	251	267	251	325	122	1,507
2006	Average monthly benefit	$ 95	$ 270	$ 429	$ 691	$ 1,044	$ 1,553	$ 1,862	$ 906
	Average final average salary	$ 1,362	$ 2,415	$ 2,327	$ 2,662	$ 2,756	$ 3,296	$ 3,465	$ 2,774
	Number of retirees	2	333	285	278	282	347	152	1,679
2007	Average monthly benefit	$ 0	$ 259	$ 479	$ 682	$ 1,123	$ 1,566	$ 1,841	$ 949
	Average final average salary	$ 0	$ 2,331	$ 2,509	$ 2,642	$ 2,965	$ 3,319	$ 3,396	$ 2,836
	Number of retirees	0	404	306	322	334	435	204	2,005
2008	Average monthly benefit	$ 0	$ 257	$ 452	$ 711	$ 1,106	$ 1,587	$ 2,043	$ 930
	Average final average salary	$ 0	$ 2,343	$ 2,425	$ 2,756	$ 2,942	$ 3,364	$ 3,689	$ 2,846
	Number of retirees	0	393	375	323	344	370	189	1,994
2009	Average monthly benefit	$ 111	$ 265	$ 471	$ 745	$ 1,218	$ 1,638	$ 2,156	$ 969
	Average final average salary	$ 1,596	$ 2,387	$ 2,444	$ 2,874	$ 3,213	$ 3,467	$ 3,938	$ 2,958
	Number of retirees	1	429	370	306	398	376	173	2,053
2010	Average monthly benefit	$ 60	$ 282	$ 477	$ 774	$ 1,184	$ 1,603	$ 2,102	$ 936
	Average final average salary	$ 4,258	$ 2,526	$ 2,534	$ 2,891	$ 3,167	$ 3,461	$ 3,798	$ 2,965
	Number of retirees	1	480	432	346	384	332	216	2,191
2011	Average monthly benefit	$ 39	$ 302	$ 471	$ 803	$ 1,218	$ 1,644	$ 2,130	$ 996
	Average final average salary	$ 925	$ 2,614	$ 2,480	$ 3,057	$ 3,238	$ 3,523	$ 3,870	$ 3,057
	Number of retirees	3	565	486	435	488	486	275	2,738
2012	Average monthly benefit	$ 126	$ 290	$ 502	$ 805	$ 1,232	$ 1,617	$ 2,271	$ 932
	Average final average salary	$ 7,854	$ 2,557	$ 2,626	$ 3,036	$ 3,295	$ 3,475	$ 4,109	$ 3,045
	Number of retirees	5	584	532	404	473	372	196	2,566
Ten Years Ended June 30, 2012									
	Average monthly benefit	$ 119	$ 275	$ 463	$ 733	$ 1,145	$ 1,563	$ 1,958	$ 961
	Average final average salary	$ 3,179	$ 2,441	$ 2,445	$ 2,793	$ 3,036	$ 3,323	$ 3,572	$ 2,894
	Number of retirees	26	3,955	3,544	3,187	3,605	4,056	2,124	20,497

Note: COLA increases and temporary benefits payable under MSEP 2000 until age 62 are excluded from the above for comparison purposes.

Average Monthly Benefit Amounts

Ten Years Ended June 30, 2012

Legislators in the MSEP

Members Retiring During Fiscal Year		Years Credited Service by Category <5	5-10	10-15	15-20	20-25	25-30	30+	All Members
2003	Average monthly benefit	$ 0	$ 1,002	$ 1,403	$ 1,803	$ 2,482	$ 3,048	$ 2,700	$ 1,639
	Average final average salary	$ 0	$ 2,993	$ 2,993	$ 2,924	$ 2,993	$ 2,993	$ 2,613	$ 2,962
	Number of retirees	0	10	9	11	5	1	1	37
2004	Average monthly benefit	$ 0	$ 797	$ 1,306	$ 1,959	$ 0	$ 0	$ 0	$ 1,197
	Average final average salary	$ 0	$ 2,993	$ 2,993	$ 2,993	$ 0	$ 0	$ 0	$ 2,993
	Number of retirees	0	6	1	3	0	0	0	10
2005	Average monthly benefit	$ 435	$ 889	$ 1,379	$ 1,742	$ 2,409	$ 0	$ 3,411	$ 1,610
	Average final average salary	$ 2,993	$ 2,993	$ 2,993	$ 2,993	$ 2,898	$ 0	$ 2,803	$ 2,947
	Number of retirees	1	12	3	1	4	0	4	25
2006	Average monthly benefit	$ 0	$ 871	$ 1,524	$ 0	$ 0	$ 0	$ 0	$ 1,263
	Average final average salary	$ 0	$ 2,993	$ 2,993	$ 0	$ 0	$ 0	$ 0	$ 2,993
	Number of retirees	0	2	3	0	0	0	0	5
2007	Average monthly benefit	$ 150	$ 871	$ 1,306	$ 1,855	$ 0	$ 0	$ 3,484	$ 1,149
	Average final average salary	$ 2,613	$ 2,993	$ 2,993	$ 2,993	$ 0	$ 0	$ 2,993	$ 2,971
	Number of retirees	1	11	2	2	0	0	1	17
2008	Average monthly benefit	$ 0	$ 816	$ 1,306	$ 0	$ 0	$ 0	$ 0	$ 980
	Average final average salary	$ 0	$ 2,993	$ 2,993	$ 0	$ 0	$ 0	$ 0	$ 2,993
	Number of retirees	0	4	2	0	0	0	0	6
2009	Average monthly benefit	$ 0	$ 910	$ 1,496	$ 2,057	$ 2,395	$ 0	$ 0	$ 1,202
	Average final average salary	$ 0	$ 2,993	$ 2,993	$ 2,993	$ 2,993	$ 0	$ 0	$ 2,993
	Number of retirees	0	13	3	2	1	0	0	19
2010	Average monthly benefit	$ 0	$ 894	$ 1,496	$ 2,245	$ 0	$ 3,242	$ 0	$ 1,611
	Average final average salary	$ 0	$ 2,993	$ 2,993	$ 2,993	$ 0	$ 2,993	$ 0	$ 2,993
	Number of retirees	0	3	1	1	0	1	0	6
2011	Average monthly benefit	$ 0	$ 1,000	$ 1,512	$ 2,021	$ 2,744	$ 3,242	$ 0	$ 1,266
	Average final average salary	$ 0	$ 2,993	$ 2,993	$ 2,993	$ 2,993	$ 2,993	$ 0	$ 2,993
	Number of retirees	0	28	4	4	1	1	0	38
2012	Average monthly benefit	$ 0	$ 1,069	$ 1,659	$ 2,225	$ 0	$ 0	$ 0	$ 1,335
	Average final average salary	$ 0	$ 2,993	$ 2,993	$ 2,993	$ 0	$ 0	$ 0	$ 2,993
	Number of retirees	0	7	3	1	0	0	0	11
Ten Years Ended June 30, 2012									
	Average monthly benefit	$ 293	$ 938	$ 1,448	$ 1,913	$ 2,471	$ 3,177	$ 3,305	$ 1,379
	Average final average salary	$ 2,803	$ 2,993	$ 2,993	$ 2,962	$ 2,958	$ 2,993	$ 2,803	$ 2,978
	Number of retirees	2	96	31	25	11	3	6	174

Note: COLA increases and temporary benefits payable under MSEP 2000 until age 62 are excluded from the above for comparison purposes.

Average Monthly Benefit Amounts
Ten Years Ended June 30, 2012

Elected Officials in the MSEP

Members Retiring During Fiscal Year		Years Credited Service by Category <5	5-10	10-15	15-20	20-25	25-30	30+	All Members
2003	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Average final average salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2004	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Average final average salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2005	Average monthly benefit	$ 0	$ 0	$ 4,218	$ 0	$ 0	$ 0	$ 0	$ 4,218
	Average final average salary	$ 0	$ 0	$ 10,065	$ 0	$ 0	$ 0	$ 0	$ 10,065
	Number of retirees	0	0	2	0	0	0	0	2
2006	Average monthly benefit	$ 0	$ 2,009	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,009
	Average final average salary	$ 0	$ 8,979	$ 0	$ 0	$ 0	$ 0	$ 0	$ 8,979
	Number of retirees	0	1	0	0	0	0	0	1
2007	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Average final average salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2008	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Average final average salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2009	Average monthly benefit	$ 0	$ 3,336	$ 4,852	$ 0	$ 0	$ 0	$ 0	$ 4,094
	Average final average salary	$ 0	$ 8,979	$ 9,703	$ 0	$ 0	$ 0	$ 0	$ 9,341
	Number of retirees	0	1	1	0	0	0	0	2
2010	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Average final average salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2011	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Average final average salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2012	Average monthly benefit	$ 0	$ 0	$ 3,781	$ 0	$ 0	$ 0	$ 0	$ 3,781
	Average final average salary	$ 0	$ 0	$ 8,093	$ 0	$ 0	$ 0	$ 0	$ 8,093
	Number of retirees	0	0	2	0	0	0	0	2
Ten Years Ended June 30, 2012									
	Average monthly benefit	$ 0	$ 2,673	$ 4,170	$ 0	$ 0	$ 0	$ 0	$ 3,742
	Average final average salary	$ 0	$ 8,979	$ 9,204	$ 0	$ 0	$ 0	$ 0	$ 9,140
	Number of retirees	0	2	5	0	0	0	0	7

Note: COLA increases are excluded from the above for comparison purposes.

Average Monthly Benefit Amounts

Ten Years Ended June 30, 2012

Uniformed Water Patrol in the MSEP

Members Retiring During Fiscal Year		Years Credited Service by Category <5	5-10	10-15	15-20	20-25	25-30	30+	All Members
	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
2003	Average final average salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,743	$ 0	$ 1,743
2004	Average final average salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,628	$ 0	$ 3,628
	Number of retirees	0	0	0	0	0	1	0	1
	Average monthly benefit	$ 0	$ 0	$ 0	$ 1,267	$ 0	$ 0	$ 0	$ 1,267
2005	Average final average salary	$ 0	$ 0	$ 0	$ 3,254	$ 0	$ 0	$ 0	$ 3,254
	Number of retirees	0	0	0	1	0	0	0	1
	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,848	$ 3,090	$ 2,969
2006	Average final average salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 4,657	$ 4,710	$ 4,684
	Number of retirees	0	0	0	0	0	1	1	2
	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
2007	Average final average salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
	Average monthly benefit	$ 0	$ 0	$ 750	$ 0	$ 0	$ 0	$ 0	$ 750
2008	Average final average salary	$ 0	$ 0	$ 2,541	$ 0	$ 0	$ 0	$ 0	$ 2,541
	Number of retirees	0	0	1	0	0	0	0	1
	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,351	$ 5,113	$ 3,732
2009	Average final average salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 4,173	$ 7,902	$ 6,037
	Number of retirees	0	0	0	0	0	1	1	2
	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 4,886	$ 4,886
2010	Average final average salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 7,184	$ 7,184
	Number of retirees	0	0	0	0	0	0	2	2
	Average monthly benefit	$ 0	$ 0	$ 721	$ 0	$ 0	$ 3,086	$ 4,553	$ 3,200
2011	Average final average salary	$ 0	$ 0	$ 2,964	$ 0	$ 0	$ 5,077	$ 6,912	$ 5,388
	Number of retirees	0	0	1	0	0	2	2	5
	Average monthly benefit	$ 0	$ 0	$ 0	$ 959	$ 0	$ 0	$ 0	$ 959
2012	Average final average salary	$ 0	$ 0	$ 0	$ 2,794	$ 0	$ 0	$ 0	$ 2,794
	Number of retirees	0	0	0	1	0	0	0	1
Ten Years Ended June 30, 2012									
	Average monthly benefit	$ 0	$ 0	$ 735	$ 1,113	$ 0	$ 2,623	$ 4,514	$ 2,926
	Average final average salary	$ 0	$ 0	$ 2,753	$ 3,024	$ 0	$ 4,522	$ 6,801	$ 4,998
	Number of retirees	0	0	2	2	0	5	6	15

Note: COLA increases and temporary benefits payable under MSEP 2000 until age 62 are excluded from the above for comparison purposes.

Average Monthly Benefit Amounts

Ten Years Ended June 30, 2012

Administrative Law Judges and Legal Advisors in the MSEP

Members Retiring During Fiscal Year		Years Credited Service by Category <5	5-10	10-15	15-20	20-25	25-30	30+	All Members
2003	Average monthly benefit	$ 0	$ 0	$ 0	$ 3,615	$ 0	$ 0	$ 0	$ 3,615
	Average final average salary	$ 0	$ 0	$ 0	$ 7,231	$ 0	$ 0	$ 0	$ 7,231
	Number of retirees	0	0	0	3	0	0	0	3
2004	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Average final average salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2005	Average monthly benefit	$ 0	$ 0	$ 3,750	$ 0	$ 3,584	$ 0	$ 0	$ 3,626
	Average final average salary	$ 0	$ 0	$ 7,500	$ 0	$ 7,169	$ 0	$ 0	$ 7,251
	Number of retirees	0	0	1	0	3	0	0	4
2006	Average monthly benefit	$ 1,088	$ 1,669	$ 0	$ 0	$ 0	$ 3,333	$ 0	$ 2,356
	Average final average salary	$ 7,836	$ 5,933	$ 0	$ 0	$ 0	$ 6,667	$ 0	$ 6,776
	Number of retirees	1	1	0	0	0	2	0	4
2007	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Average final average salary	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2008	Average monthly benefit	$ 0	$ 0	$ 2,040	$ 3,968	$ 0	$ 0	$ 0	$ 2,683
	Average final average salary	$ 0	$ 0	$ 4,081	$ 7,936	$ 0	$ 0	$ 0	$ 5,366
	Number of retirees	0	0	2	1	0	0	0	3
2009	Average monthly benefit	$ 0	$ 0	$ 0	$ 0	$ 4,200	$ 0	$ 0	$ 4,200
	Average final average salary	$ 0	$ 0	$ 0	$ 0	$ 8,400	$ 0	$ 0	$ 8,400
	Number of retirees	0	0	0	0	2	0	0	2
2010	Average monthly benefit	$ 823	$ 0	$ 2,827	$ 0	$ 0	$ 0	$ 0	$ 2,159
	Average final average salary	$ 8,172	$ 0	$ 5,851	$ 0	$ 0	$ 0	$ 0	$ 6,625
	Number of retirees	1	0	2	0	0	0	0	3
2011	Average monthly benefit	$ 0	$ 0	$ 3,236	$ 4,101	$ 0	$ 0	$ 0	$ 3,524
	Average final average salary	$ 0	$ 0	$ 6,433	$ 8,202	$ 0	$ 0	$ 0	$ 7,023
	Number of retirees	0	0	2	1	0	0	0	3
2012	Average monthly benefit	$ 0	$ 2,493	$ 0	$ 4,378	$ 0	$ 4,204	$ 0	$ 3,692
	Average final average salary	$ 0	$ 8,756	$ 0	$ 8,756	$ 0	$ 8,408	$ 0	$ 8,640
	Number of retirees	0	1	0	1	0	1	0	3
Ten Years Ended June 30, 2012									
	Average monthly benefit	$ 956	$ 2,081	$ 2,851	$ 3,882	$ 3,831	$ 3,624	$ 0	$ 3,174
	Average final average salary	$ 8,004	$ 7,345	$ 5,747	$ 7,764	$ 7,661	$ 7,247	$ 0	$ 7,102
	Number of retirees	2	2	7	6	5	3	0	25

Note: COLA increases are excluded from the above for comparison purposes.

Average Monthly Benefit Amounts

Ten Years Ended June 30, 2012

Judicial Plan

Members Retiring During Fiscal Year		Years Credited Service by Category <5	5-10	10-15	15-20	20-25	25-30	30+	All Members
2003	Average monthly benefit	$ 756	$ 1,946	$ 4,042	$ 3,849	$ 4,000	$ 4,500	$ 4,250	$ 3,379
	Average final average salary	$ 8,000	$ 6,317	$ 8,333	$ 7,697	$ 8,000	$ 9,000	$ 8,500	$ 7,807
	Number of retirees	2	3	3	6	3	1	2	20
2004	Average monthly benefit	$ 855	$ 3,028	$ 4,500	$ 4,061	$ 4,597	$ 0	$ 4,500	$ 3,952
	Average final average salary	$ 5,129	$ 8,000	$ 9,000	$ 8,121	$ 9,194	$ 0	$ 9,000	$ 8,350
	Number of retirees	1	1	2	4	3	0	1	12
2005	Average monthly benefit	$ 0	$ 0	$ 4,388	$ 4,500	$ 4,142	$ 4,306	$ 4,396	$ 4,309
	Average final average salary	$ 0	$ 0	$ 9,000	$ 9,000	$ 8,284	$ 8,600	$ 8,792	$ 8,649
	Number of retirees	0	0	2	1	3	5	2	13
2006	Average monthly benefit	$ 592	$ 1,946	$ 4,500	$ 4,000	$ 0	$ 4,396	$ 0	$ 2,930
	Average final average salary	$ 5,875	$ 6,564	$ 9,000	$ 8,000	$ 0	$ 8,792	$ 0	$ 7,496
	Number of retirees	2	2	1	2	0	2	0	9
2007	Average monthly benefit	$ 207	$ 2,121	$ 3,995	$ 4,243	$ 4,335	$ 4,071	$ 4,250	$ 3,778
	Average final average salary	$ 5,875	$ 7,889	$ 7,990	$ 8,486	$ 8,714	$ 8,143	$ 8,500	$ 8,226
	Number of retirees	2	5	5	14	7	7	4	44
2008	Average monthly benefit	$ 592	$ 2,045	$ 4,120	$ 4,828	$ 5,132	$ 4,593	$ 5,186	$ 3,908
	Average final average salary	$ 5,821	$ 6,203	$ 8,276	$ 9,656	$ 10,264	$ 9,186	$ 10,373	$ 8,537
	Number of retirees	2	2	6	3	3	2	1	19
2009	Average monthly benefit	$ 524	$ 1,786	$ 3,663	$ 4,627	$ 5,286	$ 5,127	$ 5,020	$ 3,398
	Average final average salary	$ 6,103	$ 7,469	$ 7,811	$ 9,195	$ 10,572	$ 10,255	$ 10,040	$ 8,323
	Number of retirees	6	2	7	5	3	3	1	27
2010	Average monthly benefit	$ 458	$ 1,333	$ 4,507	$ 4,557	$ 0	$ 5,181	$ 4,973	$ 4,064
	Average final average salary	$ 6,597	$ 8,000	$ 9,577	$ 9,114	$ 0	$ 10,362	$ 9,946	$ 9,343
	Number of retirees	1	1	2	1	0	2	3	10
2011	Average monthly benefit	$ 0	$ 2,188	$ 4,615	$ 4,566	$ 4,869	$ 4,866	$ 4,650	$ 4,379
	Average final average salary	$ 0	$ 7,994	$ 9,299	$ 9,132	$ 9,738	$ 9,732	$ 9,299	$ 9,189
	Number of retirees	0	4	9	10	4	3	5	35
2012	Average monthly benefit	$ 1,740	$ 2,353	$ 4,561	$ 4,621	$ 0	$ 5,020	$ 0	$ 3,684
	Average final average salary	$ 9,114	$ 7,797	$ 10,179	$ 9,241	$ 0	$ 10,040	$ 0	$ 9,055
	Number of retirees	1	5	4	4	0	1	0	15
Ten Years Ended June 30, 2012									
	Average monthly benefit	$ 617	$ 2,115	$ 4,233	$ 4,351	$ 4,588	$ 4,533	$ 4,588	$ 3,818
	Average final average salary	$ 6,388	$ 7,433	$ 8,728	$ 8,696	$ 9,188	$ 9,065	$ 9,175	$ 8,510
	Number of retirees	17	25	41	50	26	26	19	204

Note: COLA increases are excluded from the above for comparison purposes.

Retirees and Beneficiaries Tabulated by Year of Retirement

As of June 30, 2012

MSEP

Fiscal Year of Retirement	Number	Total Annual Benefit	Average Monthly Benefit
1973	5	$ 29,513	$ 492
1974	6	45,349	630
1975	6	30,233	420
1976	19	133,274	585
1977	22	170,463	646
1978	29	176,619	508
1979	29	208,902	600
1980	35	329,845	785
1981	63	583,712	772
1982	85	743,402	729
1983	108	1,174,383	906
1984	129	1,134,166	733
1985	138	1,545,124	933
1986	191	1,711,126	747
1987	236	2,537,648	896
1988	300	3,833,699	1,065
1989	347	4,933,680	1,185
1990	347	4,820,917	1,158
1991	464	7,509,399	1,349
1992	510	7,861,116	1,284
1993	611	9,124,530	1,244
1994	608	9,200,571	1,261
1995	808	13,055,642	1,346
1996	827	13,666,755	1,377
1997	834	14,049,084	1,404
1998	1,018	16,897,477	1,383
1999	1,128	19,237,358	1,421
2000	1,217	20,464,365	1,401
2001	2,373	39,506,835	1,387
2002	1,715	25,694,366	1,249
2003	1,811	29,028,447	1,336
2004	2,400	38,118,799	1,324
2005	1,757	25,574,190	1,213
2006	1,932	27,450,582	1,184
2007	2,286	33,043,401	1,205
2008	2,279	32,052,215	1,172
2009	2,387	34,634,502	1,209
2010	2,515	34,990,535	1,159
2011	3,150	46,016,136	1,217
2012	2,940	39,513,261	1,120
	37,665	$560,831,621	1,241

Judicial Plan

Fiscal Year of Retirement	Number	Total Annual Benefit	Average Monthly Benefit
1976 & prior	1	$ 10,394	$ 866
1977	0	0	0
1978	1	14,914	1,243
1979	0	0	0
1980	1	20,337	1,695
1981	2	126,180	5,257
1982	1	11,751	979
1983	1	19,976	1,665
1984	1	21,232	1,769
1985	2	85,754	3,573
1986	3	152,176	4,227
1987	13	658,134	4,219
1988	7	345,286	4,111
1989	7	401,715	4,782
1990	6	320,267	4,448
1991	15	726,902	4,038
1992	6	297,726	4,135
1993	7	276,341	3,290
1994	6	286,737	3,982
1995	17	1,125,118	5,515
1996	10	527,637	4,397
1997	6	329,335	4,574
1998	22	1,344,680	5,093
1999	22	1,293,118	4,898
2000	22	1,414,930	5,360
2001	19	1,524,755	6,688
2002	15	947,711	5,265
2003	24	1,370,606	4,759
2004	17	1,060,406	5,198
2005	19	1,149,718	5,043
2006	17	686,178	3,364
2007	60	3,181,063	4,418
2008	31	1,549,169	4,164
2009	37	1,743,359	3,926
2010	16	842,909	4,390
2011	42	2,271,904	4,508
2012	20	845,573	3,523
	496	$26,983,991	4,534

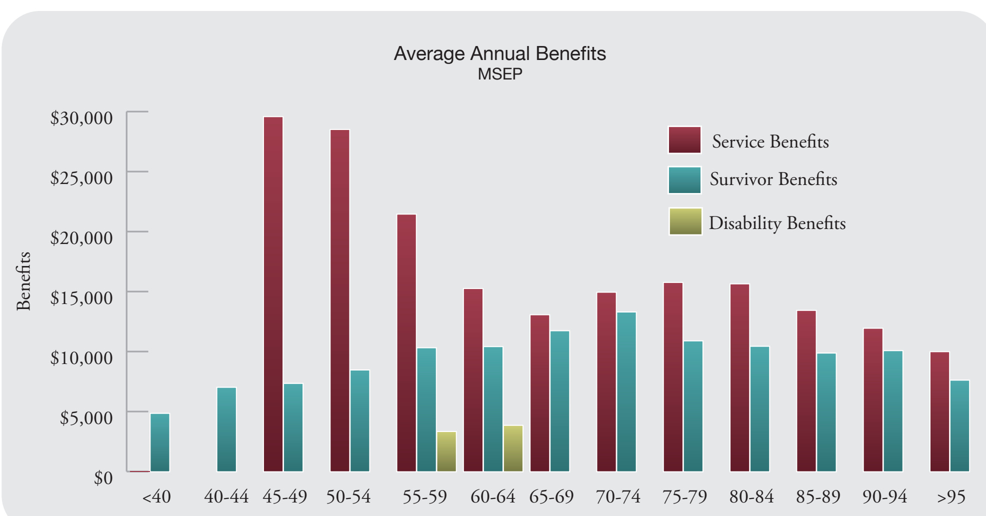
Total Benefits Payable June 30, 2012

Tabulated by Attained Ages of Benefit Recipients

MSEP

Attained Ages	Service Retirement No.	Service Retirement Annual Benefits	Disability Retirement No.	Disability Retirement Annual Benefits	Survivors and Beneficiaries No.	Survivors and Beneficiaries Annual Benefits	Totals No.	Totals Annual Benefits
Under 20					60	$ 207,099	60	$ 207,099
20-24					29	131,812	29	131,812
25-29					4	9,180	4	9,180
30-34					21	125,425	21	125,425
35-39					35	247,981	35	247,981
40-44					74	518,995	74	518,995
45-49	3	$ 88,716			97	711,809	100	800,525
50-54	557	15,875,773			192	1,623,532	749	17,499,305
55-59	3,724	79,864,356	2	$ 6,660	317	3,267,989	4,043	83,139,005
60-64	7,988	121,789,383	6	23,052	489	5,088,065	8,483	126,900,500
65-69	7,770	101,472,687			509	5,968,964	8,279	107,441,651
70-74	5,254	78,479,426			567	7,536,104	5,821	86,015,530
75-79	3,488	54,946,764			634	6,900,159	4,122	61,846,923
80-84	2,309	36,100,809			584	6,091,503	2,893	42,192,312
85-89	1,380	18,525,426			384	3,788,734	1,764	22,314,160
90-94	511	6,098,939			144	1,450,139	655	7,549,078
95	38	393,594			8	80,664	46	474,258
96	35	387,604			9	41,711	44	429,315
97	23	226,033			11	86,640	34	312,673
98	18	168,437			3	10,440	21	178,877
99	9	94,123			3	47,328	12	141,451
100	10	68,712			1	4,488	11	73,200
101	4	32,771					4	32,771
102	2	22,392					2	22,392
103	1	3,996					1	3,996
104					1	2,609	1	2,609
Totals	33,124	$514,639,941	8	$29,712	4,176	$43,941,370	37,308	$558,611,023

Average age at retirement: 60.2 years • Average age now: 69.3 years



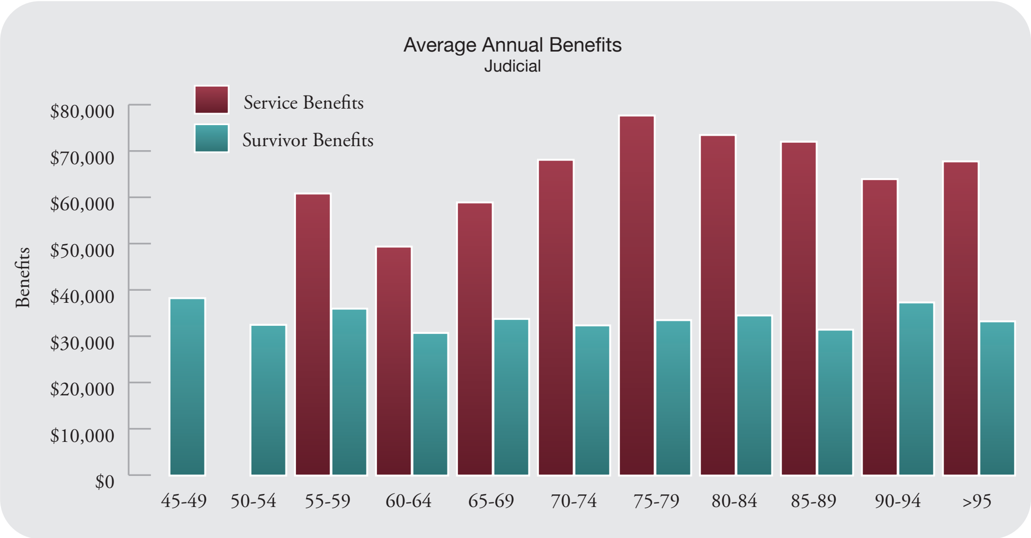
Total Benefits Payable June 30, 2012

Tabulated by Attained Ages of Benefit Recipients

Judicial Plan

	Service Retirement		Survivors and Beneficiaries		Totals	
Attained Ages	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits
50-54	0	$ 0	3	$ 114,540	3	$ 114,540
55-59	19	1,154,876	3	97,254	22	1,252,130
60-64	66	3,254,899	8	287,286	74	3,542,185
65-69	71	4,178,755	18	552,044	89	4,730,799
70-74	70	4,764,175	11	370,644	81	5,134,819
75-79	46	3,570,890	12	387,552	58	3,958,442
80-84	39	2,863,284	42	1,404,214	81	4,267,498
85-89	23	1,655,194	25	861,082	48	2,516,276
90-94	9	574,992	18	564,745	27	1,139,737
>95	4	270,876	1	37,253	5	308,129
Totals	347	$22,287,941	141	$4,676,614	488	$26,964,555

Average age at retirement: 65.2 years • Average age now: 75.5 years



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