

REPORT OF
MISSOURI STATE EMPLOYEES
DEFERRED COMPENSATION INCENTIVE PLAN
JUNE 30, 2015



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INDEPENDENT AUDITORS' REPORT

To the Trustees of the
Missouri State Employees Deferred Compensation Incentive Plan

Report on the Financial Statements

We have audited the accompanying financial statements of the Missouri State Employees Deferred Compensation Incentive Plan (the Plan), a component unit of the State of Missouri, which comprise the statement of fiduciary net position as of June 30, 2015, the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2015, and the changes in fiduciary net position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Other Matters

U.S. generally accepted accounting principles requires that the management's discussion and analysis 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 the 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.

McWilliams Keepers LLC

December 16, 2015

**MISSOURI STATE EMPLOYEES
DEFERRED COMPENSATION INCENTIVE PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2015

This discussion and analysis of the Missouri State Public Employees Deferred Compensation Incentive Plan financial performance provides an overview of the Plan's financial activities for the year ended June 30, 2015. Please read it in conjunction with the Plan's financial statements, which follow this section.

Financial Highlights

- Assets available for plan benefits at June 30, 2015, were \$502,522,770, an increase of \$28,367,282 or 5.98% compared to June 30, 2014, assets available for plan benefits of \$474,155,488. These funds are available for distribution to plan participants in accordance with Plan provisions.
- Total net additions were \$68,962,037 for the year ended June 30, 2015. Of that amount, \$2,100 was due to employer contributions and \$58,989,312 was due to net rollovers and transfers from other plans. Included with the additions was an increase of \$9,443,381 from positive investment income for the year.
- Total deductions were \$40,594,755 for the year ended June 30, 2015, compared to \$36,419,034 for the year ended June 30, 2014. Substantially all of the deductions were due to distributions to participants.
- At June 30, 2015, the number of active and terminated participants (those with a balance in their account) decreased to 42,043 compared to 43,837 at June 30, 2014.
- In February 2010, the State of Missouri, Division of Budget and Planning announced that the employer incentive (match) associated with the State of Missouri Deferred Compensation Incentive Plan (the Plan) was suspended at least through June 30, 2010, and subsequently through June 30, 2015. This impacted State contributions to the Plan for all participants beginning with their March 31, 2010 paycheck.

Overview of the Financial Statements

The Plan is established as a profit sharing incentive plan as authorized by Section 401(a) of the Internal Revenue Code (IRC), as amended. Participants who are active participants in the Missouri State Public Employees Deferred Compensation Plan, who have been an employee of a participating employer for at least 12 consecutive months, and are making monthly deferrals of at least \$25 to the Missouri State Public Employee's Deferred Compensation Plan, are eligible to receive contributions on their behalf ranging from \$25 to \$35 per month. In February 2010, the State of Missouri, Division of Budget and Planning announced that the employer incentive (match) associated with the State of Missouri Deferred Compensation Incentive Plan (the Plan) was suspended at least through June 30, 2010. The State of Missouri extended the suspension of the match through the State's fiscal year 2015. This impacted State contributions to the Plan for virtually all participants beginning with their March 31, 2010 paycheck; one participating employer has continued to make matching contributions. Participants may direct the contributions made by their employer in available investment options offered by the Plan and are 100% vested in their accounts. The participating employers include the State of Missouri and its agencies and retirement systems that elected to participate. As of June 30, 2015, there are nine participating State employers in the Plan. Benefits are payable to participants, in accordance with Plan provisions, upon termination of employment with the State, retirement, death, or unforeseeable emergency based on the participant's account balance.

The Plan's financial statements are comprised of a statement of fiduciary net position, a statement of changes in fiduciary net position, and notes to financial statements.

The statement of fiduciary net position presents information on the Plan's assets and liabilities with the difference between the two reported as fiduciary net position held in trust for benefits. This statement reflects, at fair value, the participants' balances in their selected investment options, which are available to pay benefits.

The statement of changes in fiduciary net position presents information showing how the Plan's fiduciary net position held in trust for benefits changed during the year ended June 30, 2015. This statement reflects contributions made by and benefits paid to participants during the period. Investing activities during the period are also presented which include interest and dividends added to participant accounts and the net appreciation or depreciation in fair value of the investments. Other transfers and fees affecting participant accounts are also reported in this statement.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Plan is considered by the Office of Administration – Division of Accounting to be a component unit of the State of Missouri and, therefore, the Plan is included as a pension trust fund in the State of Missouri's Comprehensive Annual Financial Report.

Financial Analysis

Summarized financial information is presented in the following condensed statements as of and for the years ended June 30, 2015 and 2014:

Condensed Statements of Fiduciary Net Position		
	June 30, 2015	June 30, 2014
Assets:		
Investments	\$ 501,795,727	\$ 473,517,249
Cash and cash equivalents	493,599	289,923
Receivables	263,071	376,472
Total assets	502,552,397	474,183,644
Liabilities:		
Accounts payable	29,627	28,156
Fiduciary net position held in trust for benefits	\$ 502,522,770	\$ 474,155,488

Condensed Statements of Changes in Fiduciary Net Position

	For the year ended June 30, 2015	For the year ended June 30, 2014
Additions:		
Employer contributions	\$ 2,100	\$ 1,995
Rollovers from other qualified plans	58,989,312	44,748,528
Investment income	9,443,381	36,401,156
Revenue sharing	527,244	496,495
Total additions	<u>68,962,037</u>	<u>81,648,174</u>
Deductions:		
Distributions to participants	40,123,778	35,993,317
Administrative fees	470,977	425,717
Total deductions	<u>40,594,755</u>	<u>36,419,034</u>
Change in fiduciary net position	<u>\$ 28,367,282</u>	<u>\$ 45,229,140</u>

A summary of the investment balances at June 30, 2015 and 2014, is as follows:

	2015 Balance (in 000's)	2014 Balance (in 000's)
Stable Value Fund		
ING Stable Value Fund	\$ 285,744	\$ 272,648
Bond Funds		
Prudential Total Return Bond Fund	70	71
American Funds Bond Fund of America	555	533
Federated US Government Securities Fund - 2-5 Years	543	739
Vanguard Inflation Protected Securities Fund	633	647
	<u>1,801</u>	<u>1,990</u>
Large - Cap Equity Funds		
American Century Equity Income Fund	2,442	2,378
Fidelity Equity Income Fund	1,916	1,944
Nationwide Institutional Service	1,274	1,172
Putnam Investors A	848	809
SEI Index S&P 500 E	3,571	3,289
Vanguard Total Stock Admiral Class	2,335	2,220
American Century Growth Fund	1,555	1,450
American Century Ultra Fund	5,329	4,752
Fidelity Contrafund	12,416	11,732
	<u>31,686</u>	<u>29,746</u>

continued

<i>continued:</i>	2014	2013
	<u>Balance (in 000's)</u>	<u>Balance (in 000's)</u>
Mid - Cap Equity Funds		
Goldman Sachs Mid Cap Fund	1,552	1,474
Invesco Mid Cap Growth Fund	1,325	1,321
	<u>2,877</u>	<u>2,795</u>
Small - Cap Equity Funds		
Perkins Small Cap Value	881	830
Dreyfus Small Cap Stock Index Fund	521	488
Neuberger & Bergman Genesis Fund	3,829	3,580
Brown Capital Small Company Institutional	465	506
	<u>5,696</u>	<u>5,404</u>
International Equity Funds		
Janus Global Research	924	903
T. Rowe Price International Stock Fund	954	926
Templeton Developing Markets Trust	708	797
	<u>2,586</u>	<u>2,626</u>
Asset Allocation Investments		
Vanguard Life Strategy Income Fund	314	312
Vanguard Life Strategy Conservative Growth	599	613
Vanguard Life Strategy Moderate Growth Fund	1,148	1,126
Vanguard Life Strategy Growth Fund	2,082	2,017
	<u>4,143</u>	<u>4,068</u>
Self-Managed Accounts	<u>7,440</u>	<u>5,965</u>
Target Date Funds		
Missouri Retirement Allocation	2,818	1,520
MO 2000 Fund	-	510
MO 2005 Fund	2,206	2,504
MO 2010 Fund	10,393	10,567
MO 2015 Fund	23,733	22,596
MO 2020 Fund	36,490	32,095
MO 2025 Fund	30,211	26,823
MO 2030 Fund	20,264	18,883
MO 2035 Fund	16,010	16,151
MO 2040 Fund	9,998	9,665
MO 2045 Fund	4,599	4,523
MO 2050 Fund	1,826	1,324
MO 2055 Fund	540	533
MO 2060 Fund	37	-
	<u>159,125</u>	<u>147,694</u>
Other		
MOSERS Investment Portfolio	<u>698</u>	<u>581</u>
Total	<u>\$ 501,796</u>	<u>\$ 473,517</u>

During the years ended June 30, 2015 and 2014, Plan participants elected to allocate their employer contributions as follows:

Allocation of Contributions		
	2015	2014
Stable Value Fund	56.2%	57.9%
Bond Funds	0.3%	0.8%
Moderate Asset Allocation Investments	0.0%	0.1%
Large-Cap Equity Funds	4.1%	4.8%
Mid-Cap Equity Funds	0.4%	0.3%
Small-Cap Equity Funds	1.2%	0.7%
International Equity Funds	0.4%	0.9%
Asset Allocation Investments	0.6%	1.0%
Self-Managed Accounts	0.6%	0.3%
Target Date Funds	36.2%	33.2%
	<u>100.0%</u>	<u>100.0%</u>

- Net assets available for plan benefits increased by approximately \$28.4 million during the year ended June 30, 2015 to approximately \$502.5 million. The most significant changes were accounts rolled into this Plan from other plans and investment income, reduced by distributions to Plan participants.
- Employer contributions were approximately \$2,000 for each of the years ended June 30, 2015 and 2014.
- Investment income was approximately \$9.4 million for the year ended June 30, 2015, compared to approximately \$36.4 million for the year ended June 30, 2014. The decrease is attributed to negative market conditions during the year ended June 30, 2015.
- Distributions to participants totaled approximately \$40.1 million for the year ended June 30, 2015, compared to approximately \$36 million for the year ended June 30, 2014. That represents a relative increase of approximately \$4.1 million or 11.5%. Distributions will vary year-to-year based on the number of employees leaving the Plan.
- Administrative fees were approximately \$471,000 for the year ended June 30, 2015, compared to approximately \$426,000 for the year ended June 30, 2014. That represents a relative increase in administrative fees of approximately \$45,000 or 10.6%.

Other

Other than changes in the fair value of Plan assets as may be impacted by the stock and bond markets, along with changes in interest rates, no other matters are known by management to have a significant impact on the operations or financial position of the Plan.

Requests for Information

This financial report is designed to provide a general overview of the Plan's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Plan Administrator, c/o MOSERS, P.O. Box 209, Jefferson City, MO 65102-0209.

**MISSOURI STATE EMPLOYEES
DEFERRED COMPENSATION INCENTIVE PLAN**

**STATEMENT OF FIDUCIARY NET POSITION
June 30, 2015**

ASSETS

Investments, at fair value:	
Missouri target date funds	\$ 159,125,322
Mutual funds	48,789,133
Self-directed brokerage account	7,439,861
MOSERS investment portfolio fund	697,683
Investments, at contract value:	
Guaranteed investment contract	<u>285,743,728</u>
Total investments	501,795,727
Cash and cash equivalents	493,599
Due from MOSERS	188,953
Revenue share receivable	<u>74,118</u>
Total assets	<u><u>502,552,397</u></u>

LIABILITIES

Accounts payable	<u>29,627</u>
Total liabilities	<u>29,627</u>
Fiduciary net position held in trust for benefits	<u><u>\$ 502,522,770</u></u>

The notes to financial statements are an integral part of these statements.

**MISSOURI STATE EMPLOYEES
DEFERRED COMPENSATION INCENTIVE PLAN**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2015**

ADDITIONS

Contributions:

Employers	\$ 2,100
Rollovers	58,989,312
Total contributions	58,991,412

Investment income:

Net depreciation in fair value of investments	(338,720)
Interest and dividends	9,782,101
Total investment income	9,443,381

Revenue sharing	527,244
Total additions	68,962,037

DEDUCTIONS

Benefits paid to participants	40,123,778
Administrative expenses	470,977
Total deductions	40,594,755

Change in fiduciary net position	28,367,282
Fiduciary net position held in trust for benefits, beginning of year	474,155,488
Fiduciary net position held in trust for benefits, end of year	\$ 502,522,770

The notes to financial statements are an integral part of these statements.

**MISSOURI STATE EMPLOYEES
DEFERRED COMPENATION INCENTIVE PLAN**

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE PLAN

The following description of the Missouri State Employees Deferred Compensation Incentive Plan (the "Plan"), which is administered by the Missouri State Employees' Retirement System ("MOSERS"), is provided for general information purposes only. For a more complete description of the Plan provisions, refer to the detailed plan documents or the State of Missouri statutes.

General: The Plan was established by the Missouri State Public Employees' Deferred Compensation Commission (the "Commission") in July 1995 pursuant to Section 401(a) of the Internal Revenue Code ("IRC"). The first employer contributions to the Plan were made in January 1996. The participating employers include the State of Missouri and its agencies and retirement systems which elect to participate. There are currently nine participating State employers in the Plan. The Plan is considered a component unit of the State of Missouri and is included as a pension trust fund in the State of Missouri's Comprehensive Annual Financial Report.

The supervisory authority for the management and operation of the Plan is the Board of Trustees of MOSERS. MOSERS has hired a recordkeeper to handle participant services and recordkeeping and an investment custodian to hold the Plan's investments. ICMA-RC is recordkeeper for the Plan. State Street Investor Services is the investment custodian for the Plan's investments in mutual funds, Target Date Funds, and the Voya Stable Value fund. TD Ameritrade is the custodian for the Plan's self-directed brokerage account.

The Plan is classified as a governmental plan and is not subject to Title I of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan, accordingly, does not file Form 5500, which was developed by the Internal Revenue Service, Department of Labor, and the Pension Benefit Guaranty Corporation to satisfy the reporting requirements of the IRS and ERISA.

Eligibility and Contributions: No employee contributions are made to the Plan. Participants who are active participants in the Missouri State Public Employees Deferred Compensation Plan, who have been an employee of a participating employer for at least 12 consecutive months, and who are making monthly deferrals of at least \$25 to the Missouri State Public Employees Deferred Compensation Plan are eligible to receive contributions on their behalf as indicated in the table below.

Participant's Monthly Contribution	State's Monthly Match
\$25 to \$29.50	\$25
\$30 to \$34.50	\$30
\$35 or more	\$35

In February 2010, the State of Missouri, Division of Budget and Planning announced that the employer incentive (match) associated with the State of Missouri Deferred Compensation Plan was suspended at least through June 30, 2010. This impacted state contributions to the Plan for all participants beginning with their March 31, 2010 paycheck. The State of Missouri extended the suspension of the match for the State's 2011 through 2015 fiscal years. Of the nine participating employers, only one is currently making matching contributions.

Participants may make rollover contributions from other qualified plans into the Plan.

Investment Options: Participants in the Plan may invest in the following options:

- Fixed earnings investments underwritten by Voya Retirement Insurance and Annuity Company (“VRIAC”)
- Self-directed brokerage options through TD Ameritrade
- Target date funds
- Mutual funds
- MOSERS Investment Portfolio (MIP) fund

Mutual fund investment options were closed to new investors after May 1, 2009, but the allocation of future contributions are permitted for investors who designated those allocation instructions prior to May 1, 2009.

Participant Accounts: Each participant’s account is credited with the employers’ matching contributions and allocations of Plan earnings and charged with an allocation of Plan expenses. Allocations are based on participant earnings or account balances, as defined. Earnings are credited to individual participant account balances based upon investment performance of the specific options selected by the participant. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

Vesting: Participants are at all times 100% vested in their account balances.

Payment of Benefits: Employees participating in the Plan or their beneficiaries may withdraw the fair value of funds contributed to the Plan upon retirement, death, qualifying hardship or separation of service from the Employer, subject to Internal Revenue Service limitations. Employees may select from various payout options, including lump sum payments, rollover to other qualified plans or individual retirement arrangements or payments over various periods. Retiring participants have the option to annuitize their account balances as one of their payout options. The Plan provides this option through an annuity that can be purchased from insurance companies available through the Plan’s record-keeper. Depending upon the option selected, the payments may be actuarially determined.

Plan Membership: As of June 30, 2015, the Plan’s membership consisted of the following:

Active participants	33,826
Retired and inactive participants	8,217
	<hr/>
	42,043
	<hr/>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The accompanying financial statements have been prepared on the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and reporting principles.

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of net assets held in trust for benefits, liabilities and changes therein. Actual results could differ from those estimates.

Related Plan: The Missouri State Public Employees Deferred Compensation Plan (the “Deferred Compensation Plan”) is related to the Plan through common sponsorship and administration. Both are offered by the State of Missouri to the same employees, and the operations and administration are handled together. Certain balances are allocated between the two plans based on either investment balances or number of participants. The Deferred Compensation Plan issues separate financial statements.

Contributions and Contributions Receivable: Contributions are recorded when the related deferred compensation payment is withheld from the participating employees’ salary and the employer is required to make the matching contribution. Contributions are credited by the applicable investment custodian upon receipt from the Employer. Contributions receivable represent employer contributions related to the fiscal year not remitted to the investment custodian at fiscal year-end. Contributions receivable at June 30, 2015 were \$0.

Revenue Share Revenue and Receivable: The Plan receives shareholder service fees, 12(b)1 fees, and other commissions from individual mutual fund companies. The record keeper receives this income as the intermediary and allocates monthly revenue to the Plan based upon the balances of the assets within the mutual fund. The revenue share income is used to pay a portion of the recordkeeping fees, which reduces the actual fees paid by the participants of the Plan. The revenue for each month is allocated the following month. As of the fiscal year end, the unpaid balances have been accrued as a receivable by the Plan.

Due from MOSERS: The due from MOSERS represents a cash balance held by MOSERS to pay for administrative expenses of the Plan as they arise.

Investment Valuation: Investments in mutual funds and self-directed brokerage accounts are presented at their fair value based on published market prices. Investments in the Voya Stable Value Fund are valued at contract value as this is the value realizable by participants. Investments in the Missouri Target Date Funds are valued at fair value based on the fair value of the underlying assets comprising each Missouri Target Date Fund, as provided by the individual fund managers. Investments in the MOSERS Investment Portfolio (MIP) Fund are valued on a monthly basis based on the fair value of the underlying assets.

Purchases and sales of securities are recorded on a trade date basis. Realized investment gains and losses are determined using the average cost. Dividends are recorded on the declaration date. Interest is recorded when earned.

Investment Contract with Voya Life Insurance and Annuity Company: In 2006, the Plan entered into a benefit-responsive investment contract with ING Life Insurance and Annuity Company, which was subsequently renamed Voya Retirement Insurance and Annuity Company (“VRIAC”). This benefit-responsive investment contract is the Voya Stable Value Fund. VRIAC maintains the contributions in a separate account. The value of the separate account is the fair market value of investments plus cash balances and accruals, less liabilities, in accordance with such methods as described in the contract or as VRIAC may adopt from time to time. Income and gains or losses, realized or unrealized, are credited or charged directly to the separate account. The values determined may decrease or increase according to such procedure. The separate account is charged with expenses arising from the operations of the account including taxes, brokerage, commissions, and other costs. The contract value as reported to the Plan by VRIAC is the value represented in the Interest Accumulation Fund, which is the accounting record maintained under the contract for amounts reflecting the termination value of the predecessor investment vehicle (Nationwide) plus or minus deposits received, withdrawals made, fees charged, interest at the Credited Rate and other adjustments. Participants may direct the withdrawal or transfer of all or a portion of their investment contracts.

The fair value of the investment contract as of June 30, 2015, was \$291,028,860 and the contract value on June 30, 2015, was \$285,743,728. The average yield and crediting interest rates were approximately 2.02% for the year ended June 30, 2015. The crediting interest rate is based on a formula agreed upon with the issuer. The

interest rates are reviewed on a quarterly basis for resetting. The crediting interest rate formula is in part based on the fair value of the underlying securities of the investment contract.

Certain events, such as termination of the contract by the Plan or the termination of the Plan, would limit the Plan's ability to transact at contract value with VRIAC. The Plan administrator believes the occurrence of such events that would also limit the Plan's ability to transact at contract value with plan participants is not probable.

Interest Income: Interest income is recorded as earned for the Stable Value Fund. The interest rate for the Stable Value Fund was 2.24% at June 30, 2015. The interest rate ranged from 2.10% to 2.30% for the year ended June 30, 2015. Total interest income recognized was \$6,131,687 during the year ended June 30, 2015, and is included in interest and dividends on the statement of changes in fiduciary net position.

Administrative Expenses: ICMA-RC charges annual recordkeeping and advisory fees totaling \$34 per participant. This fee covers services for both this Plan and the Deferred Compensation Plan. The fee is allocated between the two plans.

In addition, the two plans paid administrative fees of \$25,000 quarterly to MOSERS for administration services provided to the two plans. These quarterly fees are paid out of the \$34 annual per participant fee charged. These quarterly fees are also allocated between the two plans. During the year ended June 30, 2014, the Plan transferred approximately \$261,000 to MOSERS to cover future administrative expenses. Administrative fees for the year ended June 30, 2015 were paid from this amount.

Benefits Paid: Benefits are recorded at the time withdrawals are made from the Plan participant accounts, which generally coincides with the trade date.

Rollovers: Rollovers represent contributions transferred from other qualified plans.

3. TAX STATUS

The Plan is reviewed by legal counsel to ensure conformity with Section 401(a) of the IRC. Accordingly, any amount of contributions under the Plan and any income attributable to the amounts so contributed are included in the gross income of the participant only for the taxable year in which such benefit is paid or otherwise made available to the participant or beneficiary. The Trust established under the Plan is treated as exempt from federal income taxation.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent the Plan's portion of the Administrative Allowance account that is maintained by ICMA-RC. Revenue share amounts are deposited into the account and used to pay Plan expenses such as record keeping fees, plan audits and financial statement preparation. The balance is allocated between the related plans based upon their respective investment balances. At June 30, 2015, the Administrative Allowance Account had a total balance of \$1,937,309 and is invested in the Dreyfus Cash Management Fund. Of that amount, \$493,599 is allocated to the Missouri State Employees Deferred Compensation Incentive Plan and \$1,443,710 is allocated to the Missouri State Employees Deferred Compensation Plan.

5. INVESTMENTS

The Plan's investment policy is to provide a user friendly mechanism for participants to accumulate and preserve assets for retirement during years of employment and beyond. Missouri Target Date Funds were added to the investment options in April 2009 to simplify retirement investing for Plan participants. New participants into the Plan after April 2009 have the choice between the thirteen target date funds, a stable value fund, a self-directed brokerage option, or effective July 1, 2012, the MOSERS Investment Portfolio (MIP) fund. The self-directed brokerage option was retained for participants who prefer a hands on approach to retirement investing. Participants who were already contributing to one or more of the 31 mutual funds before April 2009 can continue to contribute to the same mutual fund or funds and have the choice of the investments available to new participants.

Missouri Target Date Funds: These funds were created exclusively for participants of the Plan and the Deferred Compensation Plan. Each new participant who does not make an investment selection is, by default, invested in the target date fund closest to when he or she is first eligible to retire, assumed to be age 65. Participants may choose any target date fund as their investment in the Plan. The target date funds with dates farthest in the future have the most aggressive investment approach and are more heavily invested in stocks. These funds automatically adjust from a long-term growth focus to a more conservative investment mix as the participants move closer to retirement, investing more in bonds and less in stock.

Stable Value Fund: Voya Investment Management Co., LLC. is the manager of the Voya Stable Value Fund's assets. The Stable Value Fund provides a stable rate of return by investing in various types of bonds including treasuries, agencies, corporate and mortgage-backed securities. The fund is wrapped by an insurance contract, issued by VRIAC, which stabilizes the interest rate paid as well as ensuring that participants get their principal plus interest when they decide to withdraw from the fund. However, the insurance wrapper guarantee of participants' return of principal does not extend to certain employer-initiated events, such as employer decision to terminate the contract or withdrawals that might arise from mass layoffs or similar events.

In advance of each quarter, the Voya Stable Value Fund establishes a rate of return for that quarter, as described previously. Stable Value Fund investment income included in the accompanying financial statements is net of annual fees which are deducted from earnings prior to posting to the participant accounts. The annual fees as a percentage of participating assets are .30%.

Mutual Funds: The Plan offers various mutual funds, along with a self-directed brokerage option through an independent broker, which allows investments not offered by the Plan. Shares of mutual funds are not insured, although some securities in which the funds invest may be insured or backed by the U.S. government or its agencies. Investment income in the accompanying financial statements is net of management and other expenses charged by the fund managers which are deducted from earnings prior to posting to the participant accounts.

MOSERS Investment Portfolio (MIP) Fund: The MIP fund is a monthly valued investment option offering participants the ability to purchase units of the MOSERS investment portfolio. MIP is an actively managed, diversified portfolio of investments including U.S. and foreign public and private equity and debt, real estate, commodities, emerging markets, timber, foreign currency transactions, derivative transactions, and hedge funds. The fund is geared toward investors seeking long-term total returns. MOSERS issues separate financial statements which include detailed information of the underlying assets.

Investments as of June 30, 2015, are as follows:

Fixed earnings option, at contract value:	
Voya Stable Value Fund	\$ 285,743,728
Variable earnings options, at fair value:	
MO 2020 Fund	36,490,254
MO 2025 Fund	30,211,289
MO 2015 Fund	23,733,277
MO 2030 Fund	20,264,394
MO 2035 Fund	16,009,473
Fidelity Contrafund	12,416,140
MO 2010 Fund	10,392,536
MO 2040 Fund	9,997,971
Self Directed Brokerage Account	7,439,861
American Century Ultra Fund	5,329,097
MO 2045 Fund	4,598,966
Neuberger & Berman Genesis Fund	3,828,680
SEI Index S&P 500 E	3,570,655
Missouri Retirement Allocation	2,818,240
American Century Equity Income Fund	2,441,535
Vanguard Total Stock Admiral Class	2,335,419
MO 2005 Fund	2,206,440
Vanguard Life Strategy Growth Fund	2,081,632
Fidelity Equity Income Fund	1,916,198
MO 2050 Fund	1,825,577
American Century Growth Fund	1,555,336
Goldman Sachs Mid Cap Fund	1,551,895
Invesco Mid Cap Growth Fund	1,324,605
Nationwide Institutional Service	1,274,038
Vanguard Life Strategy Moderate Growth Fund	1,147,959
T. Rowe Price International Stock Fund	953,562
Janus Global Research	923,901
Perkins Small Cap Value	881,174
Putnam Investors A	848,089
Templeton Developing Markets Trust	708,496
Vanguard Inflation Protected Securities Fund	633,240
MOSERS Investment Portfolio (MIP) Fund	697,683
Vanguard Life Strategy Conservative Growth	599,533
American Funds Bond Fund of America	554,554
Federated U.S. Government Securities Fund - 2-5 Years	542,816
	<i>(continued)</i>

Variable earnings options, at fair value *(continued)* :

MO 2055 Fund	539,925
Dreyfus Small Cap Stock Index Fund	520,966
Brown Capital Management Small Company Fund	465,242
Vanguard Life Strategy Income Fund	313,941
Prudential Total Return Bond Fund	70,430
MO 2060 Fund	36,980
	\$ 501,795,727

Investments as of June 30, 2015, by investment type, are as follows:

Stable Value Fund	\$ 285,743,728
Bond Funds	1,801,040
Large-Cap Equity Funds	31,686,507
Mid-Cap Equity Funds	2,876,500
Small-Cap Equity Funds	5,696,062
International Equity Funds	2,585,959
Asset Allocation Investments	4,143,065
Target Date Funds	159,125,322
Self-Managed Accounts	7,439,861
Other	697,683
	\$ 501,795,727

Custodial credit risk for investments is the risk that the Plan would not be able to recover the value of investments in the event of a failure by the counterparty to a transaction. The Plan does not have any investments that are not registered in the name of the Plan and are either held by the counterparty or the counterparty's trust department or agent, but not in the Plan's name, except for one of the underlying investments in the Target Date Funds (Vanguard High Yield Fund) which is registered in the name of the manager for benefit of the Plan.

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the Plan's investment in a single issuer. The Plan has no formal policy because participants elect where to invest contributions. However, the investment in the Stable Value Fund represents approximately 57% of investments.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Plan. The Plan does not have a formal policy for credit risk. At June 30, 2015, the weighted average credit ratings for the fixed income securities included in the fixed income mutual funds were as follows:

Fixed Income Mutual Fund	Fair Value	Credit Rating
Vanguard Inflation Protected Securities Fund	\$ 633,240	AAA
American Funds Bond Fund of America	554,554	A
Federated U.S. Government Securities Fund - 2-5 Years	542,816	AAA
Prudential Total Return Bond Fund	70,430	BBB

At June 30, 2015, the average credit rating as provided by Voya for the securities in the Stable Value Fund was AA+.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Other than the Voya Stable Value fund, whose rate is adjusted quarterly, the Plan investment guidelines include no formal policy on interest rate risk. Duration is a measure of a debt instrument's exposure to fair value changes arising from changing interest rates based upon the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

The average effective duration in years as of June 30, 2015 for fixed income mutual funds is as follows:

<u>Fixed Income Mutual Fund</u>	<u>Fair Value</u>	<u>Weighted Average Duration</u>
Vanguard Inflation Protected Securities Fund	\$ 633,240	8.15
American Funds Bond Fund of America	554,554	6.00
Federated U.S. Government Securities Fund - 2-5 Years	542,816	3.30
Prudential Total Return Bond Fund	70,430	5.76

At June 30, 2015, the weighted average duration as provided by Voya for the Stable Value Fund was 3.88 years.

6. RISKS AND UNCERTAINTIES

The Plan provides for various investment options in any combination of mutual funds, insurance contracts, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and that such changes could materially affect participant account balances and the amounts reported in the accompanying statement of fiduciary net position.

7. PLAN TERMINATION

The State may amend or terminate the Plan, provided that such amendment or termination shall not impair the rights of a vested participant or beneficiary to receive any contributions, and income earned thereon, allocated to his or her active or inactive account, as the case may be, prior to the date of the termination or amendment of the Plan.