

UNIVERSITY OF MISSOURI

*Retirement,
Disability and
Death Benefit Plan
Annual Report*

Planning for your future for over 50 years

For the Year Ending September 30, 2008



This 2008 Annual Report of the University of Missouri Retirement, Disability and Death Benefit Plan (the Plan) is designed to provide an overview of the activities of the Plan for the year ended September 30, 2008.

Included in this report is information on both the active employee and retired employee populations as well as the benefits that are being currently paid from the Plan. In addition, the report provides information on the financial activity of the Plan including key indicators that assist in measuring the financial health and stability of the Plan.

Questions concerning information contained in this document can be directed to:

University of Missouri Faculty and Staff Benefits
ATTN: Pension and Deferred Compensation Plans
Woodrail Centre
1000 West Nifong
Building 7, Suite 210
Columbia, MO 65211
(573) 882-9810
retirement@umsystem.edu

Information on Faculty, Staff and Retirement Benefits

Each campus has an administrative office staffed with individuals who can answer questions about your benefits. If you want more information about your benefits, contact a University Benefits Representative at the location shown below.

**UM System, Columbia Campus,
Hospital and Retirees
Faculty & Staff Benefits**
Woodrail Centre-1000 W. Nifong
Building 7-Suite 210
Columbia, MO 65211
(573) 882-2146 FAX (573) 882-9603
benefits@umsystem.edu
retirement@umsystem.edu

Rolla Campus
Human Resource Services
113 University Center East
11th and Rolla Streets
Rolla, MO 65409-1050
(573) 341-4241 FAX (573) 341-4984
benefits@mst.edu

Kansas City Campus
Office Location: Human Resource Dept.
5115 Oak Street
Kansas City, MO 64112
Mail Address: Univ of Missouri-Kansas City
Human Resource Dept.
5100 Rockhill Road
Kansas City, MO 64110
(816) 235-1622 FAX (816) 235-5515
benefits@umkc.edu

St. Louis Campus
Office Location: Human Resource Dept.
211 General Servs Bldg.
St. Louis, MO 63121
Mail Address: Univ of MO-St. Louis
Human Resource Dept.
8001 Natural Bridge Road
St. Louis, MO 63121
(314) 516-5639 FAX (314) 516-6463
joann_westbrook@umsl.edu

Faculty & Staff Benefits Department Webpage:
<http://www.umsystem.edu/benefits>

Administration of the University of Missouri Retirement, Disability and Death Benefit Plan

The Plan's Trustees

The Curators of the University of Missouri are the trustees of the University of Missouri Retirement, Disability and Death Benefit Plan. As of March 1, 2009 The Curators are:

Buford (Bo) Fraser – Chair
Judith G. Haggard – Vice Chair
Marion H. Cairns
John M. Carnahan III
Warren K. Erdman
Doug Russell
Cheryl D.S. Walker
Don Walsworth
David G. Wasinger
Tony Luetkemeyer - Student Representative to the Board of Curators
Kathleen M. Miller - Secretary to the Board of Curators
Steven J. Owens - General Counsel

The Retirement and Staff Benefits Committee

The University of Missouri Retirement, Disability and Death Benefits Plan is overseen and administered by the University of Missouri Retirement and Staff Benefits Committee (the Committee). The Committee is assisted by a number of professional advisors including actuaries, auditors and other consultants. The Committee establishes the rules and regulations used to administer the Plan on a day-to-day basis. If questions arise, the Committee interprets Plan provisions and takes action after consulting with the General Counsel of the University. The Committee also makes recommendations for Plan changes and improvements. All actions of the Committee are subject to review by the President. The Board of Curators must approve all Plan changes or improvements.

The President of the University, who is also an ex-officio member of the Committee, appoints the Committee. The Committee includes a Chair and other members selected from the faculty and staff of the University. Committee members do not receive additional compensation for their service.

As of March 1, 2009, members of the Committee are:

Betsy Rodriguez, Chair – Vice President, Human Resources, UM-System
Karen Bame, Associate Professor, Biological Sciences, UM-Kansas City
Richard Bryant, Associate Professor, Economics, Missouri University of Science & Technology
John David, Associate Professor & Director, Biological Sciences, UM-Columbia
Richard E. DuBroff, Professor, Electrical & Computer Engineering, Missouri University of Science & Technology
Thomas Eyssell, Associate Dean & Director, Graduate Studies, UM-St. Louis
Rhonda Gibler, Assistant Vice Provost, Statewide Administration, UM-Columbia
Joseph H. Haslag, Associate Professor, Economics, UM-Columbia
Gloria Leonard, Director, Business Services, UM-St. Louis
Joseph Martinich, Professor of Management Science, Business Administration, UM-St. Louis
Jill Reyes, Assistant Director, Human Resources, UM-Kansas City
Joseph Singer, Professor of Business, UM-Kansas City
Bob Stewart, Professor Emeritus, UM-Columbia
Tracy Wilson, Student Financial Assistance, Missouri University of Science & Technology
Fred Wilke, Professor Emeritus, UM-St. Louis
Lisa Wimmenauer, Associate Director, Business Services, UM-Columbia
Michael J. Paden, Ex-Officio, & Associate Vice President-Benefits, UM-System

The Plan's Actuary

The role of the Plan's actuary is to conduct an annual actuarial valuation to determine the Plan's actuarial liabilities and the employer contribution rates needed to fund the Plan with an appropriate reserve. The Plan actuary also advises the Retirement and Staff Benefits Committee on Plan improvements and their financial implications. Another function of the Plan actuary is to keep the committee apprised of current legislation that affects Plan design, provisions or administration. The current Plan actuary is:

The Segal Company
One Park Avenue
New York, New York 10016-5895

The Plan's Auditor

All employer contributions and income from investments of the assets of the Plan are held in a trust fund. The role of the Plan's auditor is to review the activity of this trust fund each year to provide a reasonable assurance that there are no misstatements. The current Plan auditor is:

KPMG LLP
10 South Broadway – Suite 900
St. Louis, Missouri 63102-1761

2008 Plan Year Activity Summary

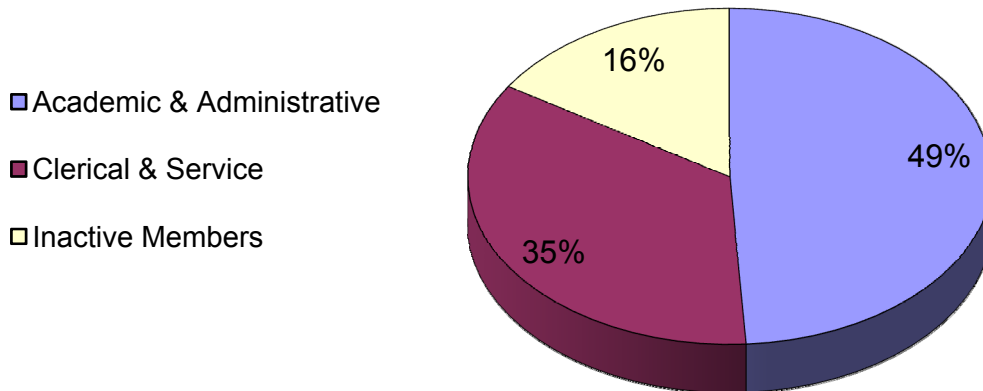
The University of Missouri Retirement, Disability and Death Benefit Plan is designed to help provide income during retirement for participating faculty and staff of the University. When combined with Social Security benefits and your personal savings, it helps provide the financial resources you will need during retirement. In addition, the Plan provides benefits to faculty and staff families and beneficiaries in the event of the death of an employee or retiree.

The information provided in this report is based on the plan year October 1 to September 30.

Who Benefits From The Plan?

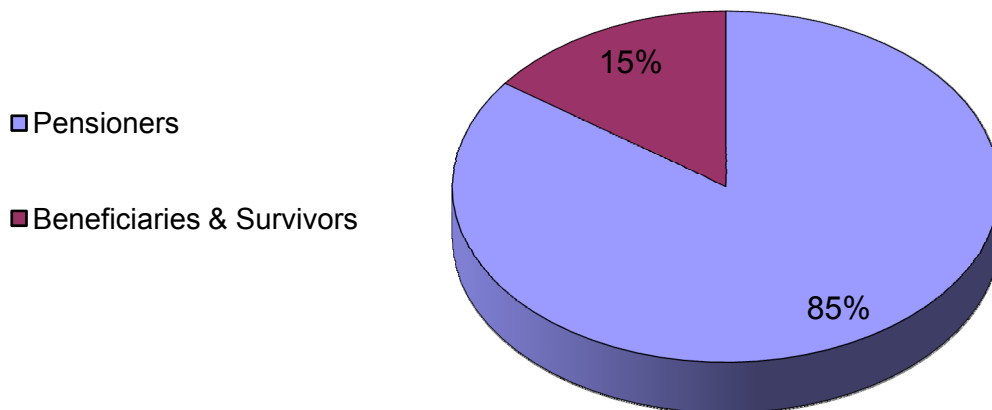
As of September 30, 2008, a total of 17,983 active members and 3,464 inactive terminated vested members were included in the Plan.

Types of Plan Members



As of September 30, 2008, 6,727 pensioners, beneficiaries and survivors were receiving benefits from the Plan.

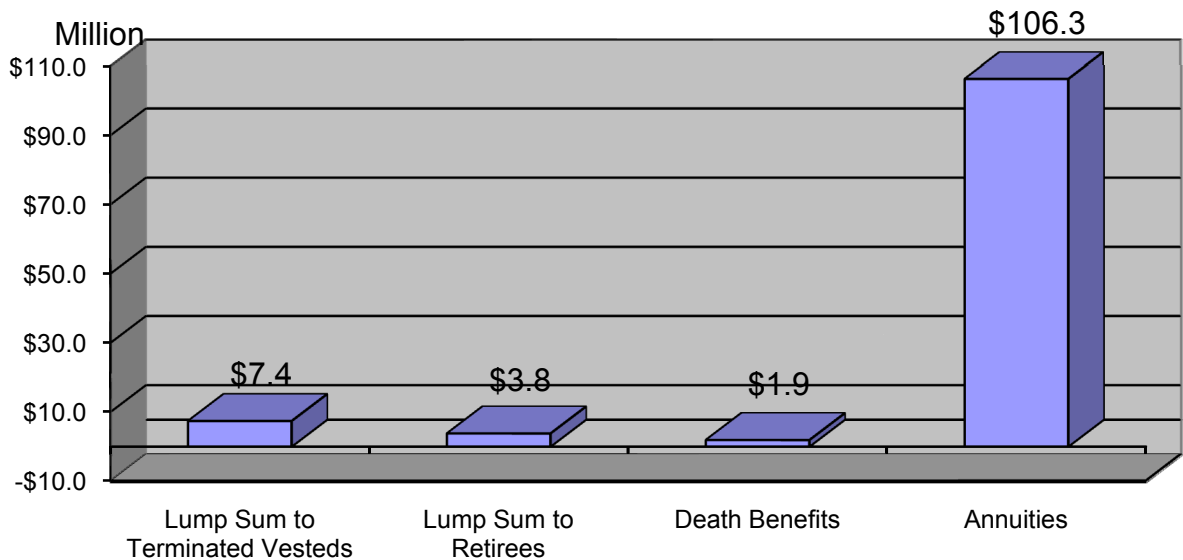
Individuals Receiving Benefits



What Types Of Payments Are Made From The Plan?

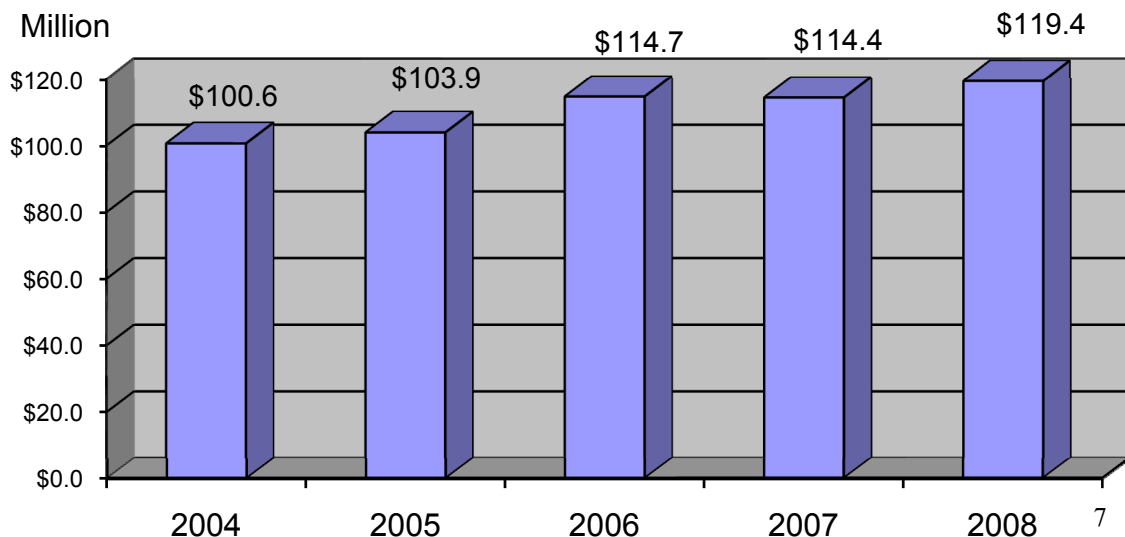
The Plan pays benefits in several forms to faculty and staff who retire and to beneficiaries and survivors. Pensions usually are paid as annuities providing a monthly income. However, faculty and staff retiring with early or normal retirement benefits may elect to have a portion of their benefit paid as a lump sum. Faculty and staff who have left the University with the right to a pension (terminated vested members) may choose to have their benefit paid either as an annuity or as a lump sum equal to the actuarial value of their accrued benefit. Death benefits usually are paid to the spouse or beneficiary in a lump sum in the event of the death of an active faculty or staff member; however, an annuity payment form of distribution is available. Lump sum payments are one-time payments and are made in cash or rolled over into Individual Retirement Accounts (IRA's). The following chart shows an allocation of \$114.4 million in payments for the Plan in 2008.

Types of Payments



During the last five years, \$547 million in benefits have been paid from the Plan. The following graph reflects this outflow from the Plan.

Total Plan Year Benefits Payments



Other than benefits, only two types of disbursements are allowed from the trust fund in which the Plan's assets are held. These are for investment and administrative expenses.

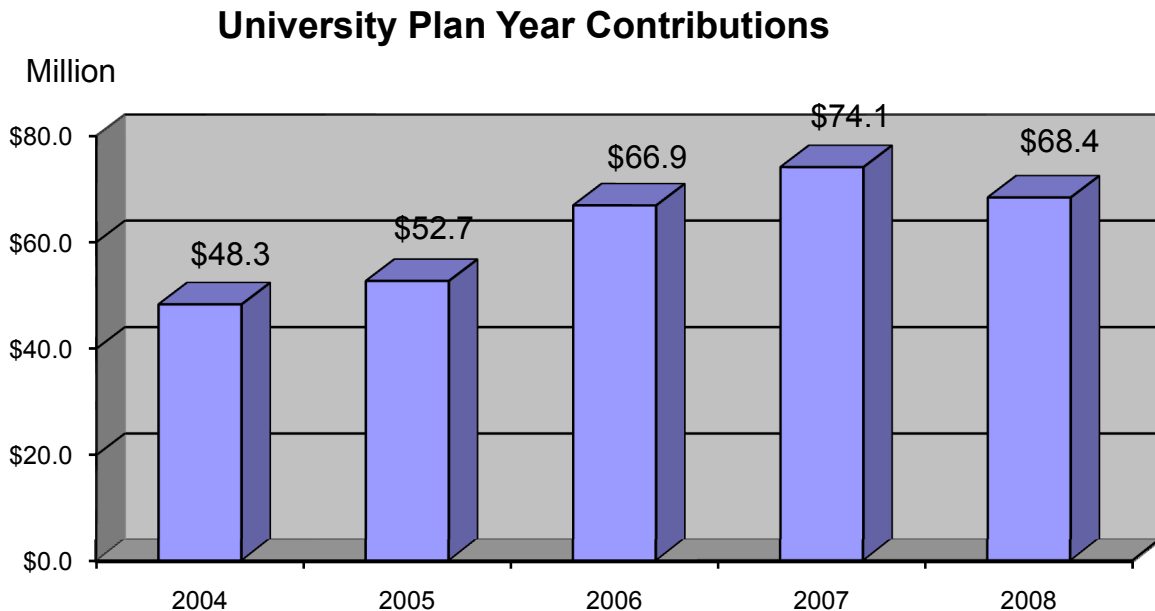
Investment expenses include fees to outside investment managers and constitute a large majority of the administrative expenses. Administrative expenses include the costs of processing applications for retirement benefits, providing benefit calculations, day-to-day administration, and fees to professional advisors including the Plan's actuary. Total expenses for 2008 were \$14.3 million. This represents .59% of the total market value of Plan assets as of September 30, 2008.

What are the Plan's Sources of Income?

The Plan derives income from two sources – University contributions and total return on investments (includes interest, dividends and net gains from the sale of investments).

The Plan is funded by University contributions – no faculty or staff contributions are required or allowed. Each year the contribution rate is updated as of the beginning of the University's fiscal year on July 1. The contribution rate is based on the results of the most recent actuarial valuation and reflects the liabilities and assets and any Plan improvements made in the prior year.

For the 2008 Plan Year, employer contributions totaled \$68.4 million and represented a normal cost of 6.89% of eligible payroll. The following chart shows a five-year history of University contributions.



How are the Plan's Assets Invested?

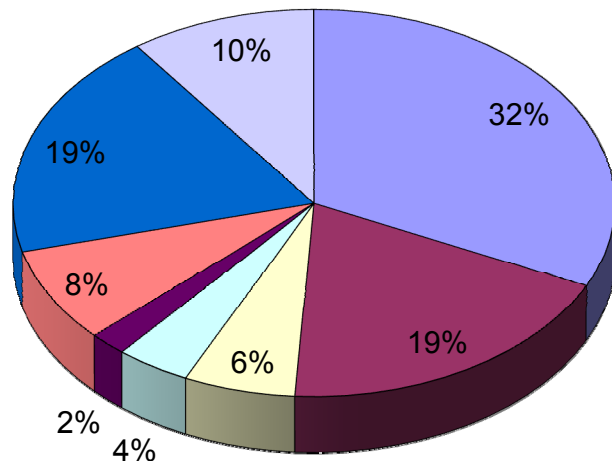
The Plan's assets are invested according to a philosophy with two basic strategies emphasizing:

- diversification across all asset classes and
- growth of principal.

All of the Plan's assets are managed by outside investment managers. These managers are selected based on their investment philosophy and style. The Vice President for Finance and Administration, the Treasurer and the Board of Curators review the investment managers' performance on a regular basis. The investments are spread across eight asset classes as shown in the chart below.

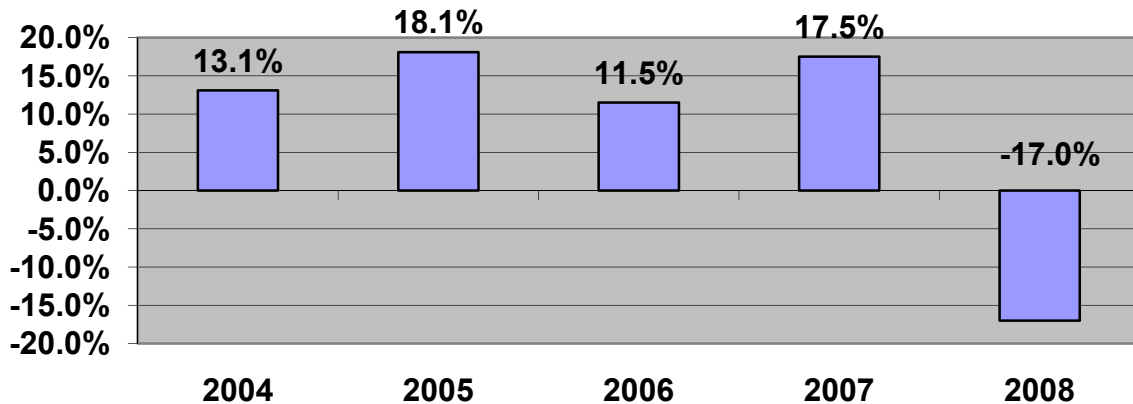
Asset Allocation by Investment Class

- Domestic Equities
- International Equities
- Emerging Market Equities
- Absolute Return/Hedge Fund of Funds
- Private Equity
- Real Estate
- Global Fixed Income
- TIPS (Treasury Inflation-Protected Securities)



The following chart shows annual returns on investments for the last five years. Detailed information on the investment of plan assets can be found at the website of the Office of the UM Treasurer (www.umsystem.edu/ums/departments/fa/treasurer/retirement)

Plan Year Investment Return Rates Year Ending September 30



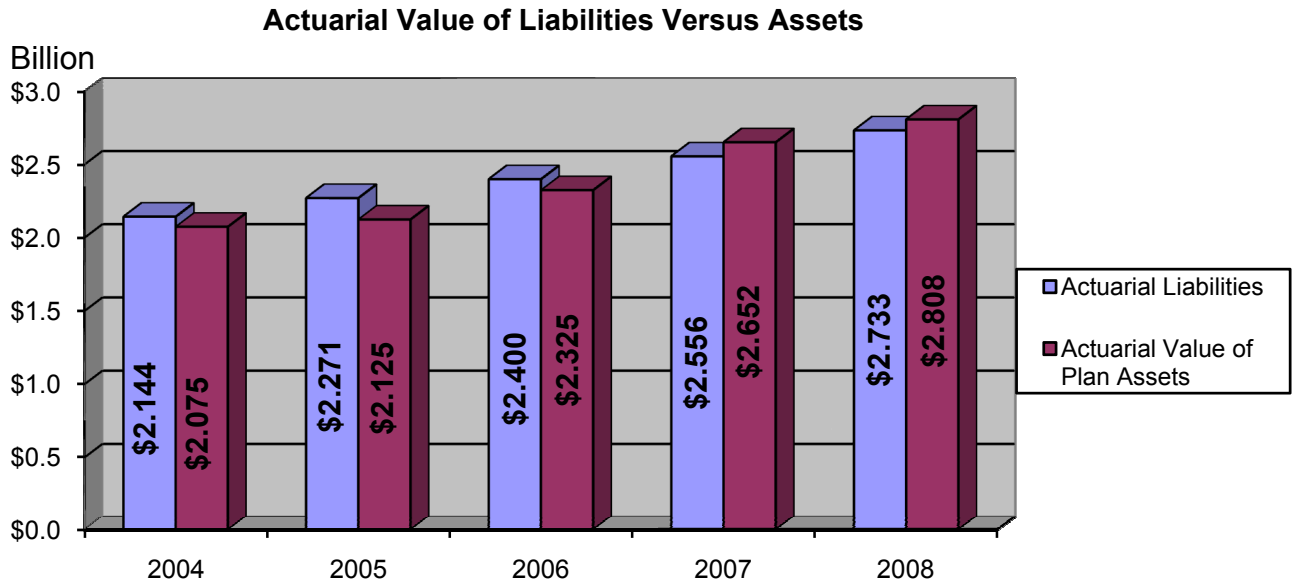
***Statement of Changes in Net Assets Held for Pension Benefits
for the Year Ended September 30, 2008***

The following Statement of Changes in Net Assets Held for Pension Benefits is the financial activity of the plan for the year ending September 30, 2008 from a market value perspective.

	Market Value
<u>Net Revenues and Other Additions</u>	
Contributions.....	\$68,444,616
Investments:	
Income.....	\$98,073,886
Net gain/(loss) from sales of investments.....	(\$27,295,761)
Unrealized appreciation (depreciation).....	(\$561,983,379)
Actuarial value recognition.....	<u>N/A</u>
Total investment income (loss)	(\$491,205,254)
Total income (loss).....	(\$422,760,638)
<u>Expenses and Other Deductions</u>	
Benefit payments:	
Lump sum to terminated vested.....	\$7,426,659
Lump sum to retirees.....	\$3,841,766
Lump sum death benefits.....	\$1,886,649
Annuity payments.....	<u>\$106,294,535</u>
Total benefits.....	\$119,449,609
Expenses.....	<u>\$14,283,561</u>
Total Expenses and Other Deductions.....	\$133,733,170
Increase/Decrease in Net Assets.....	(\$556,493,808)
Net Assets, September 30, 2007.....	\$2,983,628,277
Net Asset value, September 30, 2008.....	\$2,427,139,469

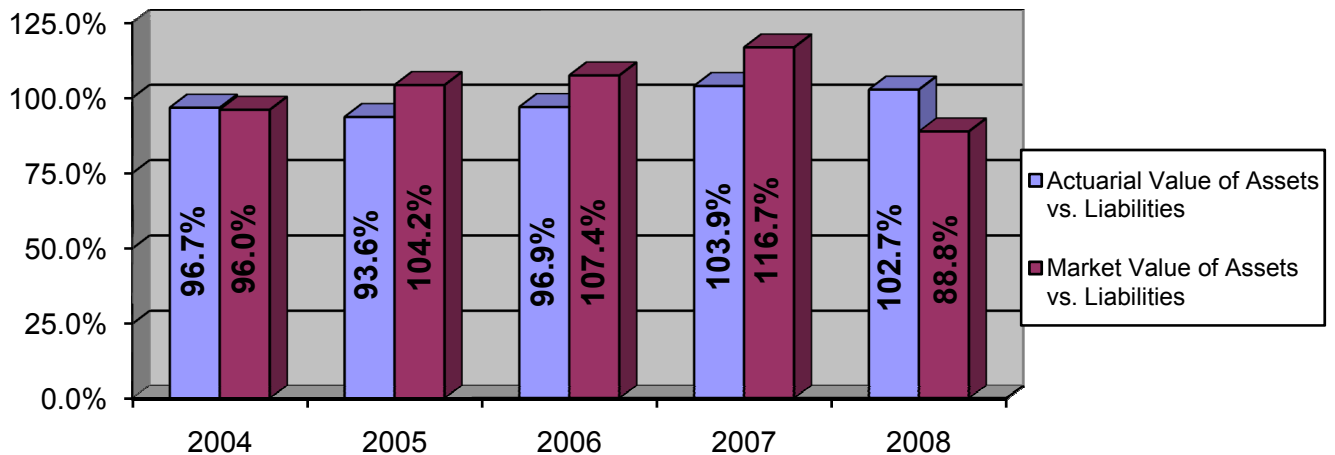
What is the Funded Status of the Plan?

There are different ways to measure the financial strength of a pension plan. Two of the more common measures are presented herein. As of September 30, 2008, the total actuarial assets of the trust exceed the actuarial value of liabilities by \$75 million. The following chart shows the actuarial value of assets versus liabilities over the past five years.



Another way of measuring the financial health of the trust is to compare the funding ratio of total liabilities to total assets. The following chart shows the funding ratio for the Plan for both the actuarial value and market value of assets. This shows the percent the Fund is below or above full funding of total liabilities.

Funding Ratios Actuarial Value and Market Value For Each Plan Year



About Actuarial and Market Values

You see two sets of values stated for Plan assets above - actuarial value and market value.

Actuarial value takes investment gains and losses into account gradually to help smooth out the fluctuations in market value. Actuarial value is used to determine the appropriate employer contribution rates required to fund the Plan by comparing the accrued actuarial liabilities of the fund against the total actuarial value of assets. The actuarial valuation makes certain assumptions about future annual investment returns.

Market value is the actual price of all assets and investment holdings on a specific date (usually the last day of the Plan Year). Market value can fluctuate dramatically from day to day.