

CERF



COUNTY EMPLOYEES' RETIREMENT FUND

Summary Annual Report
For the Fiscal Year Ending December 31, 2014

Helping you build a brighter tomorrow

COUNTY EMPLOYEES' RETIREMENT FUND

CERF Pension Plan Information

CERF Administrative Office
2121 Schotthill Woods Drive
Jefferson City, MO 65101

Telephone: (573) 632-9203
Toll-Free: (877) 632-2373
Facsimile: (573) 761-4404
Website: www.mocerf.org
E-mail: admin@mocerf.org

COUNTY EMPLOYEES' RETIREMENT FUND 2014 Board of Trustees

Jim Atchison – *Board Member*

Mark Bridges – *Board Member*

Ken Dillon – *Board Member*

Conny Dover – *Board Member*

Rosemary Gannaway – *Secretary*

Elaine Luck – *Chair*

Tom Ruhl – *Board Member*

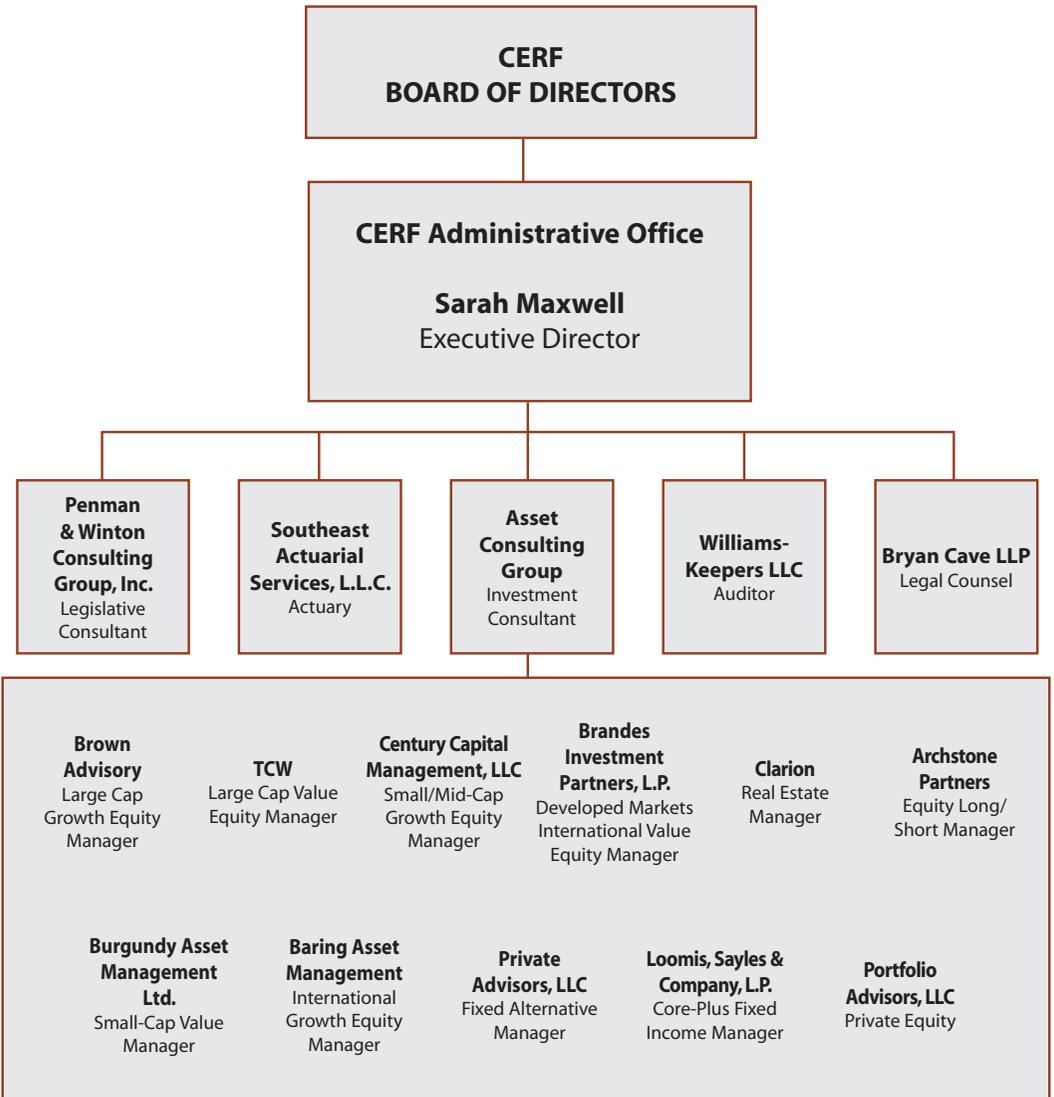
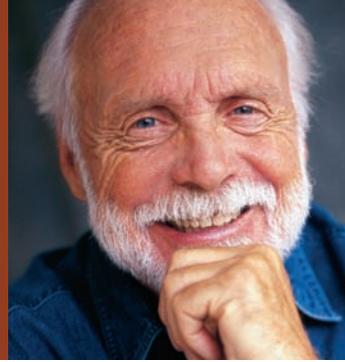
Wayne Scharnhorst – *Vice-Chair*

Becky Schofield – *Board Member*

Sherry Shamel – *Board Member*

Vacant – *Board Member*

ADMINISTRATIVE STRUCTURE



This Annual Report is distributed for informational purposes only. The full text of actuarial reports, financial statements and audit materials is available upon request pursuant to Missouri's Open Records Law. To obtain any of these documents, you may send a written request to the plan administrator at:

*CERF Plan Administrator
2121 Scotthill Woods Drive
Jefferson City, MO 65101*

The actual language of the statutes and rules and regulations creating and implementing the County Employees' Retirement Fund controls and takes precedence over the material contained herein. In the event a member has any questions concerning the County Employees' Retirement Fund, the member should look to the statutes codified at Section 50.1000, RSMo (1994) et. seq. for guidance. Members should not rely on this summary in place of the actual text of the law.

CERF Pension Plan

Eligibility

Full-time employees (scheduled to work at least 1,000 hours a year) are eligible to participate in the Pension Plan. Part-time and seasonal employees become eligible on January 1 or July 1 after completion of 1,000 hours of service in a calendar year, or upon transfer to full-time status.

Participation

Participation is mandatory for eligible employees. Full-time employees begin participating in the plan immediately upon their date of hire. Part-time and seasonal employees begin participating once they become eligible.

Contributions

House Bill 1455 requires all participants hired on or after February 25, 2002, to contribute an additional 4% of gross salary to the plan, effective January 1, 2003. A non-LAGERS participant hired prior to February 25, 2002, contributes 2%; a non-LAGERS participant hired on or after February 25, 2002, contributes 6% to the plan. A LAGERS participant hired prior to February 25, 2002, is not required to make contributions; a LAGERS participant hired on or after February 25, 2002, contributes 4% to the plan. Nearly all of the funding for CERF comes from county receipts in the form of contributions, fees and penalties.

Vesting

A participant is vested after eight years of continuous creditable service during which pay is earned and received for at least 1,000 hours in each of those eight years.

Prior Service

Employees who were employed on June 10, 1999, and remained employed through January 1, 2000, do not have to purchase prior service. (Specific rules apply in certain rehire circumstances.) Members who terminated vested or retired prior to January 1, 2000, must purchase any service accrued prior to August 28, 1994, in order to include that service in their retirement benefit.

Early Retirement

Members have the option of retiring as early as age 55 (with eight years of continuous creditable service) and receiving an actuarially-reduced benefit. To be eligible for early retirement, a participant must terminate employment on or after January 1, 2000, and meet other eligibility requirements.

Cost-of-Living Adjustment

The Board may authorize a Cost-of-Living Adjustment (COLA) each year equal to 100% of the Consumer Price Index, up to 1%, for all members who have been receiving benefits for at least one year on the date the COLA becomes effective. COLAs will become effective on July 1 of each year.

Survivor Benefits

ACTIVE EMPLOYEES: If a participant dies while actively employed, his or her named beneficiary will receive a lump-sum death benefit of \$10,000.
NON-VESTED MEMBERS: Senate Bill 625, effective August 28, 2012, allows a refund of contributions to the beneficiary(ies) of active members who die after December 31, 2002, and before becoming vested.

MARRIED, VESTED MEMBERS: If a vested participant dies before his or her pension begins, his or her surviving spouse can apply for a 50% spousal pension benefit.

SINGLE, VESTED MEMBERS: House Bill 795, effective August 28 2004, allows a refund of contributions to the beneficiary(ies) of a single, vested member who dies on or after August 28, 2004.

RETIRED MEMBERS: Depending on which option the member chooses, the designated survivor will receive the appropriate amount of benefits under the survivor option selected on his or her benefit calculation. Members who terminate employment or retire on or after January 1, 2000, have the option to designate someone other than a spouse as the beneficiary of their retirement annuity.

CERF Savings Plan

Eligibility

A member must participate in the CERF Pension Plan in order to be eligible to participate in the CERF Savings Plan.

Automatic Contributions

Effective January 1, 2000, a member who is not in LAGERS is required to contribute .7% to the CERF Savings Plan. This pre-tax deduction is deposited automatically in the member's 401(a) account.

Voluntary Contributions

In 2014, participants may contribute up to the lesser of \$17,500, or 100% of their includible compensation to the 457 component of the plan. This limit includes contributions to other 457 plans as well.

Matching Contributions

Each year, the Board of Directors will determine the amount available for a matching contribution to the Savings Plan (up to plan limits). This matching amount will be added to member accounts for those who earn and receive pay for at least 1,000 hours during the year, retire at age 62, or die while employed by the county, and will be deposited into member accounts as soon as administratively feasible after the plan year has ended. Any matching money granted to member accounts will be deposited into the 401(a) portion of their account.

Vesting

Members are always 100% vested in their automatic (.7%) and voluntary (457 plan) contributions, and are 100% vested in the matching contributions when they have 5 years of creditable service (from date of hire), or if they die during the plan year.

Investment Options

A broad range of investment options is available, including the option to pick individual funds or target date funds, or have your account managed for you.

Making Changes

Participants may change the amount of their contributions on a quarterly basis and can stop 457 plan deferrals completely at any time. Changes to investment options can be done at any time. Investment changes can be made on a same-day basis through either KeyTalk at 800-701-8255 or the website at www.empower-retirement.com. You will need to use your user ID and personal identification number (PIN) provided to you by Empower Retirement.

Payment Options

Payments from the 457 or 401(a) portion of the plan may be made through annuity payments, lump sum, or periodic distributions if the account balance is \$5,000 or more.

Rollovers and Plan Transfers

Members who have other qualified 457, 401(a) or 401(k) plans may transfer or roll over money from those plans to the appropriate component of the CERF Savings Plan. Likewise, if a member leaves employment, he or she may transfer or roll over his or her CERF Savings Plan balance to another qualified plan or IRA.

Need More Information

For more information on the CERF Savings Plan, please call the CERF Administrative Office.

Investments

CERF Investment Portfolio Background and Objectives

CERF's investment program was established to provide long-term benefits to the plan's participants by investing the pension fund assets in a prudent manner.

CERF's pension plan has an investment policy in place that articulates the fund's goals, objectives, and risk parameters. It states the importance of diversification, risk management and a long-term, strategic investment time horizon.

Total Portfolio Performance

The pension fund portfolio's investment objectives are defined by targeted rates of return and levels of risk over a long term time horizon.

The following chart shows the pension fund's performance compared to its objectives since its inception:

Total Pension Fund Performance vs. Objectives

(December 31, 1994 – December 31, 2014)

	Benchmark	CERF
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Return Objectives

At a minimum, it is the objective of CERF to exceed its actuarial interest rate assumption on an ongoing basis.	8.0%	9.0%
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The pension fund's annualized total return should equal or exceed the annualized rate of inflation as indicated by the Consumer Price Index by 5%.	7.3%	9.0%
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The pension fund's total return should exceed the total return of an index composed as follows:	8.9%	9.0%
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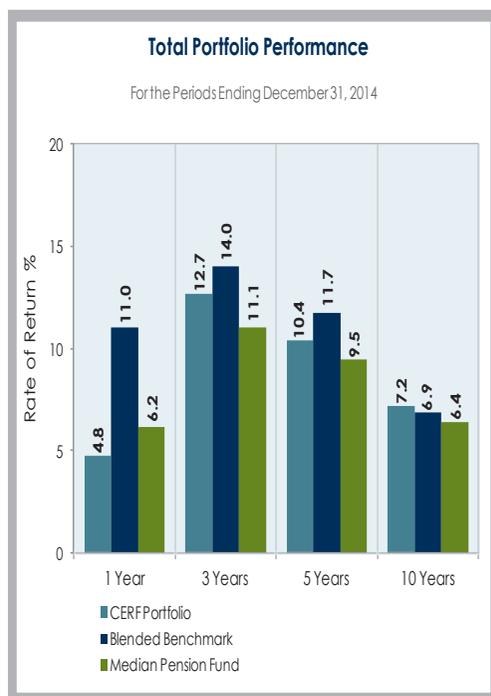
65% S&P 500 Stock Index
35% Barclays Capital U.S. Aggregate Bond Index

Risk Objective

The pension fund's level of risk, as measured by Standard Deviation, should be consistent with the risk of an index composed as follows:	9.9	9.8
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65% S&P 500 Stock Index
35% Barclays Capital U.S. Aggregate Bond Index

The chart below shows CERF's investment performance compared to a relevant benchmark and peer group for the one, three, five, and ten year periods ending December 31, 2014. While challenging results in 2014 have moderated the recent performance profile, long-term returns remain favorable, particularly compared to other public funds.



Total Portfolio Asset Allocation

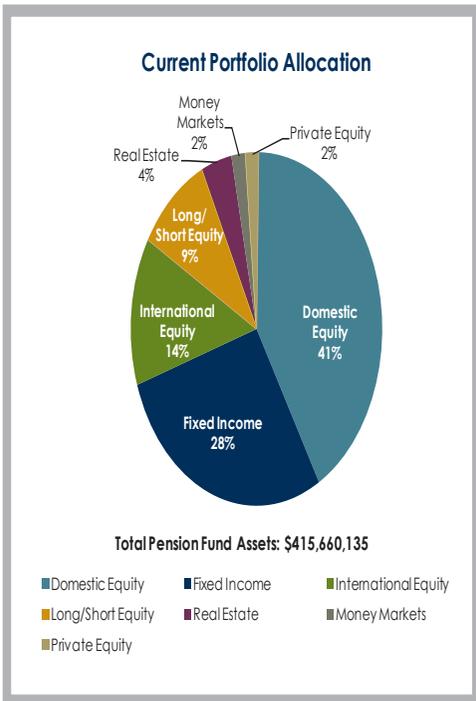
CERF's investment portfolio is well-diversified by broad investment strategy (stocks, bonds, and real estate), sub-asset classes (large cap stocks, small cap stocks, etc.) and geographic exposures (U.S., non-U.S.).

CERF's portfolio structure is monitored on an ongoing basis by the investment consultant, staff and Board of Directors. The portfolio is rebalanced when appropriate to keep exposures to various investments within the stated ranges defined in the investment policy, and new assets classes are periodically added to the mix to enhance diversification.

The portfolio's current target asset allocation is 65% equity, 30% fixed income, and 5% real assets (real estate).

Investments

The chart below depicts the pension fund's asset allocation as of December 31, 2014:



Equity Portfolio Design

CERF invests in equities (stocks) for the growth opportunities they provide. To ensure diversification, CERF owns different types of equities (domestic stocks, international stocks, hedged equity funds, and private equity), in different sizes (small, mid, and large capitalization), in different styles (value and growth) and with different investment management organizations.

Fixed Income Portfolio Design

CERF invests in fixed income (bonds) to enhance diversification in the portfolio as, over time, bonds behave differently than stocks. The fixed income portfolio is invested in the broad fixed income markets, with an emphasis on high quality bonds, and with various attributes such as quality, sector, geography, and security type.

Real Assets Portfolio Design

Real estate typically behaves differently than stocks and bonds, and this provides even further diversification to the investment portfolio. CERF's portfolio includes an allocation to real estate through a diversified real estate fund.

The real estate portfolio has exposure to different geographic locations and property types, while maintaining strict quality requirements for each property, including leverage and occupancy rates.

2014 Year in Review

2014 represented another strong year for domestic stocks and fixed income markets, while markets outside the U.S. continued to be challenged by uncertainties about their growth prospects. The U.S. markets benefited from a flight to quality based on moderate economic growth, improving employment and housing fundamentals, continued low interest rates, and modest inflation. This contrasted with investor concerns about the recovery in Europe, slowing growth in China, and weakness in several key emerging markets; particularly Brazil and Russia.

Large capitalization U.S. stocks posted the strongest performance in the equity markets in 2014 (the S&P 500 Index up 14%). This far outpaced smaller capitalization U.S. stocks (Russell 2000 Index up 5%) and broad international stocks (MSCI EAFE Index down 5%). Within these market segments, the defensively-postured utility and growth-oriented healthcare sectors provided the best performance, while the energy sector declined due to the oil price collapse that emerged during the year.

Much of the same themes were present in the bond markets, as U.S. high grade securities benefitted from continued strong inflows (demand from abroad), the absence of Federal Reserve action to raise interest rates, and central bank actions to lower interest rates in many overseas markets. All of this made U.S. returns relatively attractive.

Commercial real estate continued its strong run with a gain of almost 12% for the year.

Ongoing Monitoring

CERF's Board of Directors, along with their investment consultant and staff, oversee all aspects of the investment program, collaborating on a regular basis to review investment policy, asset allocation, and the fund's investment managers.

CERF's Board of Directors and their consultant meet each calendar quarter to review and discuss the investment portfolio in detail and interim meetings are held as needed between quarters. This ensures that the monitoring and oversight of CERF's investment portfolio is ongoing.

CERF's investment managers provide regular updates on their portfolios. In addition, each investment manager presents a formal update to the Board on a periodic basis.

The CERF Board's primary focus regarding the retirement funds is to develop and implement an investment program which is designed to achieve the stated investment objectives in a prudent manner over a long-term time horizon.

Actuarial

PLAN MEMBERSHIP

AS OF JULY 1, 2014

Covered Payroll	\$368,811,701
Average Pay per Active Member	\$33,620

ANNUAL REQUIRED CONTRIBUTION

Unfunded Actuarial Accrued Liability (UAAL)	\$131,165,166
Amortization of UAAL, with interest to mid-year*	\$ 10,752,167
Normal Cost, with interest to mid-year	\$ 16,898,520
Reduction in Normal Cost for Member Contributions	\$ 10,167,362
Annual Required Contribution as a percent of payroll	\$ 17,483,325 4.74%

PLAN ASSETS

Market Value	\$435,986,311
Actuarial Value	\$406,209,618

FUNDED STATUS

Actuarial Present Value of Accrued Benefits (based on current pay)	\$464,056,596
Funded Ratios	
Accumulated Benefit Basis	88%
Actuarial Accrued Liability Basis	76%

* Until July 1, 2011, the UAAL was being amortized as a level percentage of payroll over a 30-year period beginning January 1, 1995. As of July 1, 2011, the UAAL amortization was started fresh over a 20-year period. New components of the UAAL will be amortized over new 20-year periods as such components arise.

Financial Statements



STATEMENT OF FIDUCIARY NET POSITION DECEMBER 31, 2014

ASSETS

Cash	\$ 2,408,828
Receivables:	
Member contributions	346,769
Member prior service contributions	133,350
County contributions	2,846,132
Receivable for pending investment sales	636,112
Accrued interest and dividends	<u>922,305</u>
Total receivables	4,884,668
Investments, at fair value	431,325,438
Invested securities lending collateral	79,527,491
Other assets	7,001
Capital assets, net of accumulated depreciation of \$2,422,923 and \$2,353,952	<u>4,840,535</u>
Total assets	<u>522,993,961</u>

LIABILITIES

Accounts payable	673,644
Accrued defined contribution plan funding	2,696,164
Other accrued expenses	107,954
Unearned revenue	206,183
Payable for pending investment purchases	4,378,749
Collateral for securities on loan	<u>80,324,939</u>
Total liabilities	<u>88,387,633</u>
Net position-restricted for pension benefits	<u>\$ 434,606,328</u>

The notes to financial statements are an integral part of these statements and are available on CERF's website, or by contacting the CERF Administrative Office.

Retirement Fund

Financial Statements



STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2014

ADDITIONS:

Contributions:

County receipts	\$ 19,781,514
By members	10,599,321
For members, paid by counties	1,235,779
Members, purchase of prior service	64,832
Total contributions	<u>\$ 31,681,446</u>

Investment income (loss):

Investing activities:

Net appreciation (depreciation) in fair value of investments	12,863,961
Fixed income securities	2,724,986
Equity securities	4,323,750
Alternative investments	6,690
Other miscellaneous income	17,785
Total investment income	<u>19,937,172</u>

Investment expenses	<u>(2,332,792)</u>
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Net income (loss) from investing activities	<u>17,604,380</u>
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Securities lending activities:

Income	147,523
Expenses	(52,327)
Net increase in fair value of re-invested collateral	<u>258,759</u>
Net income from securities lending activities	353,955
Total net investment income (loss)	<u>17,958,335</u>

Other income	<u>5,192</u>
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Total additions	<u>49,644,973</u>
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DEDUCTIONS:

Benefits	24,242,805
Refunds of member contributions	3,169,101
Defined contribution plan matching contribution	2,696,164
Administrative expense	2,130,636
Total deductions	<u>32,238,706</u>

Net increase	17,406,267
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Net position-restricted for pension benefits

Beginning of year	<u>417,200,061</u>
End of year	<u>\$434,606,328</u>

The notes to financial statements are an integral part of these statements and are available on CERF's website, or by contacting the CERF Administrative Office.

CERF Demographics

(Data as of December 31, 2014)

Active Participants	11,012
Retired Members and Beneficiaries	4,208
Terminated Vested Participants	2,022

Sum of Death Benefits (since inception)	\$ 4,430,000
Sum of Remaining Buy Back Balances	\$ 133,350
Sum of Benefit Payments, Taxes and Buy Back Payments (since inception)	\$200,642,022

Average Gross Monthly Benefit	\$483.32
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Summary of County Receipts for 2014

Assessor Late Fees	Collector Merchant License Fees	Collector Delinquent Fees	County Interest	Employee Contributions	County Contributions	Recorder Document Fees
\$5,874,232	\$1,133,720	\$8,055,102	\$61,038	\$10,599,322	\$1,235,779	\$4,657,422

County Employees' Retirement Fund

2121 Schotthill Woods Drive

Jefferson City, MO 65101

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