



# SUMMARY ANNUAL REPORT

For the Fiscal Year Ending December 31, 2015



*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



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## COUNTY EMPLOYEES' RETIREMENT FUND 2015 Board of Trustees

**Jim Atchison** – *Board Member*

**Mark Bridges** – *Vice Chair*

**Conny Dover** – *Secretary*

**Gary Emerson** – *Board Member*

**Rosemary Gannaway** – *Board Member*

**Jim Platt** – *Board Member*

**Mark Price** – *Board Member*

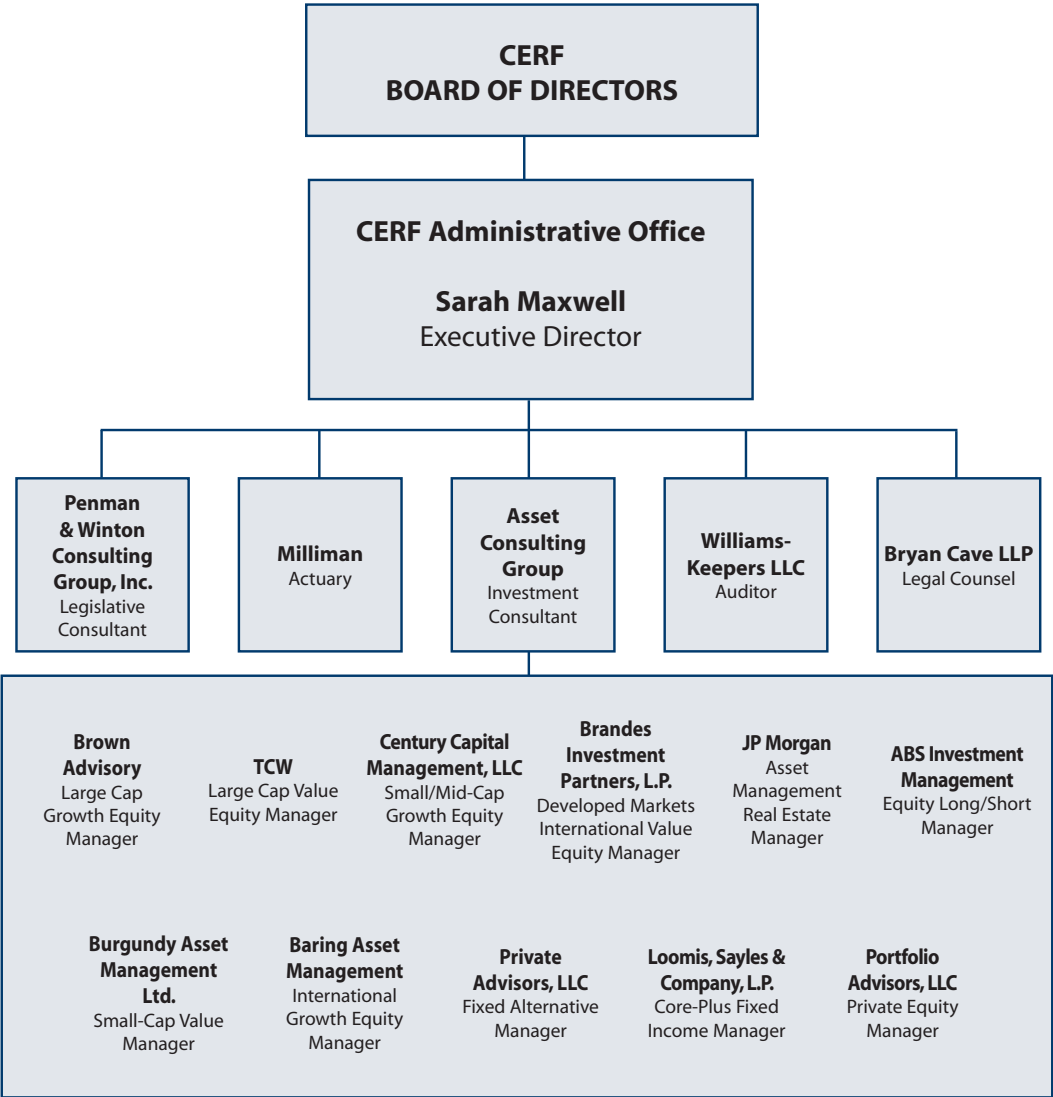
**Tom Ruhl** – *Chair*

**Wayne Scharnhorst** – *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 Schotthill 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

<b>Eligibility</b>	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.
<b>Participation</b>	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.
<b>Contributions</b>	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.
<b>Vesting</b>	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.
<b>Prior Service</b>	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.
<b>Early Retirement</b>	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.
<b>Cost-of-Living Adjustment</b>	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.
<b>Survivor Benefits</b>	<p>ACTIVE EMPLOYEES: If a participant dies while actively employed, his or her named beneficiary will receive a lump-sum death benefit of \$10,000.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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 terminated employment or retired on or after January 1, 2000, have the option to designate someone other than a spouse as the beneficiary of their retirement annuity.</p>

# 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 2015, participants may contribute up to the lesser of \$18,000, 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 contributed to the 457 Plan, earn and receive pay for at least 1,000 hours during the year, retire at age 62, or die while employed by the county. The match will be deposited into the 401(a) component of member accounts as soon as administratively feasible after the plan year has ended.

**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](http://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

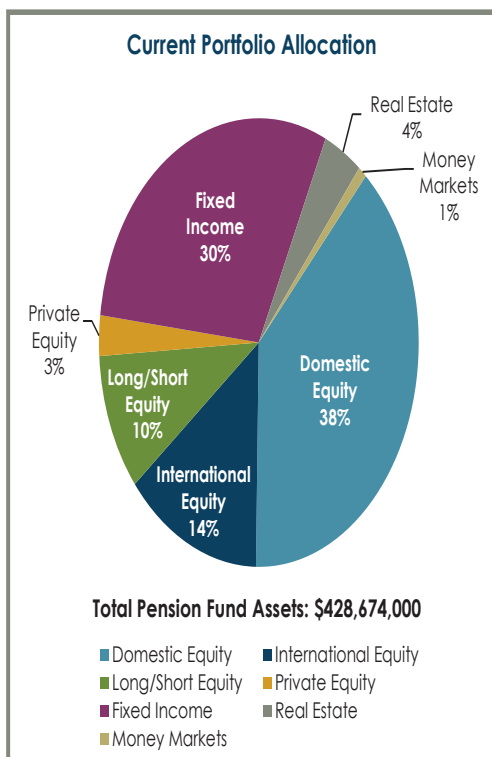
CERF's investment program exists for the purpose of providing retirement income to the plan's participants. The pension plan's assets are invested in a manner that is consistent with its investment policy; a formal document that articulates the fund's goals, objectives, and risk parameters, and states the importance of diversification, risk management and a long-term, strategic investment time horizon.

## Total Portfolio Asset Allocation

CERF's investment portfolio has exposures to each of the broad investment categories (stocks, bonds, and real estate), sub-asset classes (large cap stocks, small cap stocks, etc.) and geographic regions (U.S., non-U.S.).

CERF's portfolio structure is regularly monitored by the investment consultant and CERF's staff and Board of Directors. The portfolio is rebalanced when appropriate to keep allocations to various investments within the stated ranges defined in the investment policy. New asset classes are periodically added to the mix to enhance diversification. Although long-term focused, the portfolio is adjusted, as needed, to reflect near-term risks and opportunities.

The portfolio's target asset allocation is 65% equity (stocks), 30% fixed income (bonds), and 5% real assets (real estate). The chart below depicts the pension fund's asset allocation as of December 31, 2015:



## Equity Investments

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 Investments

CERF invests in fixed income (bonds) to enhance diversification and provide liquidity and downside protection. Over time, bonds behave differently than stocks. The fixed income portfolio is invested across fixed income markets, with an emphasis on high quality bonds. The portfolio is diversified by quality, sector, geography, and security type.

## Real Assets Investments

Because real estate typically behaves differently than stocks and bonds, investing in this category provides an additional layer of diversification to the portfolio.

CERF's portfolio includes an allocation to real estate through a diversified real estate fund. The fund has exposure to different geographic locations and property types, while maintaining strict quality requirements for each property, including leverage limits and occupancy rates.

## 2015 Year in Review

Financial markets in 2015 were shaped by concerns over global economic growth and signals from Federal Reserve policy makers that interest rates could rise.

The global economy experienced its seventh year of expansion, although growth remained modest and below potential. Economic growth in the United States and United Kingdom outpaced that of the euro zone and Japan. Emerging market economies – faced with rising geopolitical tensions, slowing growth, declining commodity prices, and weakening currencies – posted their biggest drop since 2011.

Global financial markets encountered increased volatility as plunging oil prices raised concerns about the sustainability of the global economic expansion. Despite hitting an all-time high in May, the S&P 500 index was down 0.7% for the year, ending three years of double-digit gains. Bonds squeezed out gains (the Barclays Aggregate Index finished up 0.6%) as investors rotated toward safe haven assets amid continued discord in the euro zone and a major sell off in Chinese equities. Performance of international stocks was mixed across market capitalizations and countries as evidenced by the broad MSCI EAFE Index falling -0.4% versus the MSCI



# Investments

Emerging Markets Index falling -14.6%. Divergent central bank policy and receding inflationary pressures were the primary drivers for global fixed income markets.

Commercial real estate continued its run of solid performance supported by low interest rates and increased investor demand.

CERF's investment portfolio generated a slightly positive return for the year, +0.4%.

## Total Portfolio Performance

The pension fund portfolio has specific investment objectives, defined by targeted rates of return and levels of risk over a long term time horizon.

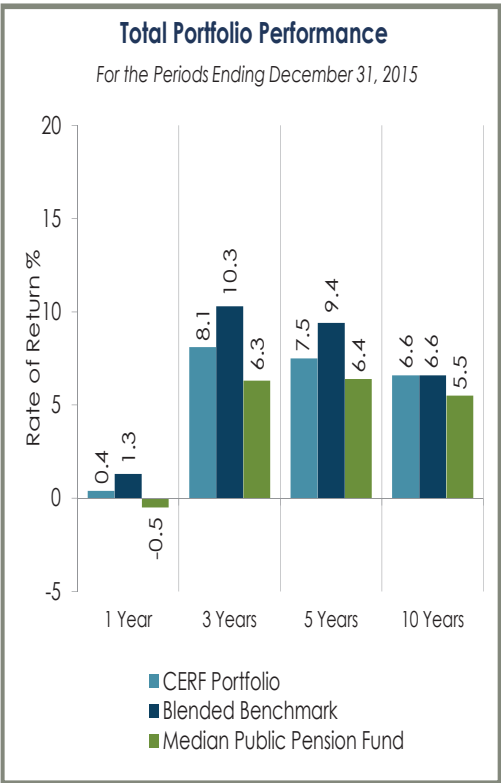
The following chart shows the pension fund's performance compared to its objectives since its inception:

### Total Pension Fund Performance vs. Objectives

(December 31, 1994 – December 31, 2015)

	Benchmark	CERF
<b>Return Objectives</b>		
At a minimum, it is the objective of CERF to exceed its actuarial interest rate assumption on an ongoing basis.	7.5%	8.5%
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%	8.5%
The pension fund's total return should exceed the total return of an index composed as follows: 65% S&P 500 Stock Index 35% Barclays Capital U.S. Aggregate Bond Index	8.4%	8.5%
<b>Risk Objective</b>		
The pension fund's level of risk, as measured by Standard Deviation, should be consistent with the risk of an index composed as follows: 65% S&P 500 Stock Index 35% Barclays Capital U.S. Aggregate Bond Index	9.8%	9.7%

The following chart shows CERF's investment performance compared to its benchmark and other public pension funds for the one, three, five, and ten year periods ending December 31, 2015. While challenging results in 2015 have moderated the recent performance profile, long-term returns remain favorable, particularly compared to other public pension funds.



## Ongoing Monitoring

CERF's Board of Directors oversees all aspects of the investment program with assistance from their investment consultant and CERF's staff.

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

The CERF Board's focus is to develop, implement, and maintain an investment program that achieves the stated investment objectives in a prudent manner over a long-term time horizon.

# Actuarial

## PLAN MEMBERSHIP

AS OF JANUARY 1, 2015

Covered Payroll	\$372,165,232
Average Pay per Active Member	\$33,802

## ACTUARIALLY DETERMINED CONTRIBUTION (ADC)

Unfunded Actuarial Accrued Liability (UAAL)	\$171,698,427
Amortization of UAAL, with interest to mid-year*	\$ 15,299,751
Normal Cost, with interest to mid-year	\$ 19,741,492
Reduction in Normal Cost for Member Contributions	\$ 12,989,736
Annual Required Contributions as a percent of payroll	\$ 22,051,507 5.93%

## PLAN ASSETS

Market Value	\$434,606,328
Actuarial Value	\$422,283,987

## FUNDED STATUS

Entry Age Normal Actuarial Accrued Liability	\$593,982,414
Funded Ratios	
Funded Percentage on Actuarial Value of Assets	71%
Funded Percentage on Market Value of Assets	73%

\* 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.

# County Employees'



# Financial Statements

## STATEMENT OF FIDUCIARY NET POSITION DECEMBER 31, 2015

### ASSETS

Cash	\$ 2,396,955
Receivables:	
Member contributions	392,867
Member prior service contributions	129,330
County contributions	2,881,164
Receivable for pending investment sales	3,980,458
Accrued interest and dividends	699,058
Total receivables	<u>8,082,877</u>
Investments, at fair value	428,587,409
Invested securities lending collateral	81,871,298
Other assets	62,001
Capital assets, net of accumulated depreciation of \$2,590,595 and \$2,422,923	<u>5,745,678</u>
Total assets	<u>526,746,218</u>

### LIABILITIES

Accounts payable	599,598
Accrued defined contribution plan funding	2,861,751
Other accrued expenses	121,993
Unearned revenue	107,479
Payable for pending investment purchases	8,024,098
Collateral for securities on loan	<u>82,526,808</u>
Total liabilities	<u>94,241,727</u>
Net position-restricted for pension benefits	<u>\$ 432,504,491</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, 2015

### ADDITIONS:

#### Contributions:

County receipts	\$ 19,968,537
By members	11,519,437
For members, paid by counties	1,517,407
Members, purchase of prior service	78,904
Total contributions	<u>\$ 33,084,285</u>

#### Investment income (loss):

##### Investing activities:

Net appreciation (depreciation) in fair value of investments	(3,612,068)
Fixed income securities	2,598,737
Equity securities	3,883,321
Alternative investments	(815,232)
Other miscellaneous income	24,203
Total investment income	<u>2,078,961</u>
Investment expenses	<u>(2,368,349)</u>

Net income (loss) from investing activities	<u>(289,388)</u>
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#### Securities lending activities:

Income	272,003
Expenses, net	(29,927)
Net increase in fair value of re-invested collateral	141,938
Net income from securities lending activities	<u>384,014</u>
Total net investment income (loss)	<u>94,626</u>

Other income	<u>4,945</u>
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Total additions	<u>33,183,856</u>
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### DEDUCTIONS:

Benefits	26,758,453
Refunds of member contributions	3,142,804
Defined contribution plan matching contribution	2,861,751
Administrative expense	2,522,685
Total deductions	<u>35,285,693</u>

Net increase (decrease)	(2,101,837)
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#### Net position-restricted for pension benefits

Beginning of year	<u>434,606,328</u>
End of year	<u>432,504,491</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, 2015)

Active Participants	11,311
Retired Members and Beneficiaries	4,498
Terminated Vested Participants	2,545

Sum of Death Benefits (since inception)	\$ 4,680,000
Sum of Remaining Buy Back Balances	\$ 139,043
Sum of Benefit Payments, Taxes and Buy Back Payments (since inception)	\$227,116,739

Average Gross Monthly Benefit	\$498.93
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## Summary of County Receipts for 2015

Assessor Late Fees	Collector Merchant License Fees	Collector Delinquent Fees	County Interest	Employee Contributions	County Contributions	Recorder Document Fees
\$6,066,688	\$1,069,838	\$7,916,205	\$58,342	\$11,519,437	\$1,517,407	\$4,857,464

**County Employees' Retirement Fund**

2121 Schotthill Woods Drive  
Jefferson City, MO 65101

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