

CERF



COUNTY EMPLOYEES' RETIREMENT FUND

Summary Annual Report

For the Fiscal Year Ending December 31, 2010

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

CERF Savings Plan Information

Great-West Retirement Services
100 N. Tucker, Suite 100
St. Louis, MO 63101

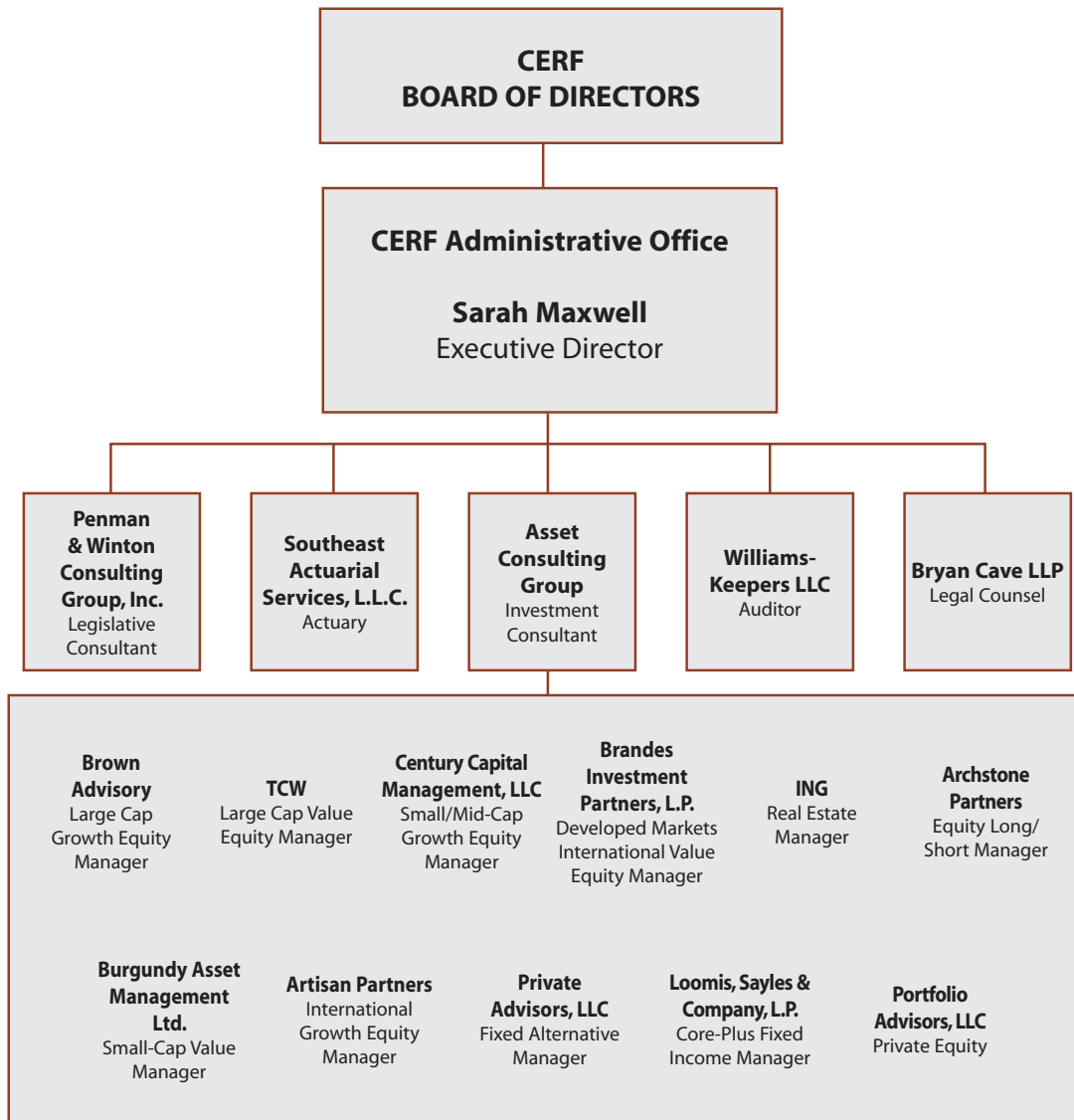
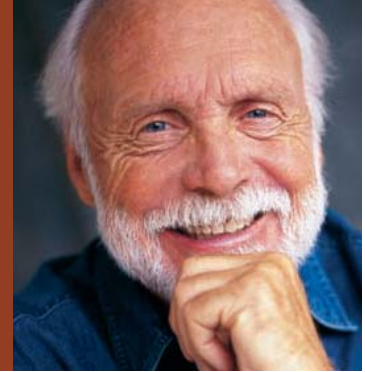
Toll-Free: (877) 895-1394
Facsimile: (314) 241-2181
Website: www.gwrs.com*
E-mail: james.ellison@gwrs.com
KeyTalk® Info Line: (800) 701-8255*

*User Name and Personal Identification Number required.

COUNTY EMPLOYEES' RETIREMENT FUND 2010 Board of Trustees

Ken Dillon – Board Member
Conny Dover – Board Member
Rosemary Gannaway – Secretary
Elaine Luck – Chair
Kay Murray – Board Member
Jerry Reynolds – Board Member
Wayne Scharnhorst – Vice-Chair
Sherry Shamel – Board Member
Frank Sifford – Board Member
Dennis Turner – 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

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 required 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 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 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. Cost-of-Living Adjustments will become effective on July 1 of each year.
Survivor Benefits	<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. In addition, if the participant is vested at the time of death, the surviving spouse is eligible to apply for a 50% spousal pension benefit.</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 8/28/04, 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 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.</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 2010, participants may contribute up to the lesser of \$16,500, 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 invest through a selected portfolio.

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.gwrs.com. You will need to use your user ID and personal identification number (PIN) provided to you by Great-West.

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 or 401(a) or (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 see the contact information on the first page of this document or call the CERF Administrative Office for a copy of the most recent Savings Plan brochures.

Investments

Overview

The County Employees' Retirement Fund (CERF) retirement fund assets are invested and monitored in accordance with the fund's investment policy, which articulates the fund's goals, objectives and risk parameters.

CERF Investment Portfolio Guidelines and Objectives

CERF's primary focus is to invest the pension fund assets in a manner which is in the best interest of the fund's participants. CERF's Board of Directors has articulated, through an investment policy, that the pension fund portfolio should be diversified among various investments, with the objective of achieving attractive investment returns within prudent risk parameters over a long-term time horizon.

CERF has four broad long-term investment objectives: (1) to achieve a return of 1% over the actuarial assumption rate (currently 8%) in order to provide ongoing support to members, (2) to grow the portfolio assets at 5% over the inflation rate to preserve the portfolio's purchasing power over time, (3) to outperform a blended passive index (blended benchmark) which mirrors the portfolio's asset allocation mix and (4) to achieve these performance objectives at a level of risk similar to the blended passive index.

Total Portfolio Performance

CERF's investment portfolio has met and exceeded its stated objectives since its inception 16 years ago. While the investment markets fluctuate and some years are certainly better than others, the CERF investment program has been postured for the long-term. As such, the total pension fund's specific objectives relate to both return and risk, and are long-term focused.

The following chart summarizes the pension fund's results compared to the objectives defined by the investment policy:

Total Pension Fund Performance vs. Objectives Since Inception (December 31, 1994 - December 31, 2010)

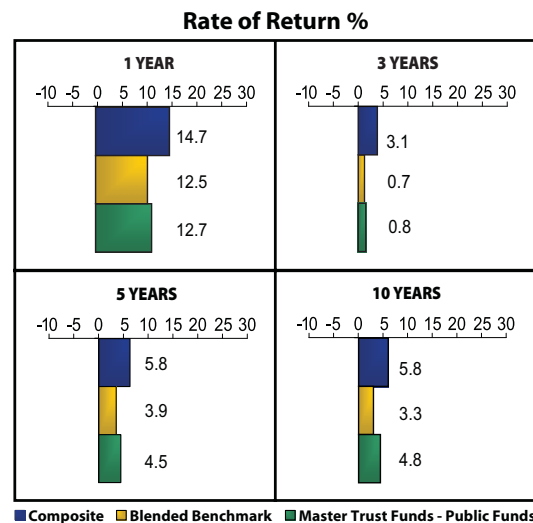
	Benchmark	CERF	Objective Met?
• At a minimum, it is the objective of CERF to exceed its actuarial interest rate assumption by 1% on an ongoing basis. ¹	9.0%	9.1%	YES
• The Pension Fund's annualized total return should equal or exceed the annualized rate of inflation as indicated by the Consumer Price Index by 5%.	7.5%	9.1%	YES
• 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 Aggregate Bond Index	8.2%	9.1%	YES
• 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 Aggregate Index	10.5	10.1	YES

¹ The desired long-term objective is to achieve an excess return over the actuarial assumptions by 1%, which is an absolute objective of 9%, net of management fees and transaction costs.

The chart above shows that CERF's portfolio returns are in line with long-term expectations, despite the most difficult recent market decline of 2008 and early 2009. These returns have been achieved with less risk (volatility) than the broad markets.

The chart below shows CERF's investment performance compared to relevant benchmarks for various time periods ending December 31, 2010.

Total Pension Fund Performance vs. Benchmarks For the Periods Ending December 31, 2010



The chart above shows that CERF's portfolio has outperformed its benchmark return over the one, three, five and ten year periods, and has outperformed the median public pension fund in each of those periods.

2010 represented the second consecutive year of a strong market rebound. The performance of the CERF portfolio reflected the market strength, with a return of approximately 15% for the year.

Total Portfolio Asset Allocation

Diversification is key to the success of any long-term investment program, and CERF's investment portfolio has been constructed to be well-diversified with exposure to different investment asset classes.

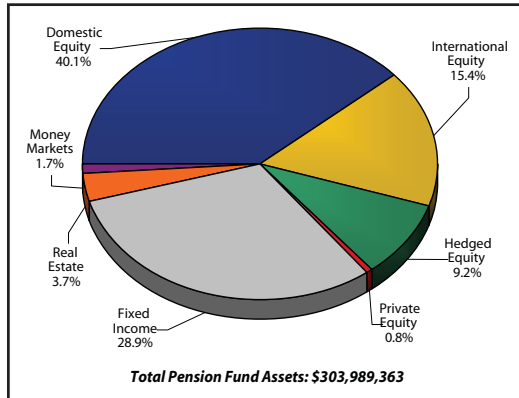
CERF's asset allocation mix is continually monitored and reviewed to ensure that it is appropriate given the investment objectives and guidelines, and assets are rebalanced when appropriate to keep the exposures to various investments within the stated ranges defined in the investment policy.

The portfolio's current target asset allocation mix is 65% equity, 30% fixed income and 5% real assets (real estate). Diversification extends beyond the asset allocation decision and is an important element in the implementation and investment manager selection process. Each investment manager is expected to invest in a well-diversified portfolio of high quality securities, and is given specific performance hurdles which they are expected to exceed over reasonable periods of time and within appropriate risk parameters.

Investments

The chart below depicts the pension fund's asset allocation as of December 31, 2010:

Total Pension Fund Asset Allocation
As of December 31, 2010



Equity Portfolio Design

CERF's equity (stock) portfolio is diversified by asset class (domestic stocks, international stocks, hedged equity funds and private equity), investment size (small, mid and large capitalization stocks), investment style (value and growth stocks) and investment management organization (different money managers are responsible for managing specific pieces of the portfolio).

Fixed Income Portfolio Design

CERF's fixed income (bond) investments are included in the portfolio to enhance diversification. Generally, fixed income strategies are less sensitive to movements in the stock market than equities. The fixed income portfolio is intended to represent the broad fixed income markets, with an emphasis on high quality bonds. Like with the equity portfolio, different fixed income strategies are represented with varying diversification attributes such as quality, sector and security type.

Real Assets Portfolio Design

Real assets typically behave differently than stocks and bonds, and therefore provide further diversification to an investment portfolio. CERF's portfolio includes an allocation to real estate, primarily through a diversified real estate fund.

The objective of the real assets portfolio is to be diversified by geographic location and property type, while maintaining strict quality requirements for each property, including leverage and occupancy rates.

2010 Year in Review

2010 witnessed continued improvement in economic conditions and markets following the market crash of 2008. As the year unfolded, investors became increasingly optimistic about

the pace of the economic recovery in the U.S., setting the stage for the continuation of stock and credit market rallies. For the year, the S&P 500 Index advanced more than 15%, resulting in the second consecutive year of double-digit returns. While the domestic markets continued to rebound, overseas markets were less robust, being rattled by the signs of stress in several non-U.S. developed markets (like Greece, Spain, Portugal and Ireland) and significant unrest within many Middle Eastern markets. This follows many years of outsized returns in overseas markets compared to the U.S.

U.S. stocks closed out 2010 with broad gains across the market capitalization spectrum and most sectors. As is typical during the early stages of an economic rebound, small cap stocks logged healthy returns in 2010 and outpaced their large cap counterparts. Stock markets around the world also gained in 2010 as government stimulus policies aided in the global economic recovery. Global flows into non-U.S. emerging markets equities continued at a strong pace in 2010, although the returns moderated somewhat from the year before and compared with the domestic equity markets.

With improving economic conditions, corporate balance sheets and earnings rebounded sharply from the stressed levels of 2008-2009, resulting in significant improvement in credit quality within the fixed income markets. All bond sectors reported strong returns, although corporate and asset-backed securities performed better than government (treasury) securities. Within the corporate sector, 2010 represented another year where lower quality credits advanced the most, as investors were buoyed by modest valuations on securities issued by formerly-distressed corporations with outsized opportunities for improvement in their financial condition.

Ongoing Monitoring

The CERF Board of Directors works closely with their investment consultant to oversee the investment program. This includes investment policy design and oversight, asset allocation review, and ongoing manager due diligence.

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

CERF's Board of Directors and their consultant meet each calendar quarter to review the investment portfolio in detail and to discuss and address specific issues. In addition, interim meetings are held as needed to ensure that the monitoring and oversight process for CERF's investment portfolio is ongoing.

The CERF Board's primary focus regarding the investment program is to achieve the stated investment objectives in a prudent manner over a long-term time horizon.

Actuarial

PLAN MEMBERSHIP

AS OF JULY 1, 2010

Covered Payroll	\$361,334,336
Average Pay per Active Member	\$32,156

ANNUAL REQUIRED CONTRIBUTION

Unfunded Actuarial Accrued Liability (UAAL)	\$129,078,392
Amortization of UAAL, with interest to mid-year*	\$11,791,230
Normal Cost, with interest to mid-year	\$15,928,276
Reduction in Normal Cost for member contributions	\$7,847,077
Annual Required Contribution as a percent of payroll	\$19,872,429 5.50%

PLAN ASSETS

Market Value	\$259,165,927
Actuarial Value	\$294,482,927

FUNDED STATUS

Actuarial Present Value of Accrued Benefits (based on current pay)	\$358,623,445
Funded Ratios	
Accumulated Benefit Basis	82%
Actuarial Accrued Liability Basis	70%

* The UAAL is being amortized as a level percentage of payroll over a 30-year period beginning January 1, 1995.

Financial Statements



STATEMENT OF PLAN NET ASSETS DECEMBER 31, 2010

ASSETS

Cash	\$	1,689,041
Receivables:		
Member contributions		324,668
Member prior service contributions		140,599
County contributions		2,630,362
Receivable for pending investment sales		854,718
Accrued interest and dividends		768,509
Total receivables		<u>4,718,856</u>
Investments, at fair value		299,364,878
Invested securities lending collateral		66,341,156
Other Assets		10,472
Capital assets, net of accumulated depreciation of \$2,094,579		<u>3,602,192</u>
Total assets		<u>375,726,595</u>

LIABILITIES

Accounts payable		371,783
Accrued defined contribution plan contribution		2,126,632
Other accrued expenses		109,939
Deferred revenue		187,810
Payable for pending investment purchases		463,805
Collateral for securities on loan		<u>68,276,454</u>
Total liabilities		<u>71,536,423</u>
Net assets held in trust for pension benefits	\$	<u><u>304,190,172</u></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 PLAN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2010

ADDITIONS:

Contributions:

County receipts	\$19,739,918
By members	8,405,810
For members, paid by counties	1,078,475
Members, purchase of prior service	75,165
Total contributions	<u>\$29,299,368</u>

Investment Income (loss):

Investing activities:

Net appreciation in fair value of investments	33,471,199
Fixed income securities	2,650,218
Equity securities	2,611,324
Alternative investments	(139,009)
Other miscellaneous income	71,592
Total investment income	<u>38,665,324</u>
Investment expenses	<u>(1,477,234)</u>

Net income from investing activities 37,188,090

Securities Lending Activities:

Income	240,843
Expenses	(154,944)
Net decrease in fair value of re-invested collateral	(335,978)
Net from securities lending activities	<u>(250,079)</u>
Total net investment income	<u>36,938,011</u>
Other Income	<u>4,501</u>

Total additions 66,241,880

DEDUCTIONS:

Benefits	16,246,166
Refunds of member contributions	2,616,254
Defined contribution plan matching contribution	2,126,632
Administrative expense	1,841,979
Total deductions	<u>22,831,031</u>

Net increase 43,410,849

Net assets held in trust for pension benefits

Beginning of year	<u>260,779,323</u>
End of year	<u>\$304,190,172</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, 2010)

Active Participants	11,015
Retired Members and Beneficiaries	3,144
Terminated Vested Participants	1,670

Sum of Death Benefits (since inception)	\$ 3,579,948
Sum of Remaining Buy Back Balances	\$ 140,599
Sum of Benefit Payments, Taxes and Buy Back Payments (since inception)	\$ 116,008,846

Average Gross Monthly Benefit	\$435.82
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Summary of County Receipts for 2010

Assessor Late Fees	Collector Merchant License Fees	Collector Delinquent Fees	County Interest	Employee Contributions	County Contributions	Recorder Document Filing Fees
\$5,286,135	\$1,141,617	\$8,256,360	\$58,088	\$8,468,579	\$1,053,603	\$5,104,100

County Employees' Retirement Fund
2121 Schotthill Woods Drive
Jefferson City, MO 65101

Presort Standard
U.S. Postage Paid
Jefferson City, MO
Permit No. 210