



# SUMMARY ANNUAL REPORT

For the Fiscal Year Ending December 31, 2016

CERF



COUNTY EMPLOYEES'  
RETIREMENT FUND

*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](http://www.mocerf.org)  
E-mail: [admin@mocerf.org](mailto:admin@mocerf.org)



## COUNTY EMPLOYEES' RETIREMENT FUND 2016 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*

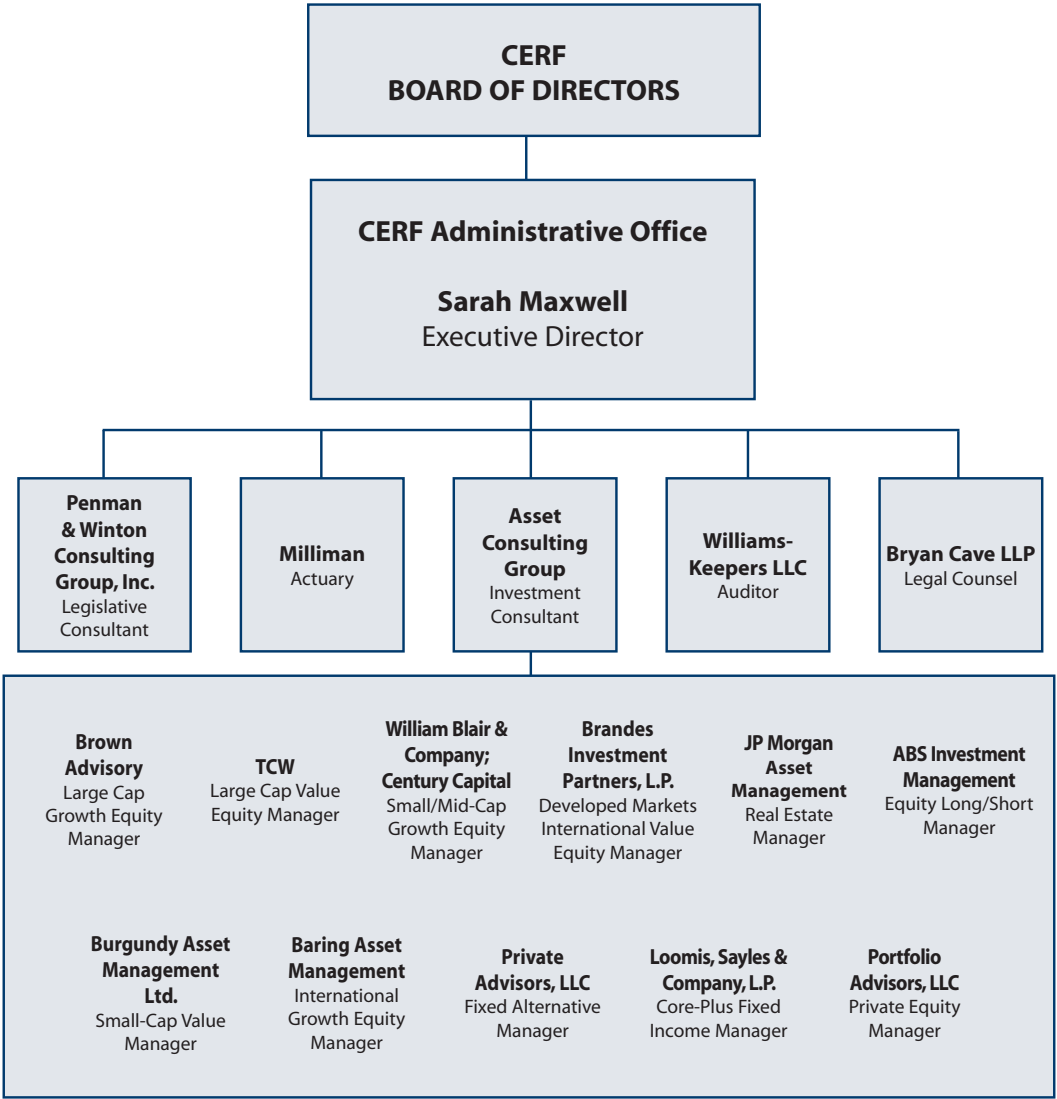
**Tom Ruhl** – *Chair*

**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

<b>Eligibility</b>	A member must participate in the CERF Pension Plan in order to be eligible to participate in the CERF Savings Plan.
<b>Automatic Contributions</b>	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.
<b>Voluntary Contributions</b>	In 2016, 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.
<b>Matching Contributions</b>	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.
<b>Vesting</b>	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.
<b>Investment Options</b>	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.
<b>Making Changes</b>	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 <a href="http://www.empower-retirement.com">www.empower-retirement.com</a> . You will need to use your user ID and personal identification number (PIN) provided to you by Empower Retirement.
<b>Payment Options</b>	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.
<b>Rollovers and Plan Transfers</b>	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.
<b>Need More Information</b>	For more information on the CERF Savings Plan, please call the CERF Administrative Office.



# Investments

## CERF Investment Portfolio Background and Objectives

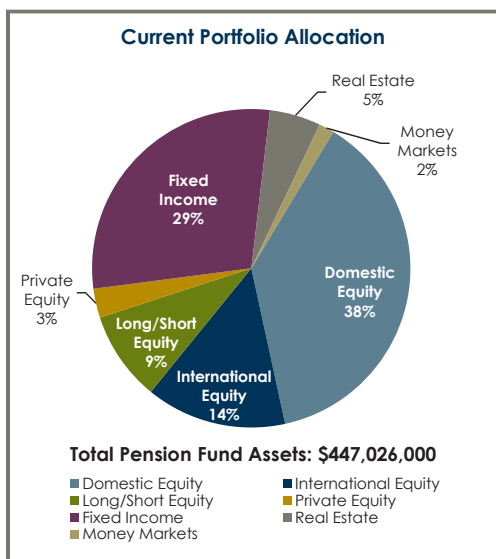
CERF's investment program's main objective is to provide retirement income to the plan's participants. The pension plan's formal investment policy articulates the fund's goals, objectives, and risk parameters, and states the importance of diversification, risk management and a long-term, strategic investment time horizon. The plan's assets are invested in accordance with this policy.

## Total Portfolio Asset Allocation

CERF's investment portfolio is invested in each of the broad investment categories (stocks, bonds, and real estate), sub-asset classes (large cap stocks, small cap stocks, etc.) and geographic regions (US, non-US).

CERF's investment program is overseen and monitored by the investment consultant, CERF's internal staff, and its Board of Directors. The investment portfolio has a long-term focus, but it is adjusted, when appropriate, to reflect near-term risks and opportunities. Rebalancing takes place to keep allocations to various investments within the stated ranges defined in the investment policy. New assets classes are periodically added to the mix to enhance diversification.

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, 2016:



## Equity Investments

CERF invests in different types of equities (stocks) for the growth opportunities they provide. CERF's portfolio currently has exposure to domestic stocks, international stocks, hedged equity funds, and private equity in different size categories (small, mid, and large capitalization), in different styles (value and growth) and with different investment management organizations.

## Fixed Income Investments

CERF's fixed income (bond) portfolio is in place to enhance diversification and provide liquidity and downside protection. The fixed income portfolio is also diversified and invested across the fixed income markets, with an emphasis on high quality bonds. The portfolio has exposure to various quality, sector, geography, and security types.

## Real Assets Investments

Real estate investments provide an additional layer of diversification to the portfolio, as they behave differently than stocks and bonds.

CERF's current allocation to real estate is achieved 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.

## 2016 Year in Review

2016 was a year of surprises. Financial market performance was shaped by unexpected changes in the global political landscape. The rising tide of global populism, increasing anti-trade sentiment, and unprecedented central bank monetary policy dominated the headlines. Behind the scenes, 2016 marked the seventh year of positive global economic growth. US markets outperformed non-US markets due to improving domestic economic activity and higher relative interest rates in the US. Although they lagged US markets, continued monetary support from global central banks helped the non-US markets deliver positive returns for the year.

In the US, both stocks and bonds advanced in 2016, driven by relatively low interest rates and a rebound in US corporate profits. The S&P 500 posted a record high in December as prices rose in anticipation of pro-growth policies promised by newly elected president Donald Trump. Mr. Trump's focus on domestic spending and jobs spurred a rally in US small cap stocks with a domestic focus. Small cap stocks surged 14% following the November 8 election, resulting in a 21% gain for 2016, and making them the top performing asset class for the year.

# Investments

Global markets closed out the year slightly higher, pressured by the strong US dollar. Emerging market assets advanced, posting their biggest rise since 2012, as China's economy avoided a recession long feared by investors. Bonds eked out gains despite a rise in US Treasury yields and commodities advanced for the first time since 2010.

## Total Portfolio Performance

The success of the investment program is defined by its adherence to the investment policy guidelines, and its performance compared to the stated return objectives and risk parameters.

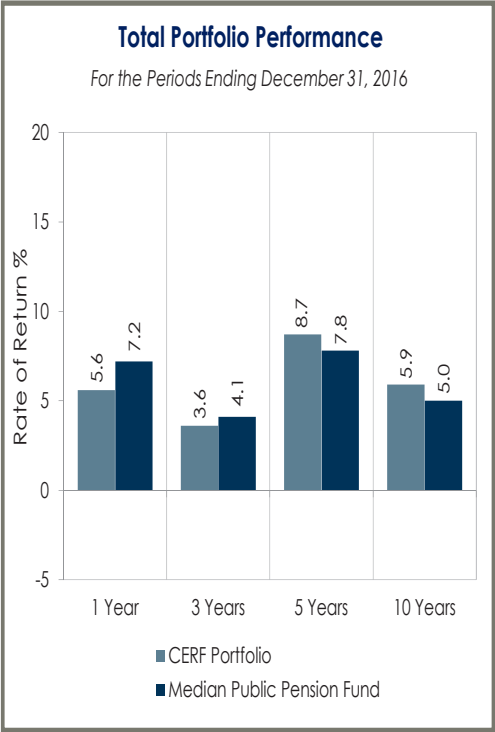
The following chart shows the pension fund's annualized performance and risk since its inception compared to the stated objectives:

### Total Pension Fund Performance vs. Objectives

(December 31, 1994 – December 31, 2016)

	Benchmark	CERF
<strong>Return Objectives</strong>		
At a minimum, it is the objective of CERF to exceed its actuarial interest rate assumption on an ongoing basis.	7.5%	8.6%
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%	8.6%
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	8.5%	8.6%
<strong>Risk Objective</strong>		
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	9.7%	9.6%

The following chart shows CERF's investment performance compared to other public pension funds for the one, three, five, and ten year periods ending December 31, 2016\*.



\*InvestorForce Trust Fund Universe.

## Ongoing Monitoring

CERF's Board of Directors is responsible for the ongoing oversight of the investment program. The Board utilizes the support of their investment consultant and CERF's staff to establish policies and procedures, make investment-related decisions, and monitor the investment program.

The Board, staff, and consultant meet formally each calendar quarter to review and discuss the investment portfolio in detail, with interim communication, as needed, between quarters.

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

# Actuarial

## PLAN MEMBERSHIP

AS OF JANUARY 1, 2016

Covered Payroll	\$391,801,920
Average Pay per Active Member	\$34,700

## ACTUARIALLY DETERMINED CONTRIBUTION (ADC)

Unfunded Actuarial Accrued Liability (UAAL)	\$191,615,641
Amortization of UAAL, with interest to mid-year*	\$ 17,230,362
Normal Cost, with interest to mid-year	\$ 21,516,004
Reduction in Normal Cost for Member Contributions	\$ 13,138,115
Annual Required Contributions as a percent of payroll	\$ 25,608,251 6.54%

## PLAN ASSETS

Actuarial Value	\$448,784,038
Market Value	\$432,504,491

## FUNDED STATUS

Entry Age Normal Actuarial Accrued Liability	\$640,399,679
Funded Ratios	
Funded Percentage on Actuarial Value of Assets	70%
Funded Percentage on Market Value of Assets	68%

\* 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, 2016

### ASSETS

Cash	\$ 2,603,661
Receivables:	
Member contributions	436,858
Member prior service contributions	124,008
County contributions	2,841,169
Receivable for pending investment sales	2,741
Accrued interest and dividends	192,356
Total receivables	<u>3,597,132</u>
Investments, at fair value:	
Common stocks	163,005,692
Fixed income mutual funds	105,096,623
Hedge funds	65,363,779
International equities funds	63,867,125
Real estate fund	19,631,664
Private equity	13,537,091
Cash equivalents	13,397,836
Total investments	<u>443,899,810</u>
Invested securities lending collateral	54,540,361
Other assets	2,001
Capital assets, net of accumulated depreciation of \$2,735,423	<u>5,780,049</u>
Total assets	<u>510,423,014</u>

### LIABILITIES

Accounts payable	867,399
Accrued defined contribution plan funding	3,133,484
Other accrued expenses	89,027
Unearned revenue	28,292
Payable for pending investment purchases	349,637
Collateral for securities on loan	<u>55,185,126</u>
Total liabilities	<u>59,652,965</u>
Net position – restricted for pension benefits	<u>\$ 450,770,049</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.

# Financial Statements

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2016

### ADDITIONS:

#### Contributions:

County receipts	\$ 20,329,625
By members	11,588,772
For members, paid by counties	2,142,332
Members, purchase of prior service	<u>68,655</u>
Total contributions	<u>34,129,384</u>

#### Investment income:

##### Investing activities:

Net appreciation in fair value of investments	17,194,233
Fixed income securities	2,534,327
Equity securities	3,999,849
Alternative investments	55,190
Other miscellaneous income	<u>27,091</u>
Total investment income	23,810,690
Investment expenses	<u>(2,452,505)</u>

Net income from investing activities	<u>21,358,185</u>
--------------------------------------	-------------------

#### Securities lending activities:

Income	450,323
Expenses, net	(252,545)
Net increase in fair value of re-invested collateral	<u>10,745</u>

Net income from securities lending activities	<u>208,523</u>
-----------------------------------------------	----------------

Total net investment income	<u>21,566,708</u>
-----------------------------	-------------------

Other income	<u>5,287</u>
--------------	--------------

Total additions	<u>55,701,379</u>
-----------------	-------------------

### DEDUCTIONS:

Benefits	28,423,305
Refunds of member contributions	3,037,078
Defined contribution plan matching contribution	3,133,484
Administrative expense	<u>2,841,954</u>

Total deductions	<u>37,435,821</u>
------------------	-------------------

Net increase	18,265,558
--------------	------------

#### Net position – restricted for pension benefits

Beginning of year	<u>432,504,491</u>
-------------------	--------------------

End of year	<u><u>\$ 450,770,049</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.

# CERF Demographics

(Data as of December 31, 2016)

Active Participants	11,303
Retired Members and Beneficiaries	4,774
Terminated Vested Participants	2,280

Sum of Death Benefits (since inception)	\$ 4,930,000
Sum of Remaining Buy Back Balances	\$ 124,008
Sum of Benefit Payments, Taxes and Buy Back Payments (since inception)	\$255,291,743

Average Gross Monthly Benefit	\$507.20
-------------------------------	----------

## Summary of County Receipts for 2016

Assessor Late Fees	Collector Merchant License Fees	Collector Delinquent Fees	County Interest	Employee Contributions	County Contributions	Recorder Document Fees
\$6,472,823	\$1,046,869	\$7,792,473	\$61,498	\$11,588,772	\$2,142,332	\$4,955,962