

JOINT COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT
SECOND QUARTER MEETING
September 15, 2009

The Joint Committee on Public Employee Retirement held its 3rd Quarter Meeting at 2:00pm in House Hearing Room 1. With a quorum being established, Chairman Franz called the meeting to order. Joint Committee members in attendance were Senators Crowell, Days and Green and Representatives Atkins, Franz, Norr, Schlottach, Viebrock and Yaeger. Senators Rupp and Scott were not in attendance.

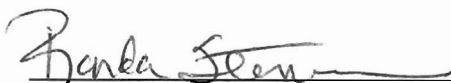
The Chairman turned the meeting over to the Executive Director, Ronda Stegmann. Preliminary reporting for plan year 2008 was reviewed. It was noted the JCPER routinely collected plan data for the previous year. Plan assets, liabilities, revenue streams and outflows were outlined. Quarterly plan reporting was reviewed for the 2nd quarter numbers reported for 2009. Indicated was a growth in plan assets of \$3 billion dollars over 1st quarter numbers with 40 of the 84 plans reporting.

The Director presented a request to update an existing office computer which is currently due for replacement in the Senate rotation. A request to purchase licenses for Microsoft Office Professional Plus 2007 and Adobe Acrobat 9 Professional for both office computers was also made. Senator Yaeger made a motion to approve the computer and software upgrades. Senator Days seconded the motion. The motion was approved unanimously.

The fourth quarter meeting is tentatively scheduled for Tuesday, November 17, 2009. The agenda for this meeting will include a review of plans that are under 70% funded. The Director also brought to the committee's attention website features that will be added, including placing meeting agendas, handouts, and minutes on the JCPER website.

At the request of St. Louis Mayor Francis Slay, Ron Smith presented to the committee funding issues facing the City of St. Louis due to the recent market downturn. Following the presentation, it was agreed that the City of St. Louis will work with the legislature and the City retirement plans to address the funding issues that each are currently faced with. Chris Molitor, President of the International Association of Fire Fighters (IAFF) Local 73, presented a rebuttal to the City's presentation on behalf of the IAFF.

No further business being presented, the committee adjourned.


Ronda Stegmann
Executive Director

JOINT COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT

**3rd QUARTER MEETING
September 15, 2009**

AGENDA

Roll Call

**Preliminary 2008 Reporting
Quarterly Reporting**

Office Equipment (vote)

**Other Business -
Watch List Meeting
Website Additions**

City of St. Louis Presentation





ASSETS / LIABILITIES

■ LIABILITIES

■ ACTUARIAL VALUE OF ASSETS

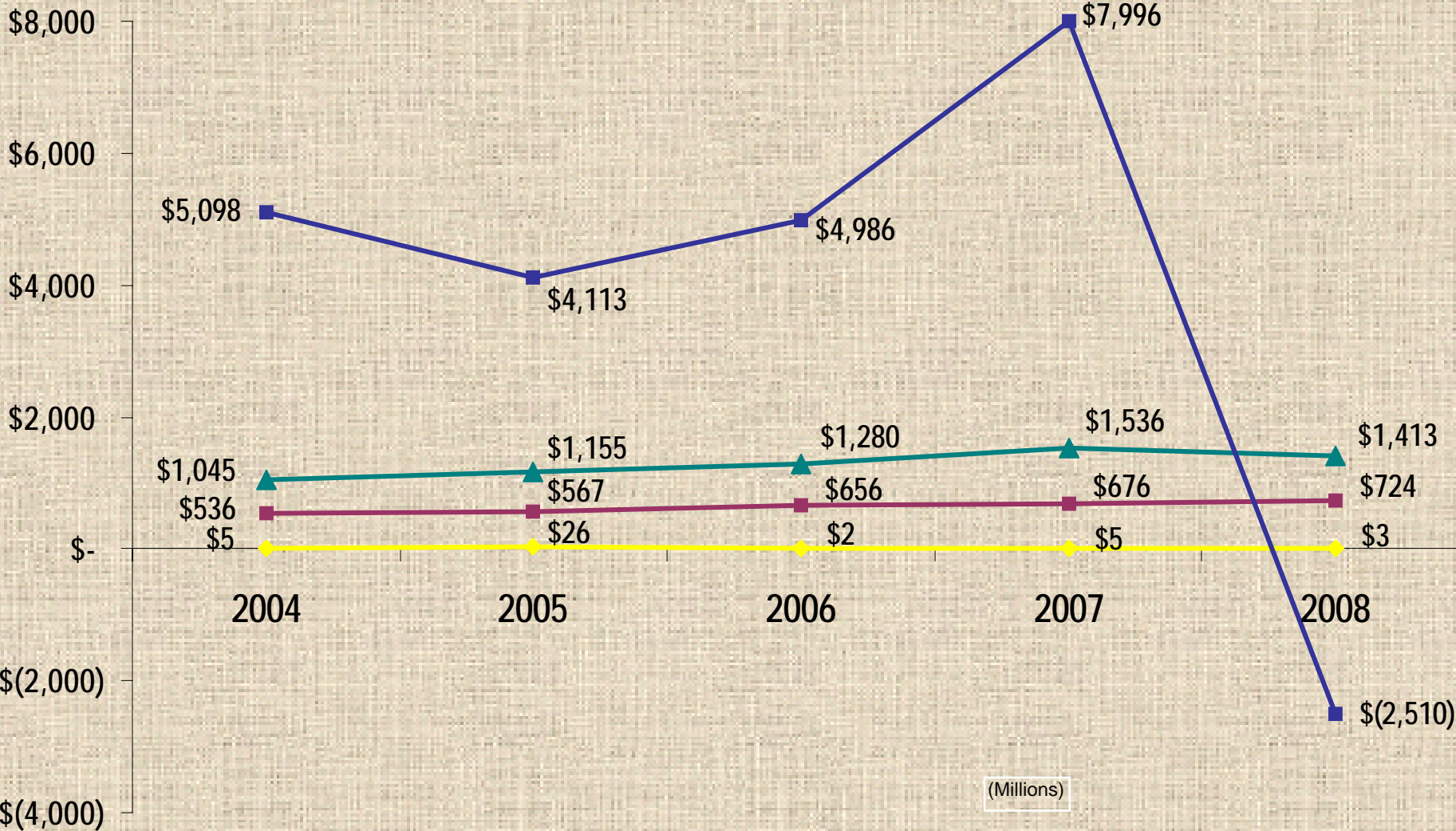
■ MARKET VALUE OF ASSETS



BILLIONS

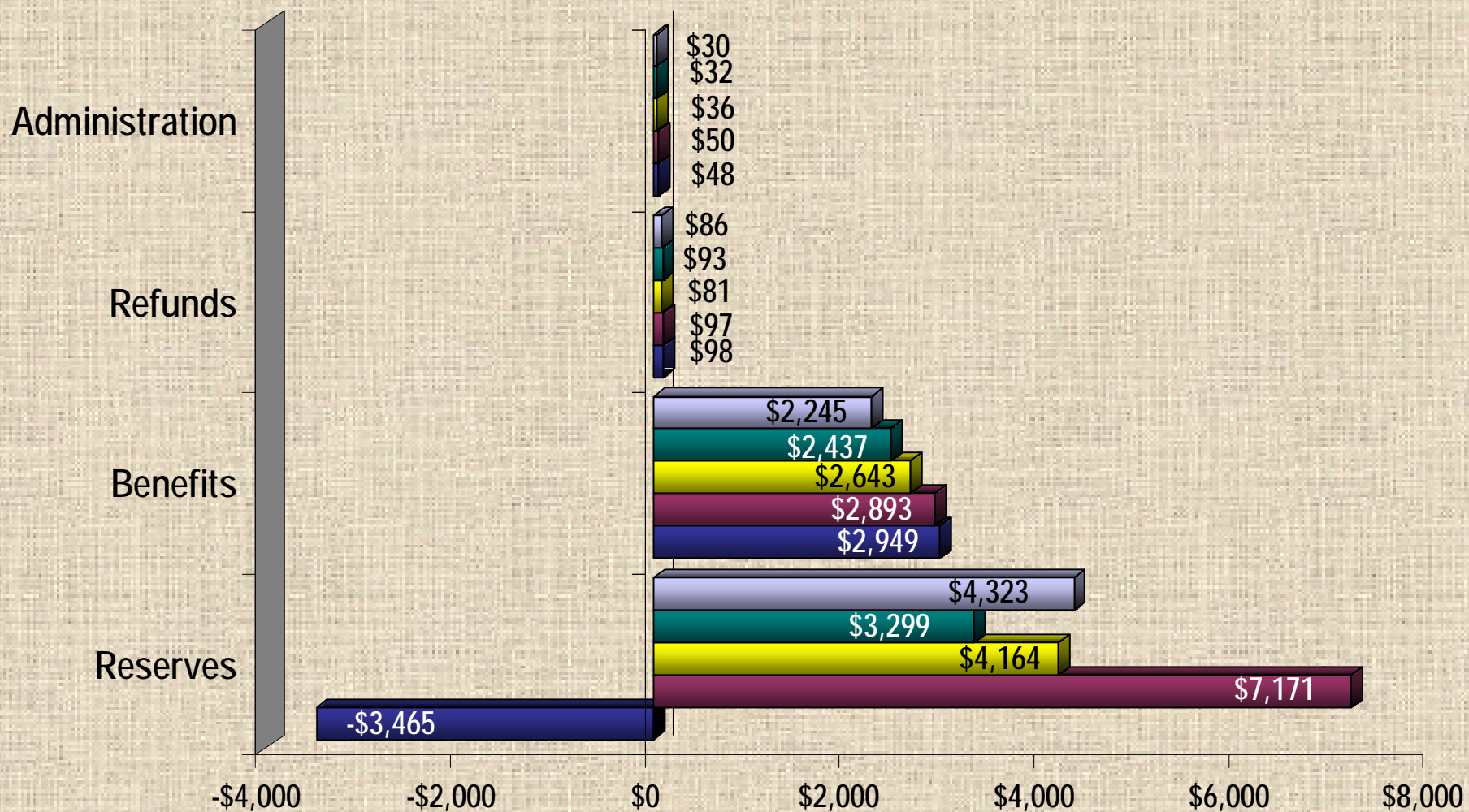
SOURCES

OTHER EMPLOYEE EMPLOYER INVESTMENT



APPLICATIONS

■ 2008 ■ 2007 ■ 2006 ■ 2005 ■ 2004



(Millions)



Joint Committee on Public Employee Retirement

Quarterly Reports

2009 Second Quarter

<u>Plan Name</u>	<u>Beg. Market Value</u>	<u>End. Market Value</u>	<u>ROR 12 mos.</u>	<u>ROR 36 mos.</u>	<u>ROR 60 mos.</u>
Arnold Police Pension Plan	\$5,091,704	\$5,738,634	-15.8% (Net)	-3.3% (Net)	0.3% (Net)
Black Jack FPD Retirement Plan	\$4,615,877	\$5,222,673	0% (Net)	0% (Net)	0% (Net)
Bothwell Regional Health Center Retirement Plan	\$25,657,597	\$28,432,836	-11.7% (Net)	-1.0% (Net)	3.2% (Net)
Bridgeton Employees Retirement Plan	\$14,499,445	\$16,218,876	-22.43% (Gross)	-6.07% (Gross)	-1.20% (Gross)
Carthage Policemen's & Firemen's Pension Plan	\$4,821,955	\$4,991,282	-13.08% (Net)	-.59% (Net)	1.08% (Net)
County Employees Retirement Fund	\$196,755,000	\$224,009,000	-11.6% (Gross)	-1.0% (Gross)	2.8% (Gross)
Creve Coeur FPD Retirement Plan	\$4,773,793	\$5,547,950	n/a% (Gross)	n/a% (Gross)	n/a% (Gross)
Fenton FPD Retirement Plan	\$15,653,253	\$16,932,020	-11.44% (Net)	-3.99% (Net)	-0.15% (Net)
Florissant Employees Pension Plan	\$6,767,398	\$7,383,831	-27.60% (Net)	-5.34% (Net)	1.49% (Net)
Florissant Valley FPD Retirement Plan	\$11,488,518	\$12,149,202	NA% (Gross)	NA% (Gross)	NA% (Gross)
Glendale Pension Plan	\$4,284,474	\$3,600,334	-15.2% (Gross)	na% (Gross)	na% (Gross)
Hannibal Police & Fire Retirement Plan	\$7,812,850	\$8,382,641	-12.6% (Gross)	na% (Gross)	na% (Gross)
Jackson County Employees Pension Plan	\$121,570,707	\$132,935,947	-13.16% (Gross)	-.68% (Gross)	-1.37% (Gross)
Joplin Police & Fire Pension Plan	\$17,492,329	\$20,428,880	9.9% (Net)	-.4% (Net)	3.4% (Net)
Kansas City Civilian Police Employees' Retirement System	\$67,300,000	\$75,264,000	-19.4% (Gross)	-3.5% (Gross)	1.9% (Gross)
Kansas City Police Retirement System	\$501,000,000	\$552,855,000	-17.9% (Gross)	-3.0% (Gross)	2.3% (Gross)
Kansas City Public School Retirement System	\$564,540,119	\$607,811,370	-18.1% (Gross)	-3.3% (Gross)	2.0% (Gross)
KC Area Transportation Authority Salaried Employees Pension Plan	\$8,699,209	\$9,853,704	-11.89% (Gross)	-1.67% (Gross)	+2.48% (Gross)
Ladue Non-uniformed Employees Retirement Plan	\$1,911,993	\$2,100,205	-16.34% (Net)	-3.12% (Net)	.75% (Net)
Ladue Police & Fire Pension Plan	\$14,749,122	\$16,127,225	-16.66% (Net)	-3.26% (Net)	.69% (Net)
Local Government Employees Retirement System	\$2,909,673,538	\$3,194,595,344	-18.54% (Gross)	-2.05% (Gross)	2.89% (Gross)
Mehlville FPD Retirement Plan	\$27,744,576	\$27,447,759	1% (Gross)	1% (Gross)	1% (Gross)
Missouri Higher Education Loan Authority Pension Plan	\$16,495,256	\$18,561,755	12.83% (Gross)	-1.35% (Gross)	.94% (Gross)

Please be aware information provided in this report may contain unaudited data.

9/8/2009

<u>Plan Name</u>	<u>Beg. Market Value</u>	<u>End. Market Value</u>	<u>ROR 12 mos.</u>	<u>ROR 36 mos.</u>	<u>ROR 60 mos.</u>
MoDOT & Highway Patrol Employees' Retirement System	\$1,179,629,465	\$1,221,219,306	-24.70% (Net)	-4.61% (Net)	2.06% (Net)
North Kansas City Policemen's & Firemen's Retirement Fund	\$24,989,115	\$29,770,100	-14.52% (Gross)	-2.27% (Gross)	-0.70% (Gross)
Pattonville-Bridgeton FPD Retirement Plan	\$12,185,534	\$14,933,207	-18.53% (Net)	-7.16% (Net)	-1.25% (Net)
Prosecuting Attorneys' Retirement System	\$1,836,695,000	\$2,045,617,500	-12.4% (Net)	-0.1% (Net)	2.7% (Net)
Public Education Employees' Retirement System	\$1,930,006,000	\$2,106,552,000	-18.85% (Gross)	-3.36% (Gross)	1.61% (Gross)
Public School Retirement System	\$19,873,465,000	\$21,526,025,000	-19.21% (Gross)	-3.50% (Gross)	1.49% (Gross)
Richmond Heights Police & Fire Retirement Plan	\$22,060,464	\$24,883,720	-10.67% (Net)	-.048% (Net)	3.22% (Net)
Rock Community FPD Retirement Plan	\$492,114,087	\$622,429,198	(-13.61)% (Net)	(-2.43)% (Net)	.5% (Net)
Sheriff's Retirement System	\$22,116,112	\$24,191,357	0.080% (Gross)	1.159% (Gross)	3.860% (Gross)
St. Joseph Policemen's Pension Fund	\$14,006,621	\$20,538,696	-11.6% (Gross)	-2.0% (Gross)	16.5% (Gross)
St. Louis County Employees Retirement Plan	\$308,985,818	\$350,216,137	-20.25% (Gross)	-4.60% (Gross)	.90% (Gross)
St. Louis County Library Dist Empl Pension Plan	\$25,837,494	\$28,245,963	6.9% (Net)	.5% (Net)	4.8% (Net)
St. Louis Employees Retirement System	\$470,750,914	\$510,140,878	-17.61% (Gross)	-2.39% (Gross)	3.24% (Gross)
St. Louis Public School Retirement System	\$715,368,110	\$774,294,950	-17.5% (Gross)	-2.1% (Gross)	2.6% (Gross)
University of Mo Retirement, Disability & Death Benefit Plan	\$1,950,585,000	\$2,146,113,000	-18.4% (Net)	-2.8% (Net)	2.8% (Net)
Valley Park FPD Retirement Plan	\$2,282,753	\$2,505,505	-12.94% (Net)	N/A % (Net)	N/A % (Net)
West Overland FPD Retirement Plan	\$4,307,230	\$4,764,691	-12.944% (Net)	-1.762% (Net)	1.814% (Net)
	<u>\$33,438,783,430</u>	<u>\$36,449,031,676</u>			

Please be aware information provided in this report may contain unaudited data.

9/8/2009



UPGRADE ESTIMATES

Replacement Computer with MS Office 2007

Dell Optiplex 760 Minitower Desktop = (includes 4 GB memory, 250 GB hard drive, DVD drive, floppy drive, stereo speakers)	\$558.00
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Dell 17" FPD LCD Monitor =	\$139.00
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Microsoft Office Professional Plus 2007 – License =	<u>\$320.28</u>
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Subtotal	\$1,017.28
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Software Upgrades

Microsoft Office Professional Plus 2007 – License = (for existing office PC)	\$320.28
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Adobe Acrobat 9 Professional – upgrade x 2 licenses =	<u>\$318.00</u>
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Subtotal	\$638.28
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TOTAL	\$1655.56
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JCPER COMPARISON OF EXPENDITURES BY MONTH (FY'09 & FY'10)

YTD Exp

FY'09 Payroll	24,047.53
FY'10 Payroll	<u>16,391.60</u>
Increase or Decrease	(7,655.93)
% Change	-31.84%

FY'09 E&E	3,222.08
FY'10 E&E	<u>3,129.89</u>
Increase or Decrease	(92.19)
% Change	-2.86%

FY'09 Total	27,269.61
FY'10 Total	<u>19,521.49</u>
Increase or Decrease	(7,748.12)
% Change	-28.41%

FY'10 Appropriation	169,274.00
Total Expenditures	<u>19,521.49</u>
Balance Available as of 09/01/09	149,752.51



St. Louis Employees' Retirement System

Oct 1				Funded Ratio	
	Market Value	Actuarial Value	Liabilities	MV	AV
2008	\$ 590,881,563	\$ 674,016,719	\$ 765,842,026	77%	88%
2007	688,132,586	646,569,478	732,576,024	94%	88%
2006	567,954,414	554,065,539	695,889,716	82%	80%
2005	527,733,171	527,733,171	666,182,075	79%	79%
2004	474,100,258	431,853,406	602,795,470	79%	72%
2003	439,771,027	424,917,296	576,127,904	76%	74%
2002	382,673,108	432,590,313	574,817,702	67%	75%
2001	423,434,641	466,630,792	542,547,374	78%	86%

Employer Contributions

Ending Sept 30			
	ARC	Actual	% Contributed
2009	\$ 26,072,575	Not Available	
2008	25,297,801	\$ 30,350,011	120.0%
2007	29,599,091	71,301,428	240.9%
2006	29,478,032	15,756,456	53.5%
2005	29,243,453	15,752,497	53.9%
2004	30,926,604	15,158,997	49.0%
2003	32,186,050	19,115,679	59.4%
2002	24,269,937	12,106,532	49.9%
2001	17,492,110	2,768,207	15.8%

Firemen's Retirement System of St. Louis

Oct 1	Market Value	Actuarial Value	Liabilities	Funded Ratio	
				MV	AV
2008	\$ 421,475,703	\$ 485,138,953	\$ 523,035,764	81%	93%
2007	525,113,202	495,116,340	533,235,588	98%	93%
2006	425,034,568	410,775,345	440,486,134	96%	93%
2005	415,163,177	391,181,701	429,764,156	97%	91%
2004	390,207,929	369,893,135	408,660,044	95%	91%
2003	368,782,441	391,020,699	429,972,716	86%	91%
2002	355,880,039	427,199,947	466,310,235	76%	92%
2001	425,131,055	456,143,883	470,607,738	90%	97%

Employer Contributions

Ending Sept 30	ARC	Actual	% Contributed
2008	7,484,524	\$ 7,484,524	100.0%
2007	14,285,300	63,689,991	445.8%
2006	18,179,873	4,110,402	22.6%
2005	17,768,649	4,110,402	23.1%
2004	13,765,477	2,055,201	14.9%
2003	8,913,102	1,884,356	21.1%
2002	3,365,007	3,365,007	100.0%
2001	3,544,385	3,544,385	100.0%

Police Retirement System of St. Louis

Oct 1	Market Value	Actuarial Value	Liabilities	Funded Ratio	
				MV	AV
2008	\$ 656,903,659	\$ 752,273,226	\$ 803,417,002	82%	94%
2007	808,886,286	752,501,900	775,668,726	104%	97%
2006	714,237,045	709,290,911	754,021,412	95%	94%
2005	690,483,923	**	**		
2004	656,975,232	**	**		
2003	628,314,398	**	**		
2002	566,742,543	**	**		
2001	638,848,697	**	**		

***Due to use of the Aggregate cost method, an actuarial accrued liability (AAL) was not calculated. To comply with GASB 50, the Plan began reporting the Schedule of Funding Progress which includes the AAL.*

Employer Contributions

Ending Sept 30	Employer Contributions		% Contributed
	ARC	Actual	
2009	\$ 11,367,527	Not Available	
2008	12,123,143	\$ 10,384,025	85.7%
2007	16,136,312	42,289,488	262.1%
2006	15,524,959	8,093,226	52.1%
2005	12,483,078	8,093,226	64.8%
2004	10,097,972	4,046,613	40.1%
2003	2,393,973	4,115,600	171.9%
2002	-	*	
2001		*	

City of St. Louis Pension Systems

Background
Current Status
Cost Outlook

1

City Pension Systems

Background:

▶ The City has three pension systems:

Employees' Retirement System (ERS)

- ▶ Benefits set by the Board of Aldermen;
- ▶ Investments governed by an independent Board of Trustees made up of trustees appointed by the Mayor, trustees elected by the members, and the Comptroller serving as Ex-Officio member;
- ▶ Employers include: the City, Zoo, Art Museum, Library, Tower Grove Park, Mental Health Board and Taxi Commission.

2

City Pension Systems

Background:

- ▶ The City has three pension systems:
 - **Firemen's Retirement System (FRS)**
 - ▶ Benefits enabled by the Missouri Legislature and set by the Board of Aldermen;
 - ▶ Investments governed by an independent Board of Trustees with City trustees appointed by the Mayor, but with a majority of active and retired firefighters;
 - ▶ All costs paid by the City.

3

City Pension Systems

Background:

- ▶ The City has three pension systems:
 - **Police Retirement System (PRS)**
 - ▶ Benefits set by the Missouri Legislature;
 - ▶ Investments governed by an independent Board of Trustees with City trustees appointed by the Mayor, but with a majority of active and retired police officers;
 - ▶ While mandated by the State, all costs paid by the City.

4

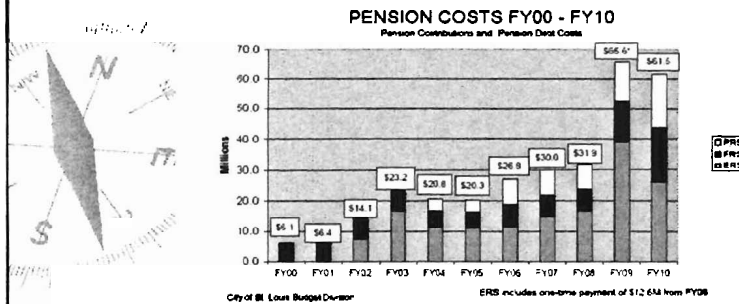
City Pension Systems

Background:

The City's pension systems are Defined Benefit Plans – very rare in today's economy.

The systems have some of the richest benefits of any public sector plan.

Their costs have increased dramatically:



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City Pension Systems

Background:

City Contributions/Debt Payments – Last 10 Years (millions):

	<u>ERS</u>	<u>FRS</u>	<u>PRS</u>	<u>TOTAL</u>
FY01	\$0.0	\$6.4	\$0.0	\$ 6.4
FY02	\$7.4	\$6.6	\$0.0	\$14.1
FY03	\$16.7	\$6.5	\$0.0	\$23.2
FY04	\$11.4	\$5.2	\$4.1	\$20.8
FY05	\$11.1	\$5.2	\$4.0	\$20.3
FY06	\$11.6	\$7.1	\$8.1	\$26.8
FY07	\$14.8	\$7.1	\$8.1	\$30.0
FY08	\$16.7	\$7.1	\$8.1	\$31.9
FY09	\$39.1*	\$13.2	\$13.3	\$65.6*
FY10	\$26.1	\$17.8	\$17.6	\$61.5

*FY09 Includes \$12.6M one-time payment to ERS

6

City Pension Systems

Background:

In February, 2008, the voters approved a half-cent Public Safety sales tax increase (Proposition S).

- ▶ This tax increase provided a dedicated annual revenue funding stream of \$5.5 million to the Fire Retirement System and \$5.5 million to the Police Retirement System, in addition to what the City had budgeted for pension payments.
- ▶ Companion legislation provided a dedicated funding stream of \$13.5 million to the Employee Retirement System.

7

City Pension Systems

Background:

During FY08, the City financed large lump sum payments to the three pension systems to keep them soundly funded:

▪ ERS	\$46.7M
▪ FRS	\$62.6M
▪ PRS	\$35.8M
Total:	\$145.1M

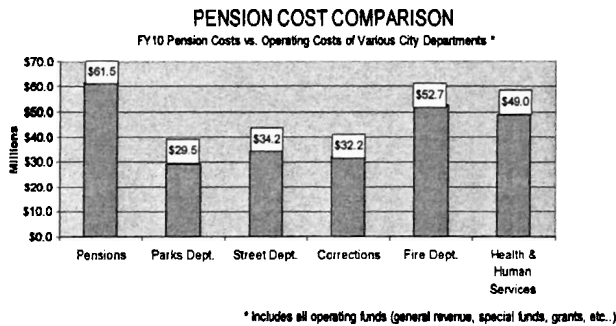
- ▶ With the additional one-time payment of \$12.6M to the ERS in FY09, ALL the City's pension obligations were paid up to date.

8

City Pension Systems

Background:

- ▶ Pension costs now exceed the total operating costs of many City departments:



9

City Pension Systems

Current Status:

- ▶ As of October 1, 2008, (beginning of current plan year) all three pension systems were well funded:

	<u>ERS</u>	<u>FRS</u>	<u>PRS</u>
AV of Assets	\$674.0M	\$485.1M	\$788.5M
AA Liabilities	\$765.8M	\$523.0M	\$906.6M
Unfunded Amt	\$ 91.8M	\$ 37.9M	\$118.1M
% Funded	88.0%	92.8%	87.0%

- ▶ **Systems funded at 80% or more are considered healthy financially.**
- ▶ However, investment losses in the past year were significant and are yet to be fully recognized (losses are smoothed over a period of years)

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City Pension Systems

Current Status:

As with all public-sector pension systems, the City's three systems saw these dramatic declines in market value due to investment losses for their plan years ending September 30, 2008:

ERS
(\$97.3)M

FRS
(\$102.2)M

PRS
(\$152.0)M

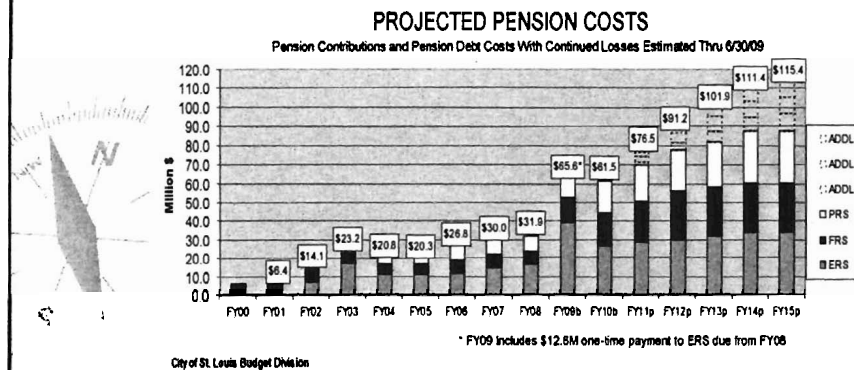
City Pension Systems

Current Status:

- ▶ These investment losses already on the books, are sufficient to increase contribution requirements significantly over the next several years
- ▶ Continued valuation losses since Sept. 30, 2008 will make these funding requirements even greater. (S&P 500 index still down over 15% at end of July – systems assume gains)

City Pension Systems

Cost Outlook (Projections based on current status):



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City Pension Systems

Cost Outlook:

- ▶ Pension cost increases could top \$15M in FY11 and exceed \$50M by FY2015, and this assumes rate of return and other assumptions are met in subsequent years.
- ▶ For the City to bear these costs, this will mean massive layoffs, further reduced benefits (less pay and health care coverage) for those still employed, and reductions in City services to our citizens.
- ▶ With valuations down approx. 35% in past two years and liabilities increasing steadily, **RISING STOCK PRICES ALONE CANNOT FIX THE PROBLEM.** It would take many years for the market to bring the systems back to their funding levels prior to the downturn, and it still would not make up for the losses over the past year.

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City Pension Systems

Cost Outlook:

- ▶ Clearly, steps need to be taken to reduce pension costs so the City can afford to maintain our pension systems and keep them solvent.
- ▶ Aside from investment performance, there are 3 main pension cost drivers:
 - Size of the workforce
 - Compensation of the workforce
 - Level of benefits

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City Pension Systems

Next Steps:

- ▶ Inform E&A
- ▶ Inform Board of Aldermen
- ▶ Inform State legislators
- ▶ Inform our constituents – via the web; free media
- ▶ Develop a comprehensive plan to address future costs.

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City Pension Systems

Q&A



THE FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS				
ANNUAL DISTRIBUTIONS OF MEMBERS BENEFITS				
1980	5,480,620			
1981	5,993,987			
1982	6,402,832			
1983	7,329,442			
1984	7,813,069			
1985	8,410,707			
1986	9,236,582			
1987	10,197,434			
1988	11,442,474			
1989	12,286,643			
1990	15,927,974			
1991	16,710,194			
1992	16,186,402			
1993	17,655,490			
1994	18,771,806			
1995	19,569,615			
1996	20,618,675			
1997	21,443,718			
1998	22,173,548			
1999	22,880,233			
2000	25,348,189			
2001	26,538,890			
2002	26,067,727			
2003	26,722,702			
2004	29,288,492		13 months-Fiscal Year change	
2005	27,624,677			
2006	28,615,532			
2007	29,742,364			
2008	29,908,146			

Firemen's Retirement System of St. Louis
Projection of Contributions
Assumed -8.3% PY09 Return

Valuation as of October 1,	Current Funding Policy
2008	\$12,194,000
2009	\$18,383,000
2010	\$26,324,000
2011	\$28,881,000
2012	\$30,163,000
2013	\$30,008,000
2014	\$29,116,000
2015	\$28,644,000
2016	\$28,471,000
2017	\$27,658,000
2018	\$28,184,000
2019	\$27,341,000
2020	\$26,655,000
2021	\$26,441,000
2022	\$26,165,000
2023	\$26,079,000
2024	\$26,389,000
2025	\$26,524,000
2026	\$26,653,000
2027	\$27,011,000
2028	\$27,151,000
2029	\$26,338,000
2030	\$26,339,000
2031	\$26,712,000
2032	\$25,264,000
2033	\$25,805,000
2034	\$26,429,000
2035	\$26,900,000
2036	\$28,156,000
2037	\$28,065,000
2038	\$28,631,000

Current Funding Policy – FIL method, and a three-year asset smoothing method (The funded ratio is developed utilizing the EAN Accrued Liability)

Table 2a

Firemen's Retirement System of St. Louis
Projection of Contributions
Assumed -30% PY09 Return

Valuation as of October 1.	Current Funding Policy
2008	\$12,194,000
2009	\$21,573,000
2010	\$33,258,000
2011	\$39,180,000
2012	\$40,055,000
2013	\$39,626,000
2014	\$38,332,000 [#]
2015	\$37,552,000
2016	\$37,098,000
2017	\$35,824,000
2018	\$36,018,000
2019	\$34,579,000
2020	\$33,525,000
2021	\$32,878,000
2022	\$32,251,000
2023	\$32,016,000
2024	\$32,204,000
2025	\$32,137,000
2026	\$32,067,000
2027	\$32,298,000
2028	\$32,245,000
2029	\$31,143,000
2030	\$30,968,000
2031	\$31,208,000
2032	\$29,635,000
2033	\$30,067,000
2034	\$30,599,000
2035	\$30,921,000
2036	\$32,034,000
2037	\$31,832,000
2038	\$32,255,000

Current Funding Policy – FIL method, and a three-year asset smoothing method.