

CITY OF FERGUSON PENSION PLAN

REPORT TO PARTICIPANTS



In 1967, the City Council of Ferguson, Missouri granted current full-time employees a terrific benefit still in place today – a Deferred Benefit Pension Plan (the Plan). Simply put, a Deferred Benefit Pension Plan says “after you retire, we will pay you a percent of your base pay based on your years of credited service for the rest of your life.” The City’s Pension Plan is codified by ordinance and may be found on the City’s website.

That same Council placed leadership and stewardship of the Plan in the hands of a Pension Board composed of three (3) employee representatives, three (3) Council appointed representatives, and the City’s Director of Finance. We are the current members of that Board. As employees and residents we take our responsibilities seriously.

This communication begins a new chapter for the Plan. Annually, we intend to provide all Plan participants — full time employees, inactive, and retired or their beneficiaries, with a report regarding the Plan.

The future format of this communication is up to you. Please let us know what you want to know about the Plan.

The Board goals are:

- Ensure pensioners are paid correctly and on time
- Meet investment policy return performance
- Keep Plan operating costs competitive
- Provide annual communication to plan participants
- Engage professional management assistance

The Plan’s success depends on many factors; a vibrant City being one of them. This gives the City Council the ability to appropriate funds in an amount computed by an actuary to fully fund the pension plan. An investment advisor helps maximize earnings. Finally, the Pension Board must select and oversee the Plan’s contractors—its payment agent, actuary and investment advisor, to ensure that the Plan is operating at the highest possible level of performance and at the lowest possible cost.

The most important measure of a defined benefit pension plan’s financial health is its funding percentage. This is calculated by dividing the actuarial value of plan assets by the actuarial accrued liability; in other words how much all participants are owed in today’s dollars. The closer this number is to 100% the stronger the Plan is financially. In the last 10 years, the Plan has never been below 100% and that is where it is today.

The Plan has an *Investment Policy* that is approved by the Board and which guides the investment advisor in terms of asset allocation, quality of assets and portfolio performance. In other words, what economic sectors and whose stocks and bonds to own. We are at the beginning

of the third year of implementation of that policy.

Annually, the Plan’s actuary takes participant census data (age, sex, status, benefit or wage rate, credited service), then makes thousands of assumptions and computations to calculate the recommended contribution; now over \$500,000 per year. Taking into consideration tens of thousands of variables, annually the actuary computes the City’s contribution in order to fully fund the Plan. The actuaries’ report may be found on the City’s website at <http://www.fergusoncity.com/436/Ferguson-Pension-Plan>

The Plan has been very successful at containing costs. The difference between the Plan and MO LAGERS’ expense rate saves the City over \$100,000 per year.

Since the beginning of the Great Recession in 2008, the economic environment for all defined benefit pension plans, including ours, has been challenging. We are happy to report that the Plan has and is performing well. It is served well by its investment advisor and its actuary, and at 100% funding is on solid financial footing. We appreciate the opportunity to serve all of the Plan’s stakeholders.

On page 4 of this report is a table designed to help you calculate the value of your pension benefit on a **Life Only** basis. If you have any questions about how to make these calculations, please contact Jeff Blume (x2252) or Sam Zes (x2189).

Sincerely,

City of Ferguson Pension Board Members

Megan Asikainen

Jeremy Corcoran

Craig Rettke

Jeff Blume

Brian Fletcher

Ted Heideman

Robert Sorensen

Portfolio Performance (Source: UMB Investment Report)

	Market Value	3 Months	6 Months	1 Year	Annualized		
					3 Years	5 Years	10 Years
Total Fund	24,513,387	3.72	4.74	17.76	10.10	11.91	7.06
Weighted Blend		3.56	5.33	17.81	10.93	12.65	6.49
Equities	15,455,392	4.96	5.77	24.59	13.12	16.49	7.91
S&P 500		5.23	7.14	24.61	16.58	18.83	7.78
Russell MidCap		4.97	8.67	26.85	16.09	22.07	10.43
Russell 2000		2.05	3.19	23.64	14.57	20.21	8.70
MSCI EAFE		4.09	4.77	23.57	8.10	11.77	6.93
Fixed Income	8,026,507	1.05	2.08	3.46	4.29	4.93	5.12
Barclays US Agg Bond		2.04	3.93	4.37	3.66	4.85	4.93
Specialty	430,330	6.97	17.77	13.43			

CITY OF FERGUSON, MISSOURI PENSION PLAN

CONDENSED STATEMENTS OF NET REVENUES, INVESTMENT ASSETS AND ADDITIONAL INFORMATION

FISCAL YEAR ENDED JUNE 30,

	2008	2009	2010	2011	2012	2013	2014
REVENUES	(Note: All amounts rounded to nearest \$1,000, except percents)						
City Contribution	\$ 7	\$ 35	\$ 108	\$ 326	\$ 480	\$ 496	\$ 524
Interest & Dividends	627	524	408	500	498	595	619
Realized Gains (Losses)*	241	(740)	411	562	976	1,111	2,112
Total Revenues	875	(181)	927	1,388	1,954	2,202	3,246
EXPENSES							
Benefits Paid	825	911	1,045	1,157	1,196	1,181	1,161
Expenses*	78	100	91	103	108	112	120
Total Expenses	903	1,011	1,136	1,260	1,304	1,293	1,281
Revenue Excess (Deficiency)	(28)	(1,192)	(209)	128	650	909	1,965
Unrealized Market Appreciation (Depreciation)	(1,298)	(2,740)	602	2,736	(1,151)	674	1,124
INVESTMENT ASSETS, at Market Value							
Beginning of year	22,333	21,006	17,074	17,467	20,331	19,829	21,413
End of year	<u>\$21,006</u>	<u>\$17,074</u>	<u>\$17,467</u>	<u>\$20,331</u>	<u>\$19,829</u>	<u>\$21,413</u>	<u>\$24,502</u>
Actuarial Accrued Liability	<u>\$17,600</u>	<u>\$18,575</u>	<u>\$19,215</u>	<u>\$20,254</u>	<u>\$20,677</u>	<u>\$21,296</u>	<u>\$22,060</u>
Plan Funding Percent, based on Actuarial Value of Plan Assets							
City Ferguson	120%	116%	107%	100%	101%	100%	100%
MO LAGERS	NA	98%	80%	81%	82%	84%	87%
Ratio of Plan Expenses to Plan Assets							
City Ferguson	0.37%	0.59%	0.52%	0.51%	0.54%	0.52%	0.49%
MO LAGERS	NA	NA	1.09%	1.13%	1.04%	1.27%	NA

NA - Not Available. MO LAGERS financial statements prior to 2010 are not available. Audited MO LAGERS financial statements for the year ended June 30, 2014 should be available on or before December 31, 2014. Actuarial valuations are based on plan census as of July 1.

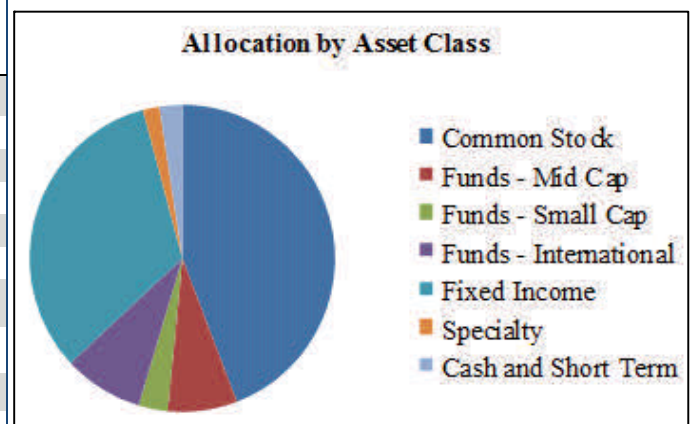
* - From 2009 through 2014, includes adjustment to account for mutual funds expenses separately instead of fund gains or losses.

Prepared by City of Ferguson - Finance Department

Asset Allocation

(Source: UMB Investment Report)

Asset Allocation Classification	Market Value (\$1,000)	% Assets	Target
Equities	\$ 15,455	63%	65%
Common Stock	10,822	44.1%	40%
Funds			
Mid Cap	1,808	7.4%	7.5%
Small Cap	756	3.1%	7.5%
International	2,069	8.4%	10%
Fixed Income	8,027	32.7%	30%
Specialty	430	1.8%	5%
Cash and Other	590	2.5%	2%
Total	\$ 24,502	100.0%	



Summary of Pension Plan Benefits

After completing 8 years of full-time employment, you are fully vested in the City’s Pension Plan. Normal retirement age is 60. After age 55, early retirement may be elected, if the sum of your age and credited service is greater than 82.5. Otherwise, benefits will be reduced.

Monthly benefit payments begin on the first day of the month following your retirement. Your benefit amount will be equal to one and three-fourths (1 ¾) percent of your average monthly salary for the last 60 months [times] (x) the number of years, and fraction thereof, of credited service. Credited service will also include the annual equivalent of any unused sick time. This calculation is based on the selection of the “*Life Only*” payment option. After your retirement, and after payments begin, you may not change the option you selected. The two other benefit options are:

“*Ten Year Certain and Life*” This option pays you an actuarially reduced amount for the remainder of your life. If you should die before 120 payments have been made, the benefit payment would be made to your beneficiary. In this case, at the end of ten years, payments would cease.

“*Life with 2/3*” This option pays you an actuarially reduced amount for the remainder of your life. In the event of your death, 2/3 of that amount is paid to your beneficiary for the remainder of their life. In the event your beneficiary predeceases you, your payment option reverts to “*Life Only*” .

In addition to your pension benefit, should you retire before age 65, you will receive a health care supplement of \$5 per month for each year of credited service, up to \$150 per month. Payments cease when you become eligible for Medicare.

Also, should the situation arise, the Pension Plan will make

- disability benefit payments to you, or
- death benefit payments to your beneficiary.

How to Compute Your Pension and Healthcare Benefit Amount										
Enter Your Average Hourly Rate of Pay for the Last 60 Months*	T I M E S	Hours per Year (Firemen use 2,912)	D I V I D E D	No of Months Per Year	T I M E S	Benefit Rate	T I M E S	Enter Years of Credited Service	E Q U A L S	Your Monthly Benefit Amount
*This may be approximated by using your rate of pay from 24 months ago - see Paychex HRO.										
PENSION										
	x	2,080	/	12	x	1.75%	x		=	
HEALTHCARE SUPPLEMENT										
						\$ 5.00	x		=	