

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

STATUS REPORT TO THE MEMBERS

Plan Year Ended September 30, 2010

Presented By:
The Board of Trustees
Legislative Committee

Report Drafted By:
SAG Consulting

INTRODUCTION

Overview

The Police Retirement System of St. Louis (the System) is authorized under Chapter 86 of the State of Missouri Revised Statutes. The System is a long-range, defined benefit pension plan (Plan) providing benefits to the City of St. Louis Police Officers (the Members) who have dedicated their careers as public servants to the residents and businesses of the City of St. Louis.

The Board of Trustees (the Board) is responsible for administering and providing oversight of the System. Among other things, the Board establishes the actuarial assumptions under which the System operates, the benefits to be provided to the Members, the investment policy and asset allocation to be used in implementing such policy. The Board must continue to ensure the System is well-diversified and the portfolio is continuously managed and monitored following an investment policy established to minimize market risks. The Board must also ensure the System has long-term sustainability in order that the Members have a well-deserved pension when they retire.

The Board has authorized its Legislative Committee to provide an overview and update of the System's status to the Members. The purpose of this report is to offer a summary of information based on data presented in the Preliminary Valuation Summary by the System's actuary, and data presented in the draft Financial Report by the System's independent auditor. The goal of this report is to give the Members a clear picture of the System's current status, as well as a future outlook based on projections. All financial information presented in this status report is for the System's Plan Year that ended September 30, 2010.

SYSTEM'S STRUCTURE

Participants

Membership in the System consists of:

Actives (including DROP, Re-Entries)	1,342
In-Actives (Retirees, Beneficiaries)	1,892
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Total Membership	3,234

Covered Members contribute 7% of their salary which is refunded to them upon separation of employment (service retirement, death or service-connected disability).

DROP

The System implemented a Deferred Retirement Option Plan (DROP) in 1996. The DROP option is available to Members of the System who have at least 20 years of creditable service and have achieved eligibility for retirement (20 years of service or minimum age 55). For the Plan Year that ended September 30, 2010, there were 201 Members in DROP and 42 Re-Entries from DROP.

Actuarial Assumptions

The Board of Trustees has authorized the actuary to use the following assumptions:

Actuarial cost method	Aggregate
Asset valuation method	5-year smoothing of market value (gains/losses) ¹
Investment rate of return	7.75%
Inflation rate	3%
Projected salary increases	3.5% to 7% varying by age
Post-retirement benefit increases	3% maximum per year; 30% cap

¹ Actuarial smoothing is the practice of “amortizing” market or fair value gains or losses over time, where only a certain percentage of those gains or losses are “recognized” during a certain valuation period – i.e., for 5-year smoothing, only 20% of prior year gains or losses would be recognized during a particular valuation period (See Comparison of Asset Values and Contributions below).