

NON-CERTIFICATED EMPLOYEES RETIREMENT PLAN

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CLIFTONLARSONALLEN’S ANNUAL AUDITOR’S REPORT

Mike Hillary, Partner, CliftonAllenLarson LLP, presented at the NCERP quarterly committee meeting; Nov. 15, 2012, giving the results from the audit conducted on the fiscal year ending June 30, 2012. He began stating that the financial statements for the audit were presented fairly, clean, and in conformity with accounting principles generally accepted in the United States. Hillary further indicated the net assets for the fund are \$62,139,395 and down (-\$500K) from last year. The plan had a market gain of \$1.7M, contributions were at \$1.8M for the year, benefits paid directly to participants were \$3.8M, and

administrative expenses were \$211K, together totaled deductions at a little over \$4M, which is a net decrease of (-\$500K) compared to last year’s June 30, 2011, report.

Hillary went on to explain the reason for the decrease in assets is attributed to the decline in investment returns. He pointed out the total actuarial present value of accumulated plan benefits are at \$52.3M, and \$62M in assets. This leaves an approximate \$10M cushion in assets. He strongly indicated the plan is well over funded and the good news is that many retirement plans today are underfunded.

COLUMBIA MANAGEMENT’S INVESTMENT PRESENTATION AS OF SEPT. 30, 2012

James Wilkinson, Columbia Management, Senior Institutional Relationship Manager, began his presentation stating this quarter ending Sept. 30, 2012, was a pretty good quarter. The current quarter is certainly challenging. He explained that he may sound somewhat redundant, because much of what he has to share has been said many times before. We are currently facing many global challenges; Europe’s growth rate is mostly flat and the 2012 elections are now behind us. The ending of the election doesn’t bring much immediate resolve to the markets because of our fiscal cliff issue. We anticipate that some necessary compromise will take place before year’s end. Still there are other concerns about raising the debt ceiling so the government will be able to pay its obligations. We have experienced much gridlock in Washington for the last few years and not sure if that will change. The Bush era

tax cuts are expected to expire, sequestration is anticipated and corporate spending has slowed as a result. Most CEOs are hesitant to make changes that produce effective results because of the amount of uncertainty that is present. Speculations of returning to a recession are looming, and if that happens along with Europe problems brings us to an interesting cross roads. We are here to discuss the ending of the third quarter (Sept. 20, 2012) results, but just thought this current quarter issues are far too important not to discuss.

Wilkinson further shared that growth for the U.S. economy this quarter is about 2 percent, which is better than last quarter at 1.3 percent. The Feds are anticipating keeping interest rates accommodative until around 2015, and in September 2012, there were some

(cont'd on page 2)



This newsletter is designed to summarize and explain basic changes in the Non-Certificated Employees Retirement Plan and provides updates on other related matters. Since it is only a summary, this newsletter does not cover the plan’s provisions in detail. Therefore, if there is any conflict between this newsletter and the plan document itself, the plan document will always govern. An official copy of the plan is available for inspection in the Human Resources department at the Joseph P. Cosand Community College Center, 300 South Broadway, St. Louis, Mo. and in each campus’ library during regular business hours.

discussions concerning some third quarter easing. There was 170,000 jobs has been added to the roles to increase the unemployed rate to 7.9 percent, higher than most would like, but it will be a long, slow recovery with much uncertainty prevailing over us.

The equities market rose to 7.4 percent this quarter; but during the month of November 2012 we have not had the same success. In the area of reconciliation of assets; the beginning market value was just over \$62M, net withdrawals totaled

(-\$782,807), income earned \$341,735, change in market value almost \$3M. The ending market value as of Sept. 30, 2012, was over \$64.3M., another indication that this diverse portfolio is working. The current plan portfolio is the Fixed Income is at 43 percent, large cap enhanced core is at 44 percent, small cap growth at 6 percent, and international equity is at 6 percent, with cash reserves at 1 percent.

Plans assets are up 4.77 percent, bench mark performance was at 4.40 percent, which we out performed for the quarter. The year to date performance; we are up 11.71 percent, the one year performance; we are up 20.48 percent. Over the five

year period we are up only 3.46 percent, mainly due to the down turn of market values, in 2007 and 2008, the ten year return is better at 8.10 percent and since the inception, the performance is 9.18. Those are not so bad numbers over the long haul and this will continue, and we will continue to look for opportunities to enhance the plan's performance. As we are in the process of making some of those changes by looking at setting up a separate Fixed Income Account, the Small Cap Growth will change to a Small Cap Index Fund, and the International Equity Fund will change to International Equity Value Fund at the end of the month.

REPORT FROM ACTUARY: TOWERS WATSON, NCERP VALUATION RESULTS, AS OF JULY 30, 2012

Julie Hupperts, Towers Watson, consulting actuary, began her annual presentation concerning the annual valuation by informing the committee of the time frame the census data was taken from; July 1, 2011 – June 30, 2012. She further explained that we will be reviewing the plan liabilities based on, both accumulated benefits and projected benefits, assets, and funded ratios, again based on both the accumulated and projected ratios. A review of contributions in contrast with normal cost as percentage of pay versus the normal cost will also be discussed.

Hupperts briefly informed the committee of new accounting standard changes and how new assumptions must be used and how the net pension liability is based on a combination of discount rates. She further explained that the plan's assumptions haven't been looked at in a while (since 2004) and the need to do so soon is very important. The mortality table was last updated July 1, 2008. During the reporting period there was a 2.4 percent return on the plan assets. The market has been very volatile and the down market in the years of 2007 and 2008 has hampered the plan's growth. She explained that the current discount rate of 7.75 percent is becoming more difficult to support. The Towers Watson Portfolio Return simulator produces a median return of about 6.0 percent and the 75th percentile return of about 7.0 percent over 20 years, utilized as the alternative assumptions in this report.

Schisler reminded us that we can review the financial report and see that the one year return through Sept. 30, 2012, has been at about 20 percent but we can also see on a June 30, 2012, report that the one-year return was 2.4 percent. Markets have rebounded last quarter but are down again for the current quarter. The point is that these reports are very time sensitive.

Hupperts identified other economic assumptions such as lump sum interest rates, inflation assumption (COLA), pay increases, and administrative expenses. Anticipated earned interest rate needs to be reviewed. The last time it was set at 7.75 percent, and salary increases were set at 4.75 percent. In the low inflation period we now live in, we should revise both to a more conservative model, sometimes next spring would be appropriate, prior to the next valuation.

Hupperts then discussed the assumptions used in the current year's presentation results were included in this year's actuarial presentation based on both, current and revised alternative assumptions. The alternative discount rate used is 7 percent, assumed salary increase rate of 4 percent, assumed rate of inflation rate of 3 percent, lump sum interest rate of 4.5 percent, and updated mortality table. However; there were no changes in retirement, termination, disability, lump sum election percentages and administrative expense assumptions were not reflected in the report, but as mentioned previously should be reviewed and updated.

The presentation compared the results of the 2011 valuation and the 2012 valuation, and showed 2012 results utilizing the alternative assumptions. In measuring liabilities; the accumulated benefits ratio is based on the liability for benefits already earned, while the projected benefits ratio includes future increases due to pay and service. The market value of assets decreased from 2011 to the 2012 valuation, while the actuarial value of assets increased from 2011 to 2012. Market return for 2011 was 23.3 percent, and 2.4 percent for 2012. The funded ratio is measured on an accumulated and a projected benefits basis. Based on the accumulated and projected benefits for 2011 the plan was funded at 125 percent, while for

2012 it was funded 118 percent. Under the alternative assumptions it would be 110 percent for 2012 because of the discount rate utilized for the liability. All of these measures indicating we are currently overfunded. Then we reviewed the funded ratio on a projected benefits basis. The result for 2011 was 80 percent, for 2012 it was 77 percent, and under the alternative assumptions it would be 73 percent. All of these measures show that on a projected benefits basis the plan is underfunded. Plan costs are derived from projected benefits as Schisler explained to the committee.

Hupperts continued explaining that contributions are calculated as a percentage of salary and the normal cost as a percentage of pay for 2011 was 6.81 percent, for 2012 it has increased to 7.16 percent, and under the alternative assumptions it is 9.97 percent. These costs percentages assume the employees' costs stay at 4 percent, and the remaining portion is included in the employer's cost. The actuarial cost is higher than the employer's contributions to the plan, and Schisler pointed out that this has been true for a number of years, although the normal cost was lower than the employer's contributions in the distant past. Looking at annual contribution shortfalls as the difference between the actuarial cost and the actual college contributions 2011 was short by about \$600K, 2012 will be short about \$668K, and under the alternative assumptions 2012 would be almost \$1.3M short of where we need to be. The plan's long-term shortfall is based on all expected future benefits, participant contributions and college contributions. For 2011, the long-term shortfall was \$3.7M, for 2012 it is \$6.8M and utilizing the alternative assumptions it comes to \$11.4M for 2012.

ACTUARY INFORMS COMMITTEE OF NEW AUDITING REQUIREMENTS:

Additionally, Hupperts informed every one of the new accounting standards issued by the Governmental Accounting Standards Board (GASB) statements 67 and 68. GASB 67 applies to the plan audit and will go into effect after June 15, 2013, while GASB 68 will apply to college audit and will go into effect after June 15, 2014. It is also important to point out that these new standards will require additional actuarial calculations and will result in additional actuarial costs to the plan. These new standards will require measuring the pension liability using a single discount rate, and the net pension liability based on discount rate +/- 1 a percentage point.

She further informed the committee that some municipal plans and governmental plans have been accused of understating their liabilities by using high rates of return. The goal is to make the process a more transparent one and a more accurate process so we don't have retirement plans that are underfunded and report they are overfunded. Hupperts further explained this may sound silly for plans that are 91 to 95 percent funded, but for those that are 40 percent funded and are reported with an overstated funded status it poses a huge problem. Also, we will have to show a 10-year schedule of changes in the net pension liability and components of pension expenses for the year under GASB 68. Schisler mentioned that the actuary we will have to work in close concert with the college, Bill Miller, the plan's administrator, and with Bruce Vogelgesang, the college's controller, to meet these new auditing requirements.

In closing, Hupperts further expounded on the fact that the actuarial assumptions should be looked at on a periodic basis and the last time they were reviewed was in 2004. The new mortality table was implemented 2008, and the current mortality assumptions include projected mortality improvements through 2012. Her suggestion is to consider projecting mortality improvements several years beyond the valuation year, consistent with the tables used for corporate plans for funding calculations. Other demographics assumptions that should be reviewed are retirements, terminations, disabilities, and percentage of those electing lump sum payments. Anticipate the NCERP Committee will meet with the actuaries of Towers Watson to discuss in detail new accounting requirements and changing assumptions to support the new GASB 67 and 68 requirements.

THE QUARTERLY UPDATES

During this reporting period, five plan participants chose to retire. Two chose the Annuity Payments for Life Option and one chose the Lump Sum Payment. Two retirees chose the 50 percent Annuity/50 percent Lump Sum method of payment.

Also, during this period, one retiree, Phyllis Spears, who previously worked at Florissant Valley, passed away Sept. 25, 2012.

RETIREMENT INTERVIEW SCHEDULE

If employees would like an estimate of their retirement benefits, attend any of the campus visits made by **James Hayden**, plan coordinator, **ext. 5217**. Please call at least one week before the scheduled visit to ensure the retirement assessment is complete. Every participant is encouraged to contact Hayden at any time to obtain a retirement benefit assessment.

NCERP Coordinator's Proposed Schedule of Campus Visits

Date:	Location:	Time:
Feb. 7	Forest Park	Noon
Feb. 14	Florissant Valley	2 p.m.
Feb. 21	Meramec	2 p.m.
March 7	Forest Park	Noon
March 14	Florissant Valley	2 p.m.
March 21	Meramec	2 p.m.
March 28	Cosand Center	2 p.m.
April 4	Forest Park	Noon
April 11	Florissant Valley	2 p.m.
April 18	Meramec	2 p.m.
May 2	Forest Park	Noon
May 9	Florissant Valley	2 p.m.
May 16	Meramec	2 p.m.
May 23	Cosand Center	2 p.m.
June 6	Forest Park	Noon
June 13	Florissant Valley	2 p.m.
June 20	Meramec	2 p.m.
July 11	Forest Park	Noon
July 18	Florissant Valley	2 p.m.
July 25	Meramec	2 p.m.
Aug. 1	Forest Park	Noon
Aug. 8	Florissant Valley	2 p.m.
Aug. 15	Meramec	2 p.m.
Aug. 22	Cosand Center	2 p.m.
Sept. 5	Forest Park	Noon
Sept. 12	Florissant Valley	2 p.m.
Sept. 19	Meramec	2 p.m.

Locations are: Florissant Valley, Training Center, TC-109; **Forest Park**, VP Academic Affairs' Conference Room; **Meramec**, BA-106; **Cosand Center**, Room 208.

NCERP'S ACCOUNTING SYSTEM

The fiscal year budget report as of Sept. 30, 2012, includes the following:

- Total budget for FY 2012: \$395,722
- Total invoices paid at the end of quarter, plus encumbered charges as of Sept. 30, 2012: \$93,516.96
- Balance of budget as of June 30, 2010, after all bills paid: \$302,205.04

NCERP MEETING SCHEDULE

The quarterly NCERP Committee meetings now are being rotated from various campus locations. The tentative schedule is as follows:
Feb. 13, Harrison Educational Center, 9:15 a.m.
May 15, Forest Park, 9:15 a.m.
Aug. 14, Meramec, 9:15 a.m.
November 14, Florissant Valley, 9:15 a.m.

BENEFICIARY ACCURACY

Make sure beneficiary information on file for NCERP retirement contributions is accurate. Failure to do so could result in retirement contributions being paid to the employee's estate versus having the contributions going to loved ones. If there are questions or concerns, contact **James Hayden**, plan coordinator, at **ext. 5217**.

UNOFFICIAL

Building Good Credit:

You probably know that credit history is becoming increasingly important in your financial life. It governs how much interest you'll pay for a car loan and if you qualify for a mortgage. It also might play a role in whether or not you land a job.

But myths and misinformation abound on this subject and some of the best advice for improving your credit score seems fairly counterintuitive. So we have asked John Ulzheimer, a nationally recognized author, to provide a primer on credit building.

Q. Does my income and my overall net worth drive my credit score?

A: Not at all.

Q. So what does account for my score?

A: Mostly it's your record of paying installment and revolving credit on time, along with collection actions, civil judgments and tax liens lodged against you, and, of course, bankruptcies.

Q. Is it true that the slate is wiped clean 10 years after declaring bankruptcy?

A: In general, yes, but remember that on tax liens, for instance, the clock doesn't start running when the creditor lodges the lien, but rather when it is released due to payment.

Q. Does retiring my mortgage or car loan early affect my credit?

A: Unfortunately, no. While it may be smart to do if you can, there's no acceleration benefit from the perspective of your credit worthiness.

Q. Do potential employers look at my credit score?

A: Actually, no. Some employers (more than half, according to a survey by the Society of Human Resource Management) rely on your credit history during the screening process, at least in those states where the tactic is legal. But they cannot get ahold of your actual credit score.

Q. So what's the surest way to improve my score?

A: Paying down credit card debt. Start with the account with the highest interest rate, and try to use no more than 10 percent of the credit limit on any account.

Q. How about paying off and closing accounts?

A: That can backfire and hurt your score.

Q. Does paying credit card charges early help my score?

A: No, there's nothing on your credit report that shows when a bill is paid, only whether it was paid on time.

YOUR NCERP REPRESENTATIVES:

Board of Trustees Appointment
Calla White
6688 Chesapeake Drive
Apt. C
Florissant, MO 63033
Phone: 314-355-9112
Term expires: BOT's pleasure

Board of Trustees Appointment
Ruth Lewis
10455 Litzinger Road
St. Louis, MO 63131
Telephone: 314-567-7098
Term Expires: BOT's pleasure

Non-Unit Representative
Vicki Lucido - Chair
FV - VP Academic Affairs office
Telephone: 314-513-4214
Email: vlucido@stlcc.edu
Term expires: June 30, 2014

Unit Representative
Kevin White
FP - Media Services
Phone: 314-644-9213
Email: kwhite@stlcc.edu
Term expires: June 30, 2013

Physical Plant
Mike Wibbenmeyer - Vice Chair
MC - Utilities/HVAC
Phone: 314-984-7749
Email: mwibbenmeyer@stlcc.edu
Term expires: Oct. 30, 2013

Any suggestions for improvements, questions, comments or other concerns about the retirement plan may be directed to any of the NCERP Committee representatives. Any proposed agenda items may be sent to **James Hayden** or the employee representative 10 days prior to the meeting date.

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NON-DISCRIMINATION STATEMENT

St. Louis Community College is committed to non-discrimination and equal opportunities in its admissions, educational programs, activities and employment regardless of race, color, creed, religion, sex, sexual orientation, national origin, ancestry, age, disability, genetic information or status as a disabled or Vietnam-era veteran and shall take action necessary to ensure non-discrimination.

For information or concerns relating to discrimination matters, contact the following: for matters relating to disabilities, contact Section 504/Title II Coordinator Donna Dare at 314-539-5285; for matters relating to sex discrimination, contact Title IX Coordinator Pam McIntyre at 636-422-2250.