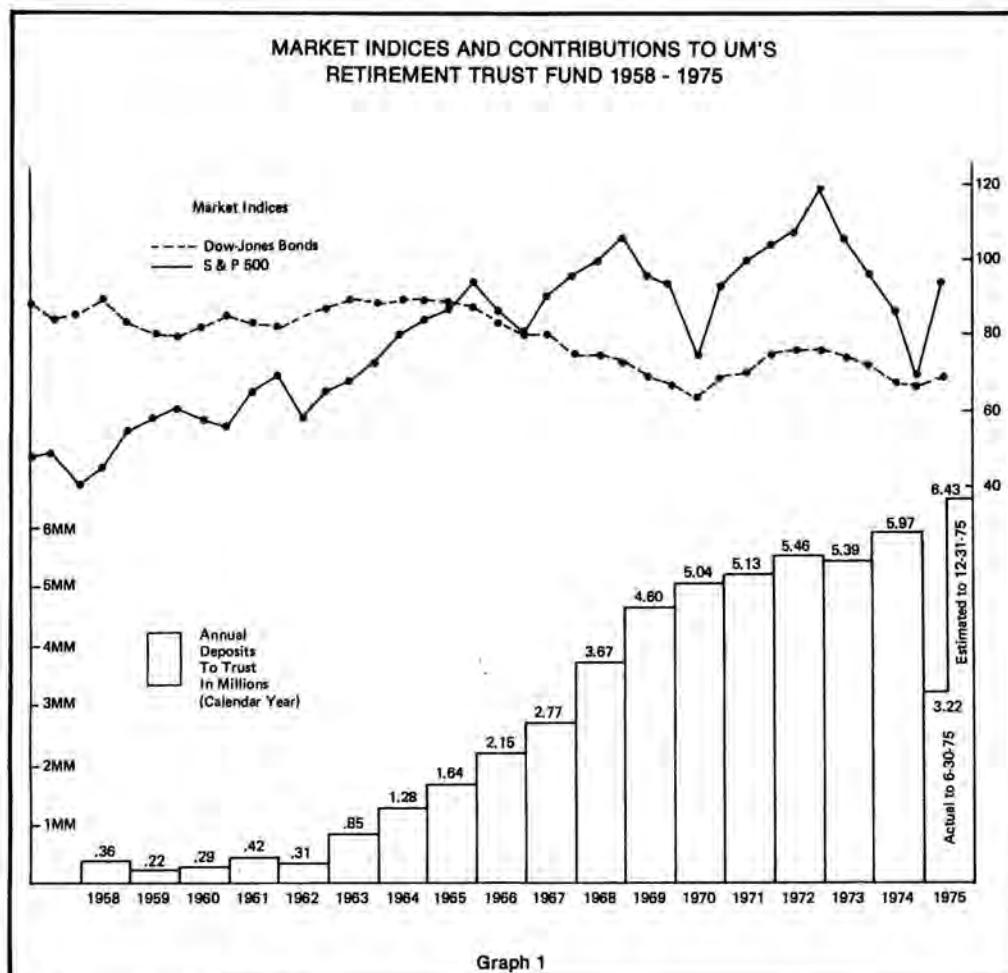


Financial status of staff benefits trust funds

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Retirement, disability and death

Because the stock market has had an outstandingly good year, the University's retirement, disability and death benefit fund has performed considerably better during the fiscal year 1974-75 than in the previous fiscal year.

Manager of the University's retirement fund is United Missouri Bank of Kansas City (UMB), which regularly reports details about the fund's performance to the Board of Curators. The discussion here is taken from the University's *Financial Report Supplement, 1974-75*.

The University sets aside a regular monthly percentage of the full-time payroll for benefits and deposits into the retirement fund. These deposits are invested in stocks and other instruments. The objective of the fund is growth with reasonable yearly earnings, which are returned to the fund to increase its basic size. Funds must always be available to pay the pensions of retired or disabled employees or their survivors or dependents.

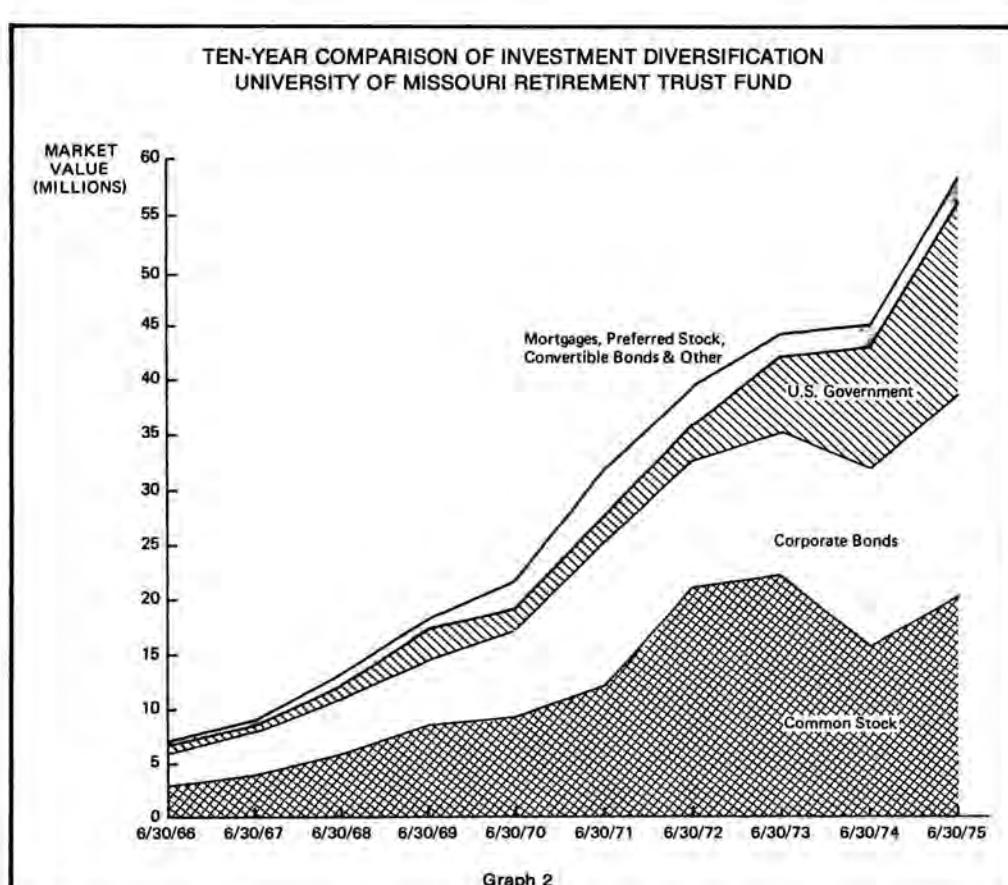
For this reason, the investment approach is basically conservative and takes the long-range view. Market fluctuations have been characteristic historically. Pension fund management emphasizes protective strategy during unfavorable market periods while taking advantage of growth and earnings opportunities during more favorable market periods.

Graph 1 shows the amounts of funds invested each year since the fund's beginning in 1958 and two indices showing market trends for the same period. Note that a considerable portion of the funds has been invested during the last seven to eight years, a period characterized by severe stock declines. This fact has had a strong bearing upon UMB's investment strategy.

UMB's retirement fund is composed primarily of four types of financial instruments: common stock; corporate bonds; U.S. government securities and a small category of mortgages, preferred stock, convertible bonds and other instruments. The relative proportion of each of these four categories is often changed depending on market conditions. Graph 2 shows how UMB has altered these proportions, allowing the fund to respond, in the most favorable degree possible, to stock market fluctuations and money market changes.

The stock market's lowest point in recent years was at the end of 1974. Anticipating the market's decline prior to this low point, UMB reduced holdings in stocks—which were losing value—and increased the proportion of high-yield short-term government securities and government and corporate bonds.

This strategy enabled the fund to earn the high income then available from such instruments and gave the fund a desirable flexibility; since such instruments (continued on page 2)



Copies of UM's *Financial Report Supplement, 1974-75*, which contains detailed information about the three funds reported on here, are available for review at University Information Services and campus OPI's, business offices and staff benefits offices.

Retirement, disability and death

(continued from page 1)

are near cash, they can be rapidly converted to cash. Thus, as stock values begin to look more attractive, the liquidity is available to add stocks to the fund. A close look at graph 2 confirms this strategy: there has been an upswing in the proportion of common stocks in the fund as their market value improved during 1975.

At this time last year, because of poor market conditions, it was reported that the market value of UM's retirement fund investments was 87.3 per cent of their cost. By June 30, 1975, the fund's market value stood at 96 per cent of cost because market conditions greatly improved. The market has remained strong and still further improvements have occurred in the ratio of market value to cost.

In addition, the performance of the fund's common stock portion has been especially strong when compared with the stock portions of other funds and indices. For example, the University realized a 23 per cent gain compared with a 20.5 per cent gain in the College Retirement Equity Fund (CREF), a 17 per cent gain in the Dow Jones Composite and a 16.1 per cent gain in Standard and Poor's 500. When compared with retirement funds managed by other banks, UM's stock portion ranked 20th among 43, or in the upper 50 per cent.

The fund is also earning income at a rate exceeding the actuarially assumed rate. As of June 30, 1975, nearly \$49 million had been placed in the fund since 1958. This amount—plus earnings—amounted to nearly \$62 million, about \$2 million more than that of the actuarial assumption. One must not lose sight, however, of the need to bring annual contributions up to the level necessary to amortize properly past service liabilities.

The *Financial Report Supplement* concludes that performance of the fund during fiscal 1974-75 has been "gratifying" compared with its performance during the year previous: "the record clearly demonstrates that the fundamental objective of the retirement fund is being met."

—Margaret Kraeuchi

LONG-TERM DISABILITY TRUST FUND

Balance July 1, 1974	\$ 834,446.27
Income for year	
Employe contributions	\$649,842.57
Investment income	87,208.00
	737,050.57
Disbursements for year	
Claims	\$215,292.29
Payments to consultant	20,000.00
	235,292.29
Balance June 30, 1975	\$1,336,204.55

MEDICAL BENEFITS TRUST FUND

Income and Disbursements for the Fiscal Year 1974-75

Balance July 1, 1974	\$ 635,268.94
Income for year	
Employe contributions	\$1,503,831.00
University contributions	1,592,549.79
Investment income	38,289.94
	3,134,670.73
Disbursements for year	
Benefit payments	\$3,137,825.45
Payments to consultant	72,545.93
	3,210,371.78
	\$ 559,567.89

Long-term disability trust fund

This fund was established in 1973 by action of the Board of Curators. The program is financed entirely by employee contributions, and administered by the University with the help of its consultant, Blomquist, Batte and Campbell, Wheaton, Ill. Investment agent for the LTD fund is the First National Bank, St. Louis. Funds are concentrated in high-yield, short-term investments. The table above presents the fund's status during the fiscal year 1974-75.

Medical benefits trust fund

The dismaying necessity of rate increases that have taken place in UM's medical plan are graphically explained by the table on the left. Members of the plan have been using it to a greater degree, and escalating costs of medical care have brought increasingly heavy drains on the fund.

The fund was established in 1969 by the Board of Curators and is financed by approximately equal contributions by both the University and participating employees. The University's consultant for the fund's administration is Blomquist, Batte and Campbell of Wheaton, Ill. Investment agent for the monies accruing to the fund is the First National Bank, St. Louis.