

2003 Annual Report

1944 - 2004

CELEBRATING

60

YEARS OF
EXCELLENCE

**Public School
Retirement System of
the City Of St. Louis**



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Board of Trustees

An eleven-member Board of Trustees is responsible for general administration of PSRSSTL as well as investment of PSRSSTL assets. The Board of Education appoints four trustees; PSRSSTL members elect seven. Terms of office are four years. Active PSRSSTL members elect five trustees – one administrator, two teachers and two non-teachers. Retired members elect two trustees – one retired teacher and one retired non-teacher. At April 1, 2004, the following individuals served on the Board of Trustees.

Appointed by the Board of Education

Marlene E. Davis
John P. Mahoney
Paulette McKinney
William Purdy

Elected by Retired Members

Norbert Eisele
Lois Jean Turner

Elected by Active Members

Amy S. Collins
Joseph H. Davenport
Mary Franklin
Doris A. Graham
Helen L. Herndon

Administrative Staff

PSRSSTL employs the administrative staff members listed below.

Executive Director	Gail A. Lakin
Director of Technology	Lonnie R. Caldwell
Accounting Specialist	Marty Winters
Insurance Benefits Specialist	Carolyn M. Feuchtenbeiner
Communications/Data Specialist	James U. Hammond
Member Services Supervisor	Amy Williams
Member Services Specialist	JoAnne Couch
Member Services Specialist	Miasha Tate
Member Services Clerical Assistant	Michelle Taylor

Professional Advisors

The individuals and firms listed below provide professional services to the Board of Trustees and PSRSSTL Administrative Staff.

Legal Counsel	Jeffrey E. Hartnett Bartley Goffstein, LLC
Investment Advisor	Doris Ewing New England Pension Consultants
Independent Auditor	Thomas S. Helm Huber, Ring, Helm & Company
Actuary	James S. Rubie, Jr. W. Alfred Hayes & Company

**PUBLIC SCHOOL RETIREMENT SYSTEM
OF THE CITY OF ST. LOUIS
ONE U.S. BANK PLAZA, SUITE 2510
ST. LOUIS, MO 63101-1657**

OFFICE OF THE
EXECUTIVE DIRECTOR

PHONE: (314) 241-7763
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April, 2004

On behalf of the Board of Trustees, I am pleased to present the Annual Report of the Public School Retirement System of the City of St. Louis (PSRSSTL) for the fiscal year ended December 31, 2003. This report provides financial, investment, actuarial and statistical information about PSRSSTL.

PSRSSTL management is responsible for the contents and presentation of material in this report. To the best of our knowledge, we believe the information in this report is accurate in all material respects. We also believe the information is presented in a manner that fairly represents the status of PSRSSTL.

The Year in Review

During 2003, we processed 235 new retirements, 188 DROP Applications and 104 applications for Supplemental Pension Benefits under the Sick Leave Conversion Program sponsored by St. Louis Public Schools. In addition, we processed more than 1135 distributions for members who left PSRSSTL and we extended a hearty welcome to more than 285 new members.

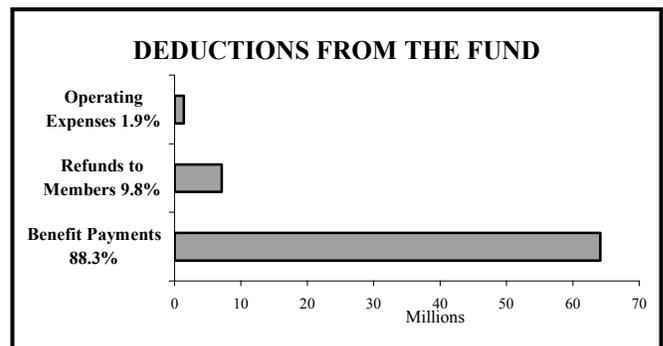
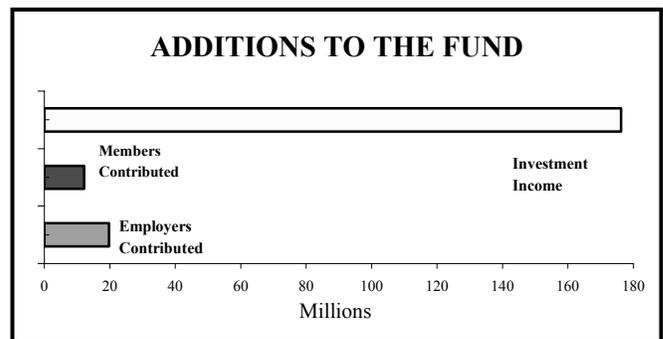
Financial Summary

PSRSSTL management is charged with the responsibility of maintaining appropriate internal accounting and procedural controls. These controls provide reasonable assurance that PSRSSTL assets are protected from loss due to unauthorized use or disposition, that financial transactions are executed in accordance with proper authorization, and that transactions are recorded accurately to facilitate the annual preparation of audited financial statements.

Huber, Ring, Helm & Co., an independent accounting firm, audited PSRSSTL financial statements for the year ended December 31, 2003. This Annual Report contains those audited financial statements in their entirety. Summary financial information is provided as follows.

Net Assets as of 12-31-2002	\$ 853,610,639
Additions	
Employer Contributions	19,742,779
Member Contributions	12,186,084
Net Investment Income (Loss)	176,197,590
Deductions	
Benefits Paid to Members	64,143,396
Refunds Paid to Members	7,090,729
Operating Expenses	<u>1,401,994</u>
Net Assets as of 12-31-2003	\$ 989,100,973

Additions and deductions from the fund are presented graphically below.

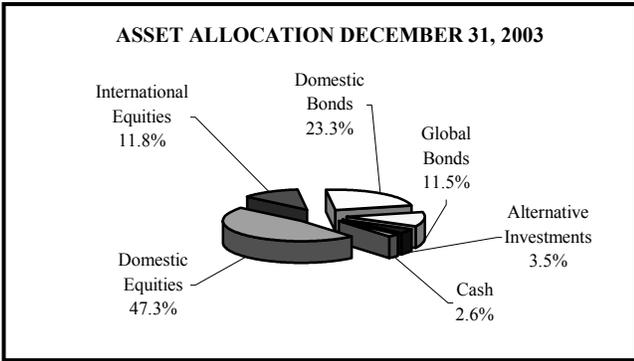


Investment Performance

One of the most important decisions made by any board of trustees is how a retirement system’s investments will be allocated and diversified among different asset classes. A fund’s asset allocation is critical to mitigating volatility and improving long-term returns.

As of December 31, 2003, PSRSSTL assets were broadly diversified as follows.

Domestic Equities	47.3%	
International Equities	11.8%	
Domestic Fixed Income	23.3%	
Global Bonds	11.5%	
Cash	<u>2.6%</u>	
Financial Composite		96.5%
Real Estate Investments	1.5%	
Private Investments	<u>2.0%</u>	
Alternative Investments		<u>3.5%</u>
Total Portfolio		100%



Finally, following three years of market performance that presented excruciating challenges for personal and institutional investors alike, wherever we looked in 2003, the news was good! We saw double-digit equity markets around the globe and solid corporate bond markets. Even the weak U.S. dollar contributed to our bottom line because it boosted the returns on our international investments.

The S&P 500 increased 12.2% in the fourth quarter capping off a 28.7% year. During 2003, the Russell 2000 Index was up over 47% - while the NASDAQ, which tracks small company stocks, was up 50%!

Even though most of the gain came in the first six months of 2003, the Lehman Aggregate Bond Index rose 4.1% over the year. While the Treasury market

posted only modest gains due to rising interest rates and large budget deficits, corporate bonds earned 7.7% and high-yield bonds rose by 29%.

International stock and bond markets outpaced their domestic counterparts in 2003. The EAFE Index (which is the benchmark for international equities) was up 38.6% – and – equities in the emerging markets rose almost 52%. International bonds, as measured by the Citigroup WGBI Index (excluding U.S. Bonds), rose 18.5%.

We are pleased to report that the well-diversified and prudently constructed PSRSSTL portfolio allowed us to participate in these market rebounds across the board. During 2003 the PSRSSTL portfolio earned 22.8%, ranking in the top 35% of public pension systems. More importantly, however, recognizing the long-term PSRSSTL investment horizon, for the five-year period ending December 31, 2003, the PSRSSTL portfolio earned 6.3% ranking in the top 9% of public plans.

Additional investment information is provided in the Investment Information Section of this report.

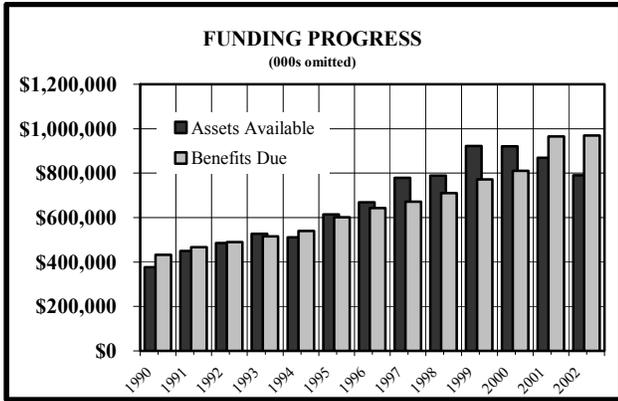
Actuarial and Funding Summary

Each year, PSRSSTL has an independent actuarial valuation conducted. The valuation has two primary purposes: (1) to measure the relative financial condition of the System, and (2) to determine the level of the annual contribution that should be made to PSRSSTL during the upcoming year so that sufficient assets are available for benefit payments in the future.

The annual valuation as of January 1, 2003 indicated PSRSSTL was 90.0% funded on an actuarial basis; and 81.5% funded on a market value basis. Additional detail about the funding status of PSRSSTL is provided in the Actuarial Section of this report.

In summary, as measured at the beginning of 2003, PSRSSTL benefit obligations and the assets available to satisfy those obligations are set forth as follows:

<i>Projected Benefit Obligations</i>	\$970,023,191
<i>Net Assets Available for Benefits</i>	
Actuarial Value of Assets	\$873,260,102
Market Value of Assets	\$790,898,408
<i>Funding Ratio (Assets ÷ Obligations)</i>	
Actuarial Value Funding Ratio	90.0%
Market Value Funding Ratio	81.5%



As we discussed in the Financial and Investment Sections of this report, it is noteworthy that the market value of PSRSSTL assets increased from \$790,898,408 at the beginning of the year to \$989,100,973 at year-end.

It is the opinion of the independent actuary, assuming future contributions will be made as recommended, that PSRSSTL will continue to be funded on a sound actuarial basis.

Detailed actuarial information is provided in the Actuarial Section of this report.

Acknowledgments & Reflections

I want to express my gratitude to the Board of Trustees for their support, their dedication, and the many hours of personal time they devoted to PSRSSTL during the past year. I also want to recognize the outstanding quality of the services provided by the PSRSSTL professional advisors. In addition, I want to thank the administrative staff for their enthusiastic assistance, expertise and hard work. The recent successes of PSRSSTL have been made possible only through the efforts of these and many other individuals.

Finally, I want to mention that as 2003 drew to a close, we paused to reflect with pride on the sixty-year history of the organization. We thought about the many individuals – trustees, legislators, administrators and staff – who, over the last sixty years, made so many valuable contributions to the vibrancy and successes of PSRSSTL. We look forward to the challenges and successes that lie ahead, honored to serve the thousands of dedicated people who have spent or will spend so many years of their professional lives improving public education in the City of St. Louis.

Sincerely,

Gail A. Lakin
Executive Director

**PUBLIC SCHOOL RETIREMENT SYSTEM
OF THE CITY OF ST. LOUIS**

FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

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INDEPENDENT AUDITOR'S REPORT

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A PROFESSIONAL CORPORATION
OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

The Board of Trustees
Public School Retirement System
of the City of St. Louis
St. Louis, Missouri

We have audited the accompanying statements of plan net assets of the Public School Retirement System of the City of St. Louis (the "System") as of December 31, 2003 and 2002 and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, investments in partnerships amounting to \$31,110,813 and \$33,668,151 (3% in 2003 and 4% in 2002 of plan net assets) as of December 31, 2003 and 2002, respectively, have been valued at cost. Accounting principles generally accepted in the United States of America require these investments to be recorded at fair value, however, a reasonable estimate of fair value could not be made without incurring excessive costs. Therefore, these investments are recorded at cost. The affect on the financial statements of not applying adequate procedures to determine the fair value of these investments is not determinable.

In our opinion, except for the affects of the procedures used to determine the valuation of investments in partnerships at December 31, 2003 and 2002 as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Public School Retirement System of the City of St. Louis as of December 31, 2003 and 2002 and changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Huber, Ring, Helm & Co., P.C.
St. Louis, Missouri
January 30, 2004

MEMBERS OF MISSOURI AND ILLINOIS SOCIETIES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBERS OF DFK INTERNATIONAL/OFFICES IN PRINCIPAL CITIES THROUGHOUT THE WORLD
MEMBERS OF THE SEC AND PRIVATE COMPANIES PRACTICE SECTIONS, AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Financial Statements**STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2003 AND 2002**

	<u>ASSETS</u>	
	<u>2003</u>	<u>2002</u>
CASH	\$ 24,466,747	\$ 5,911,009
RECEIVABLES		
Accrued interest and dividends	5,449,000	3,623,858
Contributions	124,737	191,337
	<u>5,573,737</u>	<u>3,815,195</u>
INVESTMENTS, at fair value		
Cash equivalents	24,954,579	46,506,484
Bonds		
U.S. Government and agency issues	97,451,454	98,092,066
Corporate	125,806,789	135,775,862
Foreign corporate and government bonds	105,190,045	
Common and preferred stocks	404,008,767	282,364,602
Mutual funds	170,285,419	247,014,623
Real estate partnerships - insurance contracts	1,156,835	1,087,389
	<u>928,853,888</u>	<u>810,841,026</u>
INVESTMENTS, at estimated fair value		
Real estate loans, first mortgages	111,156	129,852
INVESTMENTS, at cost		
Limited partnerships	6,825,048	7,764,356
Real estate partnerships - other	9,451,298	8,282,058
Venture capital partnerships	14,834,467	17,621,737
	<u>31,110,813</u>	<u>33,668,151</u>
Total investments	<u>960,075,857</u>	<u>844,639,029</u>
Total assets	990,116,341	854,365,233
	<u>LIABILITIES</u>	
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	<u>1,015,368</u>	<u>754,594</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
(A schedule of funding progress is presented on page 15.)	<u>\$ 989,100,973</u>	<u>\$ 853,610,639</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENTS OF CHANGES IN PLAN NET ASSETS
YEARS ENDED DECEMBER 31, 2003 AND 2002**

ADDITIONS	<u>2003</u>	<u>2002</u>
Employer Contributions	\$19,742,779	\$21,213,347
Member Contributions	12,186,084	13,171,337
	<u>31,928,863</u>	<u>34,384,684</u>
Net appreciation (depreciation) in fair value of investments		
Cash equivalents	412,375	918,558
Bonds		
U.S. Government and agency issues	1,872,007	11,514,701
Corporate	13,166,136	6,001,678
Income from foreign corporate and government bonds	10,770,461	
Common and preferred stock	94,490,425	(63,741,563)
Mutual funds	57,097,575	(8,964,765)
Real estate loans	16,006	19,297
Limited partnerships	765,141	433,493
Real estate partnerships	1,420,408	85,869
Venture capital partnerships	(132,041)	(942,050)
	<u>179,878,493</u>	<u>(54,674,782)</u>
Less investment expense	3,680,903	3,476,463
Net investment income (loss)	<u>176,197,590</u>	<u>(58,151,245)</u>
Total additions	208,126,453	(23,766,561)
 DEDUCTIONS		
Benefits paid		
Retirement and death benefits	61,652,472	57,876,776
Health care subsidies and supplemental payments	2,490,924	2,447,267
	<u>64,143,396</u>	<u>60,324,043</u>
Operating expenses	1,401,994	1,263,687
Contribution refunds due to death or resignation	7,090,729	3,281,320
Total deductions	<u>72,636,119</u>	<u>64,869,050</u>
NET INCREASE	135,490,334	(88,635,611)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
BEGINNING OF YEAR AS REPORTED	853,610,639	942,246,250
END OF YEAR	<u>\$ 989,100,973</u>	<u>\$ 853,610,639</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS**NOTE 1 – DESCRIPTION OF SYSTEM*****General***

The Public School Retirement System of the City of St. Louis is a funding agency existing under provisions of the Revised Statutes of the State of Missouri (the “Statutes”) to provide retirement benefits for all employees of the Board of Education of the City of St. Louis, of the Charter Schools located within the St. Louis School District, of all employees of the Public School Retirement System of the City of St. Louis, and of certain employees of Harris Stowe State College of St. Louis. The System is a multi-employer defined benefit pension plan.

Operations and management of the System are generally prescribed in the Statutes and are supervised by the Board of Trustees.

Membership

All persons employed on a full-time regular basis are members of the System as a condition of employment. Membership statistics, as of the latest actuarial valuations, are as follows:

	January 1, 2003	January 1, 2002
Active members	6,928	6,589
Inactive members	494	118
Total members not retired	7,422	6,707
Retired members		
Service and survivors	3,312	3,340
Disability	266	250
	3,578	3,590
Total Membership	11,000	10,297

Benefits

Upon retirement at age 65 (or at any age if age plus years of credited service add up to 85 or more), members receive monthly payments for life of yearly benefits equal to years of credited service multiplied by 2% of average final compensation, but not to exceed 60% of average final compensation.

Members are eligible, after accumulation of five years of credited service, for disability benefits. Survivors' benefits are available for beneficiaries of members who die after at least 18 months of active membership.

The System pays a portion of health insurance premiums for retirees under Section 169.476 of the Statutes, as an expense of the System.

NOTES TO FINANCIAL STATEMENTS**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*****Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of plan assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of additions and deductions to plan net assets during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

Plan member contributions of 5.0%, effective July 1, 1999, are mandatory and are recognized in the period in which contributions are due. Employer contributions to the plan are also mandatory and are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Tax Status

The System has been determined to be exempt from federal income taxes under Section 115 of the Internal Revenue Code.

Contributions Receivable

Contributions receivable consists of amounts due from members and employers for contributions which were due, according to terms of the plan, by December 31, 2003 and 2002, offset by certain contributions received prior to the due date of January 31, 2004 and 2003.

Method Used to Value Investments

Unless otherwise noted, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the latest reported sales price at current exchange rates.

The real estate loans have effective interest rates ranging from 8.75% to 17.5% with varying maturities up to 30 years and are stated at the outstanding principal balance, which approximates estimated fair value.

For other investments for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs, therefore, these investments are generally reported at cost.

Real estate partnerships – insurance contracts

The System has entered into contracts with several insurance companies. The accounts are credited with actual earnings on the underlying investments and charged for plan withdrawals and administration expenses charged by the insurance companies. These investments are stated at fair value as determined by the insurance companies.

Net Appreciation (Depreciation) in Fair Value of Investments

Net appreciation (depreciation) in fair value of investments includes: realized gains (losses), unrealized appreciation (depreciation), dividends, interest, and other investment income. However, Limited, Real Estate and Venture Capital Partnerships are recorded at cost, which excludes unrealized appreciation (depreciation) because these amounts cannot be determined without incurring excessive costs.

Furniture and Equipment

Acquisitions of furniture and equipment are charged to operating expense. The value of furniture and equipment owned by the System is deemed immaterial in relation to the total assets of the System.

NOTES TO FINANCIAL STATEMENTS**NOTE 3 – INVESTMENTS**

At December 31, 2003 and 2002, investments consisted of the following:

	2003	
	Market Value	Cost
Cash equivalents	\$ 24,954,579	\$ 24,954,579
Bonds		
U.S. Government and agency issues	97,451,454	98,481,209
Corporate	125,806,789	127,954,212
Foreign corporate and government bonds	105,190,045	98,232,011
Common and preferred stocks	404,008,767	340,759,379
Mutual funds	170,285,419	158,943,414
Real estate partnerships - insurance contracts	1,156,835	1,122,635
	<u>928,853,888</u>	<u>850,447,439</u>
Real estate loans, first mortgages	111,156	111,156
Limited partnerships	6,825,048	6,825,048
Real estate partnerships - other	9,451,298	9,451,298
Venture capital partnerships	14,834,467	14,834,467
	<u>31,110,813</u>	<u>31,110,813</u>
	<u>\$ 960,075,857</u>	<u>\$ 881,669,408</u>

	2002	
	Market Value	Cost
Cash equivalents	\$ 46,506,484	\$ 46,506,484
Bonds		
U.S. Government and agency issues	98,092,066	95,407,269
Corporate	135,775,862	137,087,713
Common and preferred stocks	282,364,602	314,120,852
Mutual funds	247,014,623	239,500,732
Real estate partnerships - insurance contracts	1,087,389	1,036,466
	<u>810,841,026</u>	<u>833,659,516</u>
Real estate loans, first mortgages	129,852	129,852
Limited partnerships	7,764,356	7,764,356
Real estate partnerships - other	8,282,058	8,282,058
Venture capital partnerships	17,621,737	17,621,737
	<u>33,668,151</u>	<u>33,668,151</u>
	<u>\$ 844,639,029</u>	<u>\$ 867,457,519</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – FUTURE MINIMUM LEASE PAYMENTS

The System leases office space under an operating lease expiring in August 2004. Rent expense for the years ended December 31, 2003 and 2002 was \$77,506 and \$73,718, respectively. Approximate future minimum lease payments for the remaining term of the lease are as follows:

<u>Year</u>	<u>Minimum Lease Payments</u>
2004	<u>\$ 48,620</u>

NOTE 5 – CONCENTRATION OF CREDIT AND MARKET RISK

Financial instruments that potentially subject the System to concentrations of credit and market risk consist principally of cash and investments. The System places its temporary cash investments with major financial institutions. At December 31, 2003 and 2002 the System had approximately \$24,900,000 and \$6,000,000 in cash on deposit at US Bank. These balances were insured by the Federal Deposit Insurance Corporation (“FDIC”) for \$100,000. A portion of the remaining balances is collateralized by US Bank assets held jointly in the name of US Bank, NA and the System, held by the Federal Reserve Bank of Cleveland as Trustee. Regulations require that government entities, in case of bank failure, have collateral to cover losses that could exceed the FDIC limit of \$100,000. The market value of the collateralized securities at December 31, 2003 was \$9,116,183. The remaining deposit balances are neither insured nor collateralized. A significant portion of the System’s investments is held by US Bank of St. Louis, N.A.

On December 31, 2003, the System received \$18,931,085 from the St. Louis Board of Education for the 2003 St. Louis Public Schools’ annual regular pension contribution. The funds were transferred from the operating cash account to investments on January 2, 2004.

The System has significant amounts of investments that are subject to market risk. Market risk is the possibility that future changes in market price may make a financial instrument less valuable. The other investments are also subject to risk. This risk is the possibility that, upon disposition, the value received may be less than the amount invested.

At December 31, 2003 the System had the following concentrations, defined as investments (other than those issued or guaranteed by the U.S. government) in any one organization that represents 5% or more of net assets held in trust for pension benefits.

<u>Mutual Funds</u>	<u>Fair Value</u>
State Street Global Advisors - EAFE Index Fund	<u>\$ 112,062,403</u>

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A PROFESSIONAL CORPORATION
OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report On Supplemental Information

The Board of Trustees
Public School Retirement System
of the City of St. Louis
St. Louis, Missouri

Our report on our audits of the basic financial statements of the Public School Retirement System of the City of St. Louis for 2003 and 2002 appears on page 7. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of funding progress and employer contributions are presented for the purpose of additional analysis and are a required part of the basic financial statements. The supplemental schedules of operating expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These supplemental schedules are the responsibility of the System's management. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Huber, Ring, Helm & Co., P.C.

St. Louis, Missouri
January 30, 2004

SCHEDULE OF FUNDING PROGRESS (in millions)

Actuarial Valuation Date January 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Frozen Entry Age (b)	Unfunded AAL (UAAL) (b-a)
1990	373.3	460.7	87.4
1991	395.7	472.5	76.8
1992	427.7	502.0	74.3
1993	458.3	530.8	72.5
1994	487.4	557.9	70.5
1995	519.1	588.2	69.1
1996	562.2	664.8	102.6
1997	598.6	716.7	118.1
1998	644.4	759.7	115.3
1999	694.3	846.9	152.6
2000	770.1	937.7	167.6
2001	828.1	1,022.0	193.9
2002	861.1	1,069.8	208.7
2003	873.3	1,063.2	189.9

Actuarial Valuation Date January 1,	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1990	81.0	194.6	44.9
1991	83.7	198.5	38.7
1992	85.2	194.2	38.3
1993	86.3	194.6	37.3
1994	87.4	202.4	34.9
1995	88.3	207.1	33.3
1996	84.6	206.9	49.6
1997	83.5	210.2	56.2
1998	84.8	210.8	54.7
1999	82.0	215.6	70.8
2000	82.1	216.7	77.3
2001	81.0	235.1	82.5
2002	80.5	243.9	85.6
2003	82.1	283.9	66.9

See independent auditor's report on supplemental information.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
1990	13,147,093	94.0%
1991	14,020,492	94.9%
1992	14,970,746	97.2%
1993	14,098,562	98.4%
1994	15,441,488	99.2%
1995	15,087,519	99.6%
1996	16,619,187	100.1%
1997	16,876,759	100.2%
1998	15,328,067	111.1%
1999	13,906,270	124.5%
2000	15,543,984	111.9%
2001	18,168,580	100.2%
2002	19,076,442	100.6%
2003	19,517,288	*

* To be determined at the end of the year.

The information presented in the required supplemental schedules was determined as part of the actuarial valuation prepared by W. Alfred Hayes and Company at January 1, 2003. Additional information related to the above actuarial valuation follows:

Actuarial cost method:	Frozen entry age.
Rate of investment return:	8% for 2003 and 2002, net of expenses.
Turnover or withdrawal rates:	Various by age and year of membership based on actual experience of the System.
Turnover or withdrawal rates:	of the System.
Mortality or death rates:	1983 Group Annuity Mortality Tables for males and females is used for active and retired members and beneficiaries.
Disability rates:	Various by age of active members based on actual experience of the System.
Rates of retirement between ages of 55 and 70:	Various based on actual experience of the System.
Rate of salary increases:	Based on actual experience of the System, at the rate of 4.5 % per year.
Asset valuation method:	The assumed yield method of valuing assets, less the expense and contingency reserve.

The Unfunded Actuarial Accrued Liability (UFAAL) was originally determined and frozen as of January 1, 1981. Effective January 1, 2002, the UFAAL was redetermined. The difference between the original UFAAL and the new UFAAL will be phased in over five (5) years and the UFAAL will be amortized over thirty (30) years.

See independent auditor's report on supplemental information.

**SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003	2002
Actuarial services	\$ 215,275	\$ 253,215
Accounting and auditing fees	44,686	27,617
Computer programming and consultation	57,177	51,838
Convention, conferences, seminars		
Executive Director	3,367	3,704
Trustees	20,703	31,893
Dues and subscriptions	1,565	3,319
Employee benefits	16,094	16,286
Furniture and equipment	76,844	10,046
Insurance - group hospitalization	52,781	51,062
Insurance - casualty and bonding	60,660	41,490
Legal fees and expense	66,553	35,856
Medical fees	3,743	1,586
Office repairs and maintenance	8,190	7,112
Office supplies and expense	16,862	13,054
Postage	60,616	59,832
Pension contribution	32,308	31,359
Printing and stationery	13,043	25,609
Rent	77,506	73,718
Salaries - administrative and clerical	495,280	453,292
Payroll taxes	36,615	34,467
Telephone	11,170	9,143
Miscellaneous expense	30,956	28,189
Total	\$ 1,401,994	\$ 1,263,687

Trustees' Expenses

The Trustees attended conferences and business meetings in connection with business of the System. The Trustees received no salaries but were allowed expenses relating to their attendance at such events as follows:

	2003	2002
Transportation and registration	\$ 8,725	\$ 18,204
Lodging, meals, and miscellaneous	11,978	13,689
Other		
Total	\$ 20,703	\$ 31,893

See independent auditor's report on supplemental information.

Investment Information

THE CAPITAL MARKET ENVIRONMENT

Domestic Stocks

For the first time in three years, the S&P Index was positive in calendar year 2003, posting a return of 28.7%. Both value and growth stocks contributed to the gains, as shown by the Russell 1000 Growth Index up 29.7% and the Russell 1000 Value Index up 30.0%.

Domestic Bonds

The Lehman Aggregate Index was up 4.1% for the year, with corporate bonds gaining 7.7% and treasury bonds up 2.3%. As compared with last year when high yield bonds were the only domestic fixed income asset class to show a loss, high-yield bonds were up 29% during 2003.

International Markets

The international equity markets performed very well with the Citigroup PMI EPAC Index up 38.4% while emerging markets equities gained more than 50%.

The Citigroup World Government Bond Index gained 14.9%, up over 5% in just the last quarter.

INVESTMENT PERFORMANCE

Investment Goals

PSRSSTL has a well-diversified investment portfolio with long-term goals of earning an 8.6% return and exceeding the rate of inflation by 4.0%. Over the short-term (three to five years), PSRSSTL assets are structured to mitigate volatility while ranking in the top half of a universe of public funds.

Investment Performance

For the year ending December 31, 2003, the PSRSSTL portfolio returned 22.8%, ranking in the upper 35% of the Investment Consultants' Cooperative (ICC) Universe of Public Funds. This universe includes 1,700 public funds with assets of \$1.5 trillion. For the five-year period ending December 31, 2003, PSRSSTL investment performance ranked in the upper 9% of the ICC Universe, earning a 6.3% return.

Investment performance by asset class for one-year and five-year periods ending December 31, 2003 is set forth below.

	<u>One Year</u>	<u>Five Years</u>
<i>PSRS Total Portfolio</i>	22.8%	6.3%
Allocation Index	23.5%	3.7%
Median Public Fund	22.1%	4.5%
<i>PSRS Domestic Equities</i>	33.7%	6.2%
S&P 500	28.7%	-0.6%
Median Public Fund	31.1%	0.4%
<i>PSRS Domestic Bonds</i>	8.9%	6.0%
Lehman Aggregate Index	4.1%	6.6%
Median Public Fund	5.1%	6.8%
<i>PSRS International Equities</i>	31.5%	N/A
PMI EPAC Index	38.4%	0.7%
MSCI Emerging Index	55.8%	10.5%
Median International Fund	34.8%	5.8%
<i>PSRS Global Bonds</i>	21.7%	9.0%
Citigroup Global Index	14.9%	5.7%
Median Global Bonds	16.6%	6.8%

INVESTMENT STATISTICS

The Investment Information Section of this report provides statistical information about the PSRSSTL investment managers, securities held in the portfolio, and brokerage fees paid in 2003.

INVESTMENTS AS OF DECEMBER 31, 2003 (000s omitted)

	MANAGEMENT STYLE	RELATIVE TO TOTAL PORTFOLIO						MARKET VALUE	
		MARKET VALUE		TARGET VALUE		VARIANCE		Value	%
		Value	%	Value	%	Value	%	Value	%
LARGE CAP GROWTH DOMESTIC EQUITIES		82,089	8.5%	96,217	10.0%	(14,128)	-1.5%		
Buford, Dixon, Harper & Sparrow	Large Cap Growth							16,280	19.8%
Monetary Management Group	Large Cap Growth							44,391	54.1%
Weatherfield	Large Cap Growth							21,418	26.1%
LARGE CAP CORE DOMESTIC EQUITIES		49,808	5.2%	86,595	9.0%	(36,787)	-3.8%		
Batterymarch Financial	Large Cap Core							29,690	59.6%
Vanguard Institutional Index *	Large Cap Core							12,634	25.4%
Vanguard Admiral Shares (<i>Funds Benefits Payments</i>) *	Large Cap Core							7,484	15.0%
LARGE CAP VALUE DOMESTIC EQUITIES		88,604	9.2%	48,108	5.0%	40,496	4.2%		
Chicago Equity Partners	Large Cap Value							37,574	42.4%
The Edgar Lomax Company	Large Cap Value							17,791	20.1%
Todd Investment Advisors	Large Cap Value							33,239	37.5%
MID CAP GROWTH DOMESTIC EQUITIES		36,262	3.8%	28,865	3.0%	7,397	0.8%		
New Amsterdam Partners	Mid Cap Growth							36,262	100.0%
SMALL/MICRO CAP DOMESTIC EQUITIES		130,791	13.6%	96,217	10.0%	34,574	3.6%		
Westfield Capital Management	Small Cap Growth							44,097	33.7%
Systematic Financial Management	Small Cap Value							45,278	34.6%
DFA *	Micro Cap							41,416	31.7%
TACTICAL ASSET ALLOCATION		100,132	10.4%	76,973	8.0%	23,159	2.4%		
Boston Trust Company	Balanced Fund							100,132	100.0%
INTERNATIONAL EQUITIES		106,828	11.1%	125,082	13.0%	(18,254)	-1.9%		
Unfunded	Emerging Markets							0	0.0%
State Street Index Fund *	International Equities							106,828	100.0%
CORE DOMESTIC BONDS		160,462	16.7%	96,217	10.0%	64,245	6.7%		
Vanderbilt Capital	Core Domestic Bonds							68,898	42.9%
MDL Capital	Core Domestic Bonds							22,413	14.0%
John Hancock	Core Domestic Bonds							69,151	43.1%
HIGH YIELD DOMESTIC BONDS		59,471	6.2%	48,108	5.0%	11,363	1.2%		
Credit Suisse	High Yield Bonds							59,471	100.0%
GLOBAL BONDS		108,593	11.3%	96,217	10.0%	12,376	1.3%		
Delaware International	Global Bonds							108,593	100.0%
MARKET NEUTRAL STRATEGY		0	0.0%	38,487	4.0%	(38,487)	-4.0%		
Unfunded	Market Neutral								
HEDGED STRATEGIES		0	0.0%	48,108	5.0%	(48,108)	-5.0%		
Unfunded	Fund of Funds								
REAL ESTATE **		14,239	1.5%	48,108	5.0%	(33,869)	-3.5%		
Seven Funds & Residential Mortgages	Real Estate							14,239	100.0%
ALTERNATIVE INVESTMENTS **		22,343	2.3%	28,865	3.0%	(6,522)	-0.7%		
Three Partnerships	Mezzanine Debt							5,530	24.8%
Seventeen Investments	Venture Capital							16,813	75.2%
CASH (<i>Does Not Include Managers' Residual Cash</i>)		2,545	0.3%	0	0.0%	2,545	0.3%		
TOTAL		\$962,167	100.0%	\$962,167	100.0%				

* Institutional Comingled Fund - Valued as of Previous Month End

** Real Estate and Alternative Investment Market Values Provided by NEPC. Alternative Investments are valued at cost.

During the latter half of 2003, the Board of Trustees conducted its five-year analysis of the PSRSSTL Asset Allocation Policy. The target values shown above represent the newly adopted Asset Allocation Policy, which will be funded when the portfolio is restructured during the first six months of 2004. Notable changes in the PSRSSTL Asset Allocation Policy include the addition of Market Neutral and Hedge Fund strategies as well as a modest increase to Real Estate and the decision to fund the Emerging Markets allocation.

Investment Information**DOMESTIC EQUITY INVESTMENTS**

2003 Return	33.7%
Average Market Capitalization	\$45,329,300
P/E Ratio	19.14
Price/Book Ratio	3.74
Five Year Earnings Growth Rate	10.59

Ten Largest Equity Holdings

<u>Company</u>	<u>Dollar Value</u>	<u>Percent of Portfolio</u>	<u>Company</u>	<u>Dollar Value</u>	<u>Percent of Portfolio</u>
Bank of America Corp.	\$6,487,656	1.4%	Pfizer Inc.	4,716,944	1.0%
Citigroup Inc.	6,123,423	1.3%	Intel Corp.	4,300,838	0.9%
General Electric Co.	5,551,220	1.2%	Merck & Co. Inc.	4,157,425	0.9%
Microsoft Corp.	5,445,652	1.2%	Dell Inc.	3,822,613	0.8%
Exxon Mobil Corp.	5,413,289	1.2%	Cisco Systems	3,799,661	0.8%

Ten Best Performing Equity Holdings

<u>Company</u>	<u>Return</u>	<u>Company</u>	<u>Return</u>
Allou Healthcare	4900.0%	Zymtex Inc.	650.0%
Nucentrix Broadband	1762.0%	Arrhythmia Resh Tec.	402.9%
Wireless Webconnect	1200.0%	Cal Maine Foods Inc.	389.1%
Bayou Steel Corp.	900.0%	Primus Knowledge So.	339.9%
Standard Automotive	900.0%	Imperial Sugar Co. W	288.7%

Ten Worst Performing Equity Holdings

<u>Company</u>	<u>Return</u>	<u>Company</u>	<u>Return</u>
Team America Inc. Co.	-100.0%	Aurora Foods	-95.2%
Piccadilly Cafeteria	-100.0%	Rohn Industries, Inc.	-95.0%
Holiday RV Superstore	-99.6%	Cannon Express, Inc.	-92.2%
Rouge Inds Inc. Del.	-98.9%	Greens Worldwide, Inc.	-92.1%
Aspeon Inc.	-96.4%	Fleming Cos Com \$US	-91.4%

DOMESTIC BOND INVESTMENTS

PSRSSTL domestic bond investments had an overall average maturity of 6.87 years, a duration of 4.02 years, and an average quality rating of 7.93. During 2003, the PSRSSTL domestic bond portfolio earned 8.9%. A statistical description of the bond investments is shown below.

Bond Portfolio Maturity in Years	Percent of Portfolio
0.0 - 1.0	4.1%
1.0 - 3.0	25.8%
3.0 - 5.0	27.5%
5.0 - 10.0	26.3%
10.0 - 20.0	2.2%
20 +	3.0%
Unclassified	11.2%

Bond Portfolio Duration in Years	Percent of Portfolio
0.0 - 1.0	4.9%
1.0 - 3.0	27.6%
3.0 - 4.0	18.1%
4.0 - 6.0	25.1%
6.0 - 8.0	8.6%
8.0 +	4.3%
Unclassified	11.4%

Bond Portfolio Quality Rating	Percent of Portfolio
Government (10)	45.0%
Aaa(10)	3.1%
Aa(9)	2.8%
A(8)	6.1%
Baa(7)	9.5%
Below Baa(6-1)	29.6%
Other	3.9%

Investment Information

BROKERAGE FEES

Brokerage Company	Commission	Brokerage Company	Commission	Brokerage Company	Commission
A G Edwards	4,763.00	First Union	5,625.50	Morgan Stanley	19,172.50
ABD Securities	860.00	Fox Pitt Kelton Inc.	228.00	Morgan Equities Inc.	992.00
Access Securities	4,002.00	Frank Russell	360.00	Needham	3,569.00
Adams Harknett and Hill	5,176.00	Friedman, Billings & Ramsey	2,086.35	Nutmeg Securities	979.00
Advest	16.00	Fulcrum Global Partners	300.00	Oppenheimer & Co.	1,858.00
Alex Brown & Sons	2,569.50	Gerard Klauer Mattison	1,528.00	Ormes Capital Markets	495.00
Allen & Co.	1,576.00	Goldman Sachs	13,979.00	Pacific Equities Growth	2,061.25
American Technology Research	820.00	Griswold Company	1,164.00	Paine Webber	1,686.00
Autranet Incorporated	318.65	GRW Capital	6,007.56	Pershing	471.50
B Trade Services LLC	285.00	Guzman & Co.	75.00	Prudential Equities Group	272.00
Baird & Company	20.00	Heflin	304.00	Prudential Securities	4,072.28
Banc Boston Securities Inc.	24.00	Hoening & Co.	1,720.00	Raymond James	642.00
Bear Stearns	13,702.75	Howard Weil	32.00	RBC Dominion Securities Group	2,303.50
Berean Capital, Inc.	1,062.00	Independent Research Group	20.00	Sandler, O'Neill	1,409.00
Berstein, Sanford & Co.	6,381.00	Instinet	8,548.26	SBC Capital Markets	28,714.67
Blair, William	2,226.00	Investment Technology Group	14,083.71	Schwab, Charles & Co.	1,128.00
Boston Institutional Services	2,766.00	ISI Group, Inc.	712.00	Scotti McLeod USA Inc.	15.00
Brean Murray Foster Securities	156.00	J P Morgan	4,974.00	SK International	425.00
Bridge Trading Ernst Co.	6,185.65	Jackson Partners	4,140.00	Smith Barney Shearson	120.00
Broadcourt	183,785.62	Jefferies	22,671.45	Solomon Brothers	17,615.75
Burns Fry & Timm	604.00	Johnson Rice	236.00	Soundview Financial	1,621.00
Cable Howse	120.00	JOM Securities	1,882.00	Standard/Poor Securities	20,706.85
Cantor Fitzgerald	33,956.58	Jones Associates	10,731.00	Stephens Inc.	328.00
Capital Institution Services	2,749.00	Kauffman Brothers	272.00	Stifel Nicolaus	1,852.00
Carlin Equities	332.00	Keefe Bruyette	451.00	Suntrup Robinson Humphrey	196.00
Comvest	256.00	Knight Securities LP	1,452.00	Unterburg Harris	996.00
Cowen & Co.	3,639.00	Lazard Freres & Co.	260.00	US Bank Asset Mgmt	3,096.00
Croix Securities	1,122.01	Leerink Swann & Co.	978.64	Utendahl Capital Partners	562.00
Deutsche Bank Capital	800.00	Legg Mason Wood Walker	460.00	Wagner Stott	308.00
Donaldson & Co.	11,405.30	Lehman Brothers	42,805.60	Wedbush Securities	1,316.00
Donaldson Lufkin	17,736.40	Liquinet Inc.	5,676.50	Weeden & Co.	2,995.50
Execution Services	2,805.00	Magna Securities	55.00	Weiss Pack and Greer	8,560.00
Factset Data Systems	26,627.95	McDonald & Co.	1,750.00	Wells Fargo Securities	284.00
Fahnestock & Co.	970.00	Merrill Lynch Pierce	12,742.70	Westminster Researach	234.00
Fidelity Capital Markets	1,145.00	Midwest Research Securities	525.00	Wheat First Securities	27,605.00
Fidelity Capital Markets	130.00	Miller Tabak Roberts Securities	696.00	Whitaker Securities	44.00
First Albany Corp	232.00	Monness Crespi	344.00	Williams Capital Group	1,080.00
First Boston	17,442.20	Montgomery Securities	3,856.50	Wilshire Associates, Inc.	69,194.36
TOTAL COMMISSIONS					\$761,480.54

MARKET VALUE OF ASSETS

Investment Category	As of December 31, 2001		As of December 31, 2002		As of December 31, 2003	
	Market Value	% of Total	Market Value	% of Total	Market Value	% of Total
Cash, Receivables, Cash Equivalents	\$54,629,662	5.8%	\$56,232,688	6.6%	\$54,995,063	5.6%
U.S. Bonds, Bills and Mortgages	104,712,936	11.1%	98,092,066	11.5%	97,451,454	9.8%
Corporate Bonds	147,404,245	15.6%	135,775,862	15.9%	125,806,789	12.7%
Foreign Corporate & Government Bonds	0	0.0%	0	0.0%	105,190,045	33.1%
Common Stocks	380,796,183	40.4%	282,364,602	33.0%	404,008,767	33.1%
Mutual Funds	213,058,724	22.6%	247,014,623	28.9%	170,285,419	17.2%
Real Estate - Insurance Contracts	1,020,690	0.1%	1,087,389	0.1%	1,156,835	0.1%
Mortgages	172,166	0.0%	129,852	0.0%	111,156	0.0%
Alternative Investments *	41,304,911	4.4%	33,668,151	3.9%	31,110,813	3.1%
Total	\$943,099,517	100.0%	\$854,365,233	100.0%	\$990,116,341	100.0%

* Carried at Cost Value

**PUBLIC SCHOOL RETIREMENT SYSTEM
OF THE CITY OF ST. LOUIS**

**ACTUARIAL VALUATION
AS OF JANUARY 1, 2003**

**OCTOBER
2003**

PURPOSE OF THE REPORT

This report is submitted in accordance with Section 169.450-15 Revised Statutes of Missouri (R.S. Mo.) 1997 and amendments that require the actuary to make an annual valuation of the assets and liabilities of the System. The purpose of the actuarial valuation is twofold: (1) to determine the required annual contributions from the Board of Education, the Retirement System and Harris-Stowe State College (or the State of Missouri); and (2) to develop information to measure the relative financial condition of the System.

The required contribution to the Retirement System from the Board of Education, the Retirement System, charter schools and Harris-Stowe State College (or the State of Missouri) is computed in accordance with Section 169.490 R.S. Mo. 1997. The amount of the required contribution is stated in Table C of this report. A description of the actuarial cost method and assumptions appears in Section 3.

Information concerning the financial condition and factors affecting it will be found throughout the report. There is no generally accepted single measure or standard for determining whether or not a retirement system is "actuarially sound." The financial health of a retirement system is measured best on a relative basis. Results are compared over a period of years to determine whether adequate progress is being made in the funding of the system's liabilities. Another relative measure is the stability of the contribution rate, with recognition for changes in funding requirements due to changes in benefit provisions. The actuarial balance sheet also provides an indication of the relative financial condition of the plan.

COMMENTS

This actuarial valuation is based on the same actuarial assumptions and actuarial cost method as were used in the prior actuarial valuation. The System had favorable actuarial experience for the year ending December 31, 2002, resulting in a decrease in the Annual Required Contribution rate from 8.00% to 6.77%. The primary factors producing the favorable experience were higher than expected turnover and the decrease in number of members participating in the extended school year program. Partially offsetting the favorable demographic experience was a net investment return on an actuarial basis of 7.00%, which was below the 8.00% assumed rate of return for 2002.

As a part of the package to increase benefits in 2001, the Board of Education agreed to fix the employer contribution at 8.00% for 2001 and institute a one-year lag for future years. Therefore, this actuarial valuation is used to determine the actual contribution rate for 2004. The dollar amount of the actual contribution decreased from \$19,517,288 for 2003 to \$19,210,506 for 2004. As a percentage of covered compensation the contribution rate for 2004 decreased to 6.77% from 8.00% for 2003.

Under the actuarial funding method used to determine the contribution, actuarial gains (or losses) result in a decrease (or increase) in the normal cost rate. Actuarial gains (or losses) result from differences between the actual experience of the System and the expected experience projected by the actuarial assumptions. The assumptions are based on the long-term expected experience of the System. Actuarial gains (or losses) reflect short-term deviations between actual and expected experience. Since the normal cost is redetermined on an annual basis, the normal cost will usually fluctuate from year-to-year. For 2003, the annual normal cost is \$2,035,547 or 0.72% of the covered payroll of \$283,935,810.

The actuarial accrued liability contribution is determined as the amount necessary to amortize the remaining Unfunded Frozen Actuarial Accrued Liability (UFAAL) over a period of 30 years. As a modification to the actuarial cost method, the Board of Trustees acted to redetermine the UFAAL effective January 1, 2002 and to phase in the difference between the new and old UFAAL over a five-year period. This portion of the contribution only changes to reflect changes in benefits or changes in actuarial assumptions and methods. The UFAAL was decreased by \$15,174,627 as the adjustment of the 5-year phase-in of the redetermined UFAAL. The Board of Trustees also adopted a 30-year amortization period for the UFAAL, replacing the 30 to 50 year periods applying to the original UFAAL and supplements.

In our opinion, the Retirement System has been and will continue to be funded on a sound actuarial basis provided the required contributions are made as recommended in this report.

Respectfully submitted,

James S. Rubie, Jr., F.S.A.

**SUMMARY OF PRINCIPAL RESULTS OF THE
ACTUARIAL VALUATION AS OF JANUARY 1, 2003**

ANNUAL REQUIRED CONTRIBUTION

<u>2003</u>	<u>Board of Education</u>	<u>Harris-Stowe State College</u>	<u>Retirement System</u>	<u>Charter Schools</u>	<u>Total</u>
Normal Cost Contribution	\$ 1,973,677	\$ 953	\$ 3,179	\$ 57,738	\$ 2,035,547
Actuarial Accrued Liability Contribution	<u>16,652,928</u>	<u>8,040</u>	<u>26,826</u>	<u>487,165</u>	<u>7,174,959</u>
Annual Required Contribution	\$ 18,626,605	\$ 8,993	\$ 30,005	\$ 544,903	\$ 19,210,506
Covered Payroll	275,305,609	132,920	443,494	8,053,787	283,935,810
ARC as % of Covered Payroll	6.77%	6.77%	6.77%	6.77%	6.77%
<u>2002*</u>					
Normal Cost Contribution	\$ 952,895	\$ 629	\$ 1,626	\$ 27,251	\$ 982,401
Actuarial Accrued Liability Contribution	<u>17,978,190</u>	<u>11,876</u>	<u>30,682</u>	<u>514,139</u>	<u>18,534,887</u>
Annual Required Contribution	\$ 18,931,085	\$ 12,505	\$ 32,308	\$ 541,390	\$ 19,517,288
Covered Payroll	236,555,079	156,266	403,712	6,764,981	243,880,038
ARC as % of Covered Payroll	8.00%	8.00%	8.00%	8.00%	8.00%

SYSTEM ASSETS

	<u>January 1, 2002*</u>	<u>January 1, 2003</u>
Expense and Contingency Reserve	\$ 73,531,272	\$ 62,712,231
Market Value, excluding Expense & Contingency Reserve	868,714,978	790,058,583
Actuarial Value	861,128,076	873,260,102

SYSTEM LIABILITIES

Unfunded Actuarial Accrued Liability	\$ 208,661,737	\$ 189,949,103
Actuarial Present Value of Projected Accrued Benefits	964,833,027	970,023,191

FUNDING RATIO

Actuarial Value Funding Ratio	89.3%	90.0%
Market Value Funding Ratio	90.0%	81.5%

* Prior year shown for comparison purposes only.

ACTUARIAL METHODOLOGY

INTRODUCTION

The actuarial valuation of a defined benefit retirement system is comprised of two separate processes.

First, the actuarial present value, as of the valuation date, of both current and projected benefits to be paid under the plan is determined. In determining the actuarial present value of these benefits, actuarial assumptions must be made as to the number of participants eventually receiving benefits, the amount of benefits to be paid, and the portion of the benefit obligation to be covered by future investment earnings.

Second, the financing of these benefit obligations on an advance basis is established. An actuarial cost method is applied to establish the NORMAL COST, which is the rate at which future costs will accrue annually after the valuation date. The actuarial cost method is applied to determine the ACTUARIAL ACCRUED LIABILITY, which is the amount of cost that has accrued as of the valuation date.

ACTUARIAL ASSUMPTIONS

The true cost of a member's retirement benefit is not known until he or his beneficiary has received the final benefit payment. Consequently, the exact cost of system benefits for the current employee group will not be determinable for 50 to 75 years. Since provisions for this cost must be made prior to the exact determination, a model is established that will estimate the future cost of system benefits. The model utilizes parameters that require assumptions as to the future occurrences of various events affecting the demographic profile of the employee group and the assets of the system. Such actuarial assumptions include death, retirement, termination, disability, salary increases and investment return. Current and long-term economic factors, the nature of the employer's business and significant features of the system must be considered in the selection of a set of actuarial assumptions to assure the reasonableness of the results predicted by the assumptions.

While care is taken in the selection of actuarial assumptions, actual experience is expected to deviate from these assumptions over the short term. The suitability of actuarial assumptions is measured by how closely the experience of the system, on a long-term basis, conforms to projected results. Deviations from projected results are called actuarial

gains and losses. Periodic actuarial valuations measure the extent of these gains and losses as of a valuation date. If either actuarial gains or losses predominate, then it is possible that one or more of the actuarial assumptions is no longer appropriate. Thus, actuarial assumptions must be continually monitored for reasonableness and subsequent cost estimates may be modified accordingly. While individual assumptions are intended to be representative, it is the aggregate effect of all actuarial assumptions working together that determines their appropriateness.

An analysis of the experience of the Retirement System for the five-year period ending December 31, 2000 was performed. On the basis of that analysis, several actuarial assumptions were changed effective with the January 1, 2002 valuation. The next scheduled experience analysis is for the five-year period ending December 31, 2005.

ACTUARIAL LIABILITIES

Actuarial liabilities include the actuarial present value of all future benefits and expenses. To determine the actuarial present value of all future benefits, the probability of future events that establish benefit payments is forecast utilizing the actuarial assumptions. System provisions and current member data are used to forecast the amount of benefits to be paid. Assumptions for survival among retired members and beneficiaries are used to estimate the duration of these benefit payments. Each probable benefit payment is then discounted to the valuation date using the actuarial assumption for investment return. These discounted payments are then summed to arrive at the total actuarial present value of benefits.

ACTUARIAL ASSETS

The actuarial assets at any time are equal to the sum of present assets, valued on an actuarial basis, plus future assets. Future assets will result from future contributions and future investment return on all assets.

ASSET VALUATION METHOD

The actuarial value of other assets is determined using the assumed yield method of valuing assets, less the Expense and Contingency Reserve. Under

ACTUARIAL METHODOLOGY (continued)

the assumed yield asset valuation method, the prior year's actuarial value is increased at the assumed rate of return with appropriate adjustments for contributions and disbursements to produce an expected actuarial value of assets at the end of the year. The expected actuarial value is compared to the market value of assets, and 20% of the difference is added to the expected actuarial value. The Expense and Contingency Reserve is excluded from the calculation to produce the actuarial value of assets.

ACTUARIAL BALANCE SHEET

The actuarial balance sheet of a retirement system displays the fundamental financial status of the system on the valuation date. As stated previously, the system liabilities are the sum of the actuarial present values of all future projected benefit payments to current active and inactive plan members and beneficiaries. Current assets, valued on an actuarial basis, plus the actuarial present value of future employer and employee contributions comprise the total actuarial assets of the system.

The actuarial present value of future employer contributions is the only item on the balance sheet that is not directly determined by the system provisions, current assets, member data and actuarial assumptions. In fact, the actuarial present value of future employer contributions is the balancing item and reflects the future employer funding requirements based on the existing member population.

ACTUARIAL COST METHOD

To determine the funding requirements of the system, it is necessary to employ an actuarial cost method. The choice of the cost method does not affect the balance sheet financial status, which is a function only of the system provisions, actuarial assumptions, member data and assets. However, the actuarial cost method has a direct impact on the incidence of the funding requirements. The actuarial cost method allocates the actuarial present value of future employer contributions between the past and future, and thus establishes the Unfunded Actuarial Accrued Liability (UFAAL) and the Normal Cost.

The actuarial cost method is the "frozen entry age actuarial cost method." Entry age is determined at the date each member would have entered the system. On the initial actuarial valuation date for which the cost method is used, the annual cost accruals (individual normal costs for each member) are determined as a level percentage of pay for each year from entry age until retirement or termination. The sum of these individual normal costs for all active members whose attained ages are under the assumed retirement age is the normal cost for the initial plan year. The excess of all normal costs falling due prior to the initial actuarial valuation date, accumulated with interest, over the plan assets represents the initial UFAAL.

In subsequent years, the unfunded actuarial accrued liability is frozen, that is, it increases only because of the accrual of interest and additional normal costs, and decreases only as a result of contributions. Supplements to the UFAAL can occur for plan amendments or actuarial assumption changes. Supplements are determined by computing the change in the actuarial accrued liability as of the valuation date coincident with or next following the change. The UFAAL was originally determined and frozen as of January 1, 1981. Effective January 1, 2002, UFAAL was redetermined and the difference between the new and old UFAAL will be phased in over five years.

Subsequent normal costs are calculated as the level percentage of pay required to fund the excess of the actuarial present value of future benefits over the sum of the actuarial value of assets and the remaining UFAAL.

The funding requirement for each plan year is the sum of the "normal cost contribution" (equal to the normal cost for that year), plus the "actuarial accrued liability contribution." The "actuarial accrued liability contribution" is the payment required to amortize the UFAAL over 30 years.

Actuarial Information

ACTUARIAL ASSUMPTIONS

The following actuarial assumptions were used in the valuation:

Interest – 8% per annum, net of expenses.

Salary Scale – Salaries are assumed to increase at the rate of 4.5% per year.

Mortality – The 1983 Group Annuity Mortality Table for males and females is used for active members, retired members and beneficiaries.

Disability Mortality – Disability mortality rates are based on the actual experience of the Retirement System.

Disability – Disabilities are assumed to occur at rates based on the actual experience of the Retirement System.

Withdrawal – Select and ultimate rates based on actual experience of the Retirement System are used.

During the first three years of membership, the rates for members employed by employers other than Charter Schools are:

Year of Membership	<u>Withdrawal Rate</u>	
	<u>Males</u>	<u>Females</u>
1	17.5%	15.0%
2	15.0%	12.5%
3	10.0%	10.0%

During the first three years of membership, the rates for members at Charter Schools are:

Year of Membership	<u>Withdrawal Rate</u>	
	<u>Males</u>	<u>Females</u>
1	50.0%	50.0%
2	25.0%	25.0%
3	15.0%	15.0%

Retirement – Retirements are assumed to occur at rates based on the actual experience of the Retirement System. For those eligible to retire under the Rule of 85, it is assumed that 50% will retire when first eligible for unreduced benefits unless the age-related rate is greater, but not prior to 30 years of Credited Service.

Family Structure – The probability of a member being married and the probable number of children are based on a table constructed by the Social Security Administration, modified to reflect the experience of the Retirement System.

ACTUARIAL ASSUMPTIONS (continued)

ACTIVE MEMBER RATES OF DECREMENT

Attained <u>Age</u>	<u>Withdrawal Rates</u>		<u>Disability Rates</u>		<u>Retirement Rate</u>
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>	
20	15.00%	15.00%	0.00%	0.00%	0.00%
25	12.50%	12.50%	0.00%	0.00%	0.00%
30	9.00%	9.00%	0.40%	0.40%	0.00%
35	7.00%	7.00%	0.40%	0.40%	0.00%
40	6.00%	6.00%	0.80%	0.75%	0.00%
45	3.00%	3.00%	0.15%	0.10%	0.00%
50	2.00%	2.00%	0.20%	0.15%	0.00%
55	1.50%	1.50%	0.45%	0.25%	5.00%
60	1.00%	1.00%	0.55%	0.32%	7.50%
65	0.00%	0.00%	0.00%	0.00%	35.00%
70	0.00%	0.00%	0.00%	0.00%	100.00%

NON-DISABLED LIFE MORTALITY RATES

<u>Death Rate</u>			<u>Death Rate</u>		
<u>Male</u>	<u>Age</u>	<u>Female</u>	<u>Male</u>	<u>Age</u>	<u>Female</u>
.000860	35	.000476	.044597	75	.023992
.001238	40	.000665	.074070	80	.042945
.002183	45	.001010	.114836	85	.069918
.003909	50	.001647	.166307	90	.111750
.006131	55	.002541	.234086	95	.182419
.009158	60	.004241	.319185	100	.295187
.015592	65	.007064	.469531	105	.487816
.027530	70	.012385	1.000000	110	1.000000

DISABLED LIFE MORTALITY RATES

(PER 1,000 DISABLED PENSIONERS)

<u>Death Rate</u>			<u>Death Rate</u>		
<u>Male</u>	<u>Age</u>	<u>Female</u>	<u>Male</u>	<u>Age</u>	<u>Female</u>
48.7	40	51.0	96.1	75	73.5
44.8	45	48.7	131.5	80	96.1
43.2	50	44.8	180.9	85	131.5
43.1	55	43.2	252.9	90	180.9
48.7	60	43.1	348.1	95	252.9
59.8	65	48.7	785.7	100	348.1
73.5	70	59.8	1000.0	101	1000.0

Actuarial Information**ACTUARIAL BALANCE SHEET****Actuarial Assets**

Actuarial value of present assets	\$ 873,260,102
Actuarial present value of future member contributions	110,620,240
Actuarial present value of future employer contributions for:	
Normal Costs	14,686,521
Actuarial Accrued Liability	189,949,103
Total present and future assets	<u>\$ 1,188,515,966</u>

Actuarial Liabilities

Actuarial present value of benefits now payable	\$ 479,157,887
Actuarial present value of benefits payable in the future	
Active members – New Plan	577,036,737
Active members -- Old Plan	98,759
Active members -- DROP	118,747,088
Members on leave of absence without pay	1,363,389
Terminated members	12,112,106
Total payable in the future	<u>709,358,079</u>
Total liabilities for benefits	<u>\$ 1,188,515,966</u>

PROJECTED BENEFIT OBLIGATION FUNDING STATUS**Projected Benefit Obligation at January 1, 2003:**

Retired members and beneficiaries currently receiving benefits and terminated members not yet receiving benefits	\$ 492,633,382
Current active members:	
Accumulated member contributions, including interest	115,570,837
Employer-financed vested benefits	359,131,518
Employer-financed non-vested benefits	2,687,454
Total Projected Benefit Obligation	<u>\$ 970,023,191</u>

At January 1, 2003, the Projected Benefit Obligation was funded as follows:

Net assets available for benefits at actuarial value	\$ 873,260,102
Unfunded Projected Benefit Obligation	96,763,089
Actuarial value funding ratio	90.0%
Net assets available for benefits at market value	\$ 790,898,408
Unfunded Projected Benefit Obligation	179,124,783
Market value funding ratio	81.5%

PRIORITIZED SOLVENCY TEST

The funding objective of the Retirement System is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percentage of covered Compensation. If the contributions are level in concept and realistically determined, the System will pay all benefits when due -- the ultimate test of financial soundness. Testing for level contribution rates is the long-term solvency test.

A prioritized solvency test is an additional means of checking a system's progress under its funding program. In a prioritized solvency test, the plan's present assets (cash and investments) are compared with:

- active member contributions, accumulated with interest;
- the liabilities for future benefits to present inactive members and beneficiaries; and
- the liabilities for service already rendered by active members.

In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member accumulated contributions (liability 1) and the liabilities for future benefits to inactive members and beneficiaries (liability 2) will be fully covered by assets (except in unusual circumstances). In addition, the liabilities for service already rendered by active members (liability 3) are normally partially covered by the remainder of the present assets. Generally, if the system has been using level cost financing, the funded portion of liability 3 will increase over time. Liability 3 being fully funded does not necessarily result from level percent of payroll funding methods.

The schedule below illustrates the history of the liabilities of the system and is indicative of the system following the discipline of level percent of compensation funding.

Valuation Date	Actuarial Present Value of Credited Projected Benefits				Percent of Present Value Covered by Valuation Assets		
	(1) Active Members' Accumulated Contributions	(2) Retirants, Inactive Members & Beneficiaries	(3) Active Members (Employer-Financed)	Actuarial Value of Assets	(1)	(2)	(3)
January 1							
1993	96,350,532	176,391,424	216,680,909	458,279,727	100	100	86
1994	104,202,541	189,651,537	222,503,913	487,385,302	100	100	87
1995	108,933,074	204,234,143	226,947,717	519,088,399	100	100	91
1996	114,061,708	236,007,330	250,659,986	562,177,274	100	100	85
1997	118,041,749	272,393,748	251,827,653	598,638,356	100	100	83
1998	122,227,173	296,455,647	252,445,749	644,429,672	100	100	90
1999	130,705,014	276,290,128	303,953,494	694,250,672	100	100	95
2000	129,398,364	353,852,977	288,213,016	770,090,498	100	100	100
2001	127,086,325	414,052,293	269,590,438	828,097,298	100	100	100
2002	116,506,785	476,104,516	372,221,726	861,128,076	100	100	72
2003	115,570,837	492,633,382	361,818,972	873,260,102	100	100	73

ACTUARIAL VALUE OF ASSETS

This section of the report shows the development of the actuarial value of the assets of the System and provides information regarding the Expense and Contingency Reserve, investment results and the various assets of the System.

The amount of assets used in the actuarial valuation is known as the "actuarial value of assets". The method is discussed on pages 26 and 27 of this Report and the development of the actuarial value of assets is shown in the table below. An important element in the development of the actuarial value of assets is the Expense and Contingency Reserve (called the Expense Fund prior to 1988). The amount of the Reserve is determined pursuant to a policy adopted by the Board of Trustees. The history of the Reserve is presented on page 33 of this Report.

As shown on page 34 of this Report, the fund had a rate of return of 7.00% on an actuarial value basis. This was 1.00% below the assumed rate of return of 8.0% for 2002. In accordance with Rule XI, the investment contingency portion of the Reserve was decreased by \$12,243,767 because the preliminary actuarial rate of return was below the assumed rate of return by more than 2%.

The rate of return on an actuarial value basis is intended to be a stable rate of return and fluctuate less than rates of return on book or market value basis. Thus, the rate of return on an actuarial basis is not always a fair measure of the investment performance of the fund. Another indicator of actual performance during the year is the rate of return on a market value basis of -5.91%, also presented on page 34 of this Report.

DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS

(1)	Actuarial value of assets as of January 1, 2002	\$ 861,128,076
(2)	Member contributions	13,171,337
(3)	Employer contributions	21,213,347
(4)	Benefit payments and expenses	68,345,513
(5)	Investment increment at 8.0%	66,683,279
(6)	Expected actuarial value on January 1, 2003:	
	(1) + (2) + (3) - (4) + (5)	893,850,526
(7)	Market value of assets on January 1, 2003	853,610,639
(8)	Expense and Contingency Reserve on December 31, 2002	74,955,998
(9)	Adjustment to the Contingency Reserve on January 1, 2003	(12,243,767)
(9)	Excess of market value over expected actuarial value: (7) - (8) - (6)	(102,952,118)
(10)	Market value adjustment: 20% x (9)	(20,590,424)
(11)	Actuarial Value of Assets as of January 1, 2003: (6) + (10)	873,260,102

EXPENSE AND CONTINGENCY RESERVE

Effective January 1, 1996 the Board of Trustees revised Rule XI, which governs the determination of the amount of the Expense and Contingency Reserve. The expense portion of the Reserve is the sum of:

- (1) The estimated annual operating expenses for the ensuing year;
- (2) An amount equal to the liability for non-insurance supplements;
- (3) An amount equal to the liability for insurance supplements for those members participating in the program on January 1; and

- (4) The estimated amount of insurance supplements to be paid for members expected to retire and participate in the program during the ensuing year.

The contingency portion of the Reserve is intended to cover significant shortfall in the rate of return. When a significant shortfall occurs, the Reserve is used to reduce the amount of the shortfall. When the rate of return exceeds the assumed rate of return by more than 1%, an addition is made to the Reserve according to a formula in Rule XI.

Below is a history of the Expense and Contingency Reserve:

<u>January 1</u>	<u>Expense Reserve</u>	<u>Investment Contingency Reserve</u>	<u>Total Expense and Contingency Reserve</u>
1996	\$ 33,702,346	\$ 0	\$ 33,702,346
1997	25,403,190	5,220,821	30,624,011
1998	30,891,555	24,100,041	54,991,596
1999	22,142,759	45,972,067	68,114,826
2000	27,992,032	50,003,862	77,995,894
2001	29,837,776	50,003,743	79,841,519
2002	23,527,529	50,003,743	73,531,272
2003	24,952,255	37,759,976	62,712,231

INVESTMENT PERFORMANCE

There are several different methods of approximating the rates of return on investments of the Trust Fund. Following is a brief comparison of the actuarial assumed rate of return as compared with rates of return on Market and Actuarial Value bases:

(a) Market Value Basis

The rate of return on a Market Value Basis is the ratio of the appreciation (or depreciation) of assets less contributions plus disbursements to the Market Value at the beginning of the year plus the average of the receipts and disbursements made during the year. This may be approximated as follows:

(i) A = Market Value of Assets as of January 1, 2002	\$ 942,246,250
(ii) B = Market Value of Assets as of January 1, 2003	853,610,639
(iii) C = Contributions during the period	34,384,684
(iv) D = Disbursements during the period	68,345,513
(v) Rate of Return: $\frac{B - A + D - C}{A + \frac{1}{2}(C - D)}$	-5.91%
(vi) Actuarial Assumed Rate of Return for 2002	8.00%
(vii) Difference between actual and assumed rates of return: (v) - (vi)	-13.91%

(b) Actuarial Value Basis

The rate of return on an Actuarial Value Basis is approximated using the same method as the Market Value Basis:

(i) A = Actuarial Value of Assets as of January 1, 2002	\$861,128,076
(ii) I = Income Allocated as of January 1, 2003	58,336,622
(iii) C = Contributions during the period, time-weighted	6,915,889
(iv) D = Disbursements during the period, time-weighted	34,172,756
(v) Rate of Return: $\frac{I}{A + C - D}$	7.00%
(vi) Actuarial Assumed Rate of Return for 2002	8.00%
(vii) Difference between actual and assumed rates of return: (v) - (vi)	-1.00%

MEMBERSHIP AND BENEFITS PAID AS OF JANUARY 1, 2003

	Males	Females	Total
ACTIVE MEMBERS			
Old Plan	1	1	2
New Plan	1,938	4,604	6,542
DROP	<u>93</u>	<u>291</u>	<u>384</u>
Total Active	2,032	4,896	6,928
INACTIVE MEMBERS			
Terminated or Leave of Absence Without Pay	<u>165</u>	<u>329</u>	<u>494</u>
Total Members Not Retired	2,197	5,225	7,422
RETIRED MEMBERS AND BENEFICIARIES			
Retired Members and Contingent Annuitants	850	2,209	3,059
Survivors	39	214	253
Disabled Members	<u>84</u>	<u>182</u>	<u>266</u>
Total Retired Members and Beneficiaries	<u>973</u>	<u>2,605</u>	<u>3,578</u>
TOTAL MEMBERSHIP	3,170	7,830	11,000

NUMBER OF RETIRED MEMBERS AND BENEFICIARIES

Option	Service Benefit	Disability Benefit	Survivor Benefit	TSA Benefit
0	2,662	240	253	41
1	96	15	0	2
2	69	0	0	2
3	116	4	0	0
4	115	5	0	0
5	1	1	0	0
6	0	1	0	0
Total	3,059	266	253	45

AMOUNT OF ANNUAL BENEFIT

Option	Service Benefit	Disability Benefit	Survivor Benefit	TSA Benefit
0	\$43,643,436	\$2,083,697	\$1,942,678	\$39,976
1	1,374,841	199,408	0	4,611
2	1,262,670	0	0	1,524
3	1,859,562	30,758	0	0
4	2,336,177	59,039	0	0
5	20,623	14,854	0	0
6	0	10,279	0	0
Total	\$50,497,309	\$2,398,035	\$1,942,678	\$46,111

Summary of Benefits

Background

The Public School Retirement System of the City of St. Louis (PSRSSTL) was established and became effective January 1, 1944. It provides retirement, disability, death, and survivor benefits for eligible employees of the St. Louis Public School District, employees of Charter Schools located in St. Louis, employees of the Retirement System, and certain employees of Harris-Stowe State College.

Members of PSRSSTL are also covered by Social Security, and are eligible for full Social Security benefits in addition to their benefits from PSRSSTL.

PSRSSTL benefits are funded by a combination of member contributions, employer contributions, and investment earnings on PSRSSTL assets. Eligible employees of the School District, Charter Schools and the Retirement System are required to participate.

A summary of the primary benefit provisions of PSRSSTL as of December 31, 2003 follows. These provisions apply for all but a few active members who elected to remain under provisions of the law as of October 13, 1961.

Actual benefits and eligibility for benefits are described in detail in statutes of the State of Missouri and PSRSSTL Rules and Regulations. In any circumstance where there appears to be a discrepancy between this summary and actual statutes or PSRSSTL Rules and Regulations, the law and the Rules and Regulations will govern.

Eligibility for Benefits

Normal Pension

Members become eligible for Normal Pension when they attain age 65 or when the sum of their years of Credited Service plus their age equals at least 85 (known as the Rule of 85).

Early Pension

Members at least age 60 with five or more years Credited Service who do not satisfy the eligibility requirements for a Normal Pension may elect a reduced Early Pension.

Disability Pension

Members unable to perform their job duties due to physical or mental incapacity who are not eligible for Normal Pension will qualify for Disability Pension if:

- (a) they have at least five years Credited Service, and
- (b) they are recommended for Disability Pension by the Medical Board, and
- (c) their Disability Pension is approved by the Board of Trustees.

Benefit Amounts

Benefit calculations require determining a member's:

Average Final Compensation – defined as the average of a member's Compensation for the highest consecutive three years out of the last ten years of service,

Compensation – includes a member's "regular" pay and employer contributions for a member's fringe benefits, but does not include overtime pay or pay for such services as extracurricular activities and summer school, and

Credited Service – defined as membership service plus any service credit that a member has purchased pursuant to state statutes. In addition, unused sick leave at the time of retirement is added to a member's age and years of Credited Service.

Normal Pension

A Normal Pension is a lifetime monthly benefit equal to 2.0% of a member's Average Final Compensation multiplied by the member's years of Credited Service; however, the monthly benefit will not exceed 60% of the member's Average Final Compensation. In addition, members retiring at or after attaining age 65 with at least five years of Credited Service will be entitled to a minimum monthly benefit equal to \$10 for each year of Credited Service up to \$150.

Early Pension

An Early Pension is a lifetime monthly benefit calculated in the same manner as a Normal Pension; however, an Early Pension is reduced by 5/9 of 1% for each month by which a member's Early Pension date precedes the date on which the member would become eligible for a Normal Pension.

Disability Pension

A Disability Pension is a lifetime monthly benefit (subject to verification of continued disability and certain earnings limitations) that is the greater of (a) a benefit calculated in the same manner as a Normal Pension as if the member were age 65, or (b) one-fourth (1/4) of a member's Average Final Compensation; however, a Disability Pension cannot exceed what a member's Normal Pension would have been if the member had continued to work until he/she became eligible for Normal Pension.

Benefit Payment Options

Members may elect an optional form of payment that will coordinate their monthly pension benefits with estimated Social Security benefits and/or that will pay them reduced monthly pension benefits so that payments can continue to an Option Beneficiary after their death. The amount of the reduction is determined by the difference in age between a member and his/her Option Beneficiary.

Seven Benefit Payment Options are available.

- *Option 1* provides that upon a member's death, the member's reduced monthly benefit will continue to the member's Option Beneficiary for the Option Beneficiary's lifetime.
- *Option 2* provides that upon a member's death, one-half (1/2) of the member's reduced monthly benefit will continue to the member's Option Beneficiary for the Option Beneficiary's lifetime.
- *Option 3* is like Option 1, except that if the Option Beneficiary predeceases the member, the member's monthly benefit increases to what it would have been if the member had not elected a Benefit Payment Option.
- *Option 4* is like Option 2, except that if the Option Beneficiary predeceases the member, the member's monthly benefit increases to what it would have been if the member had not elected a Benefit Payment Option.
- *Option 5* provides that a member's monthly pension benefit prior to age 62 will be increased to an amount such that his/her monthly pension benefit prior to age 62 will be approximately equal to the sum of his/her monthly pension benefit after age 62 plus estimated Social Security benefits.
- *Option 6* is a combination of Options 1 and 5. Option 6 provides a monthly pension benefit that adjusts for a member's estimated Social Security benefits based on the date the member will attain age 62, or would have attained age 62, and provides that upon the member's death, the amount of the member's adjusted monthly pension benefit will continue to the member's Option Beneficiary for the Option Beneficiary's lifetime.
- *Option 7* is a combination of Options 2 and 5. Option 7 provides a monthly pension benefit that adjusts for the member's estimated Social Security benefits based on the date the member will attain age 62, or would have attained age 62, and provides that upon the member's death, one-half of the amount of the member's adjusted monthly pension

benefit will continue to the member's Option Beneficiary for the Option Beneficiary's lifetime.

Death and Survivor Benefits

Upon the death of an active member, the member's beneficiary(ies) is entitled to a refund of the member's accumulated contributions plus interest thereon.

Upon the death of an active member with at least 18 months of Credited Service, or upon the death of a member on Disability Pension, an eligible beneficiary(ies), (or if there is no surviving beneficiary, the unmarried dependent child(ren) of the member who are under age 22) may elect one of the survivor benefits set forth below in lieu of a refund of the member's accumulated contributions.

In the context of discussing survivor benefits:

An "eligible beneficiary" is the surviving spouse, an unmarried dependent child(ren) under age 22, or a dependent parent(s) of the member, if designated as beneficiary.

A "dependent" is an individual(s) who was receiving at least one-half of his/her support from the member at the member's death.

1. A surviving spouse who was married to the member for at least one year, and who is at least age 62 (or upon attaining age 62), may elect to receive \$60 per month.
2. A surviving spouse who cares for an unmarried dependent child(ren) of the deceased member who is under the age of 22 may elect to receive \$60 per month plus \$60 per month per dependent child up to a maximum of \$240 per month.

If the surviving spouse is under age 62 when the youngest eligible child reaches the age of 22, the benefit will cease, but will resume when the surviving spouse attains age 62.
3. If no benefits are payable under 2 above, an unmarried, dependent child(ren) under age 22 may receive \$60 per month. If there are more than three eligible children, \$180 per month will be shared equally.
4. If no benefits are payable at any time under 1, 2, or 3 above, upon attaining age 62, a dependent parent who has not remarried may receive \$60 per month, or if two dependent parents are eligible, \$60 per month will be shared between them.

Summary of Benefits

Upon the death of an active member with at least five years of Credited Service, if the member designated a dependent beneficiary, the beneficiary may elect to receive the member's pension benefit under Benefit Payment Option 1 in lieu of receiving a refund of the member's accumulated contributions and interest thereon.

If the deceased member was less than age 60 at the time of death, the Option 1 payment due the dependent beneficiary will be computed as if the deceased member had attained age 60 and retired under Option 1 as of the date of his/her death.

In addition, if a beneficiary who is eligible for Option 1 benefit payments is the surviving spouse of the deceased member, such surviving spouse shall receive \$60 per month for each unmarried dependent child of the deceased member who is under age 22 and is under the care of the surviving spouse. If there are more than three eligible children, \$180 per month will be shared equally.

Termination of Employment

Refund

Upon employment separation, members are entitled to a refund of their accumulated contributions with interest thereon.

Rollover

At a member's election, that portion of a refund that is eligible for rollover treatment may be transferred to a member's IRA or to another qualified plan to preserve its tax-deferred status. Rollovers are subject to applicable provisions of the Internal Revenue Code at the time of the distribution.

Pension Benefit

In lieu of a refund or rollover, members with five or more years of Credited Service may elect to leave their contributions with the Retirement System and receive a Normal or Early Pension upon becoming eligible. The benefit paid to a terminated, vested member is based on the member's Credited Service, Average Final Compensation, and benefit provisions in effect at the time of the member's employment termination.

PSRSSTL Funding

PSRSSTL is funded by:

Member Contributions

Except members employed by Harris-Stowe State College, active members are required to contribute 5.0% of their Compensation. Member contributions are withheld from members' pay on a tax-deferred basis.

Employer Contributions

An actuarial valuation of PSRSSTL that determines the required contribution is conducted annually. Based on the valuation, employer contributions are equal to the actuarially required contribution less the portion that members contribute.

Investment Income

The assets of the Retirement System are invested and generate income that is used to fund benefits and pay expenses.

Health Insurance

PSRSSTL makes a variety of medical, dental, and vision insurance plans available to retired members, their spouses, and eligible dependent children. PSRSSTL pays a portion of the premiums for retired members. Retired members pay the remainder of the cost for their own coverage, if any, and all the cost of any dependent coverage they elect. On an annual basis, retired members are permitted to make changes to their medical, dental, and vision insurance.

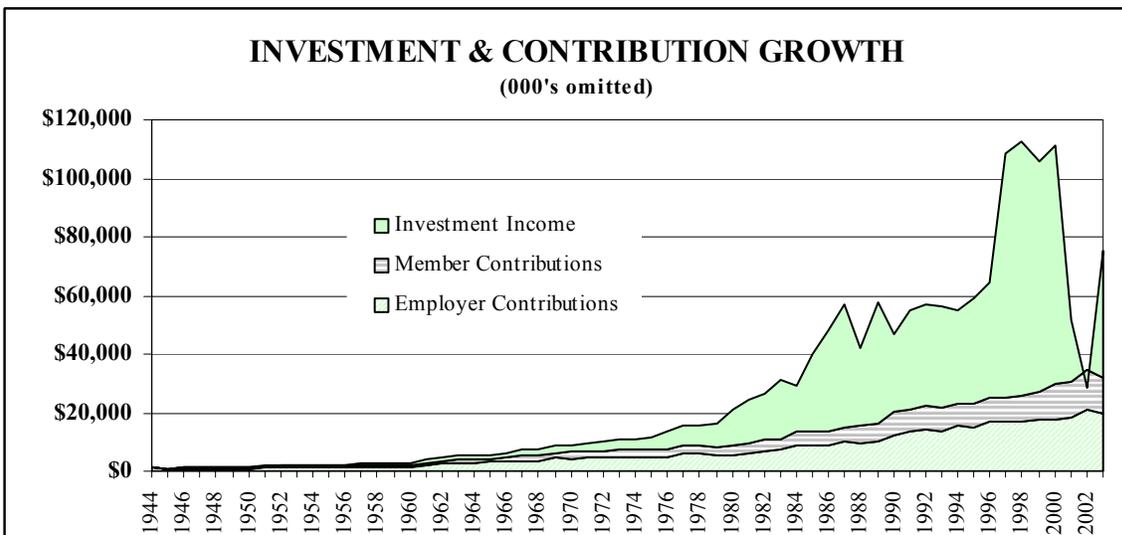
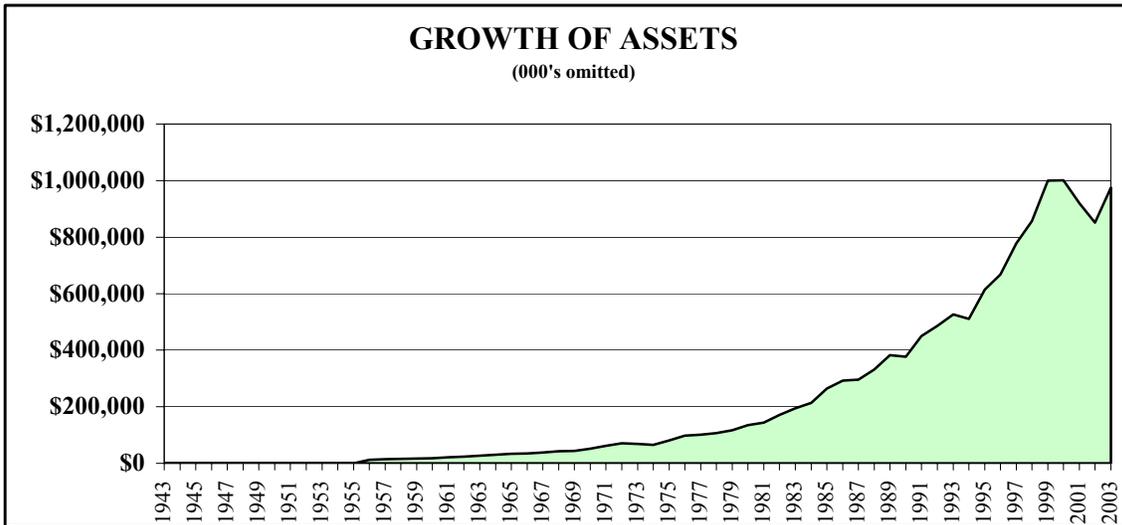
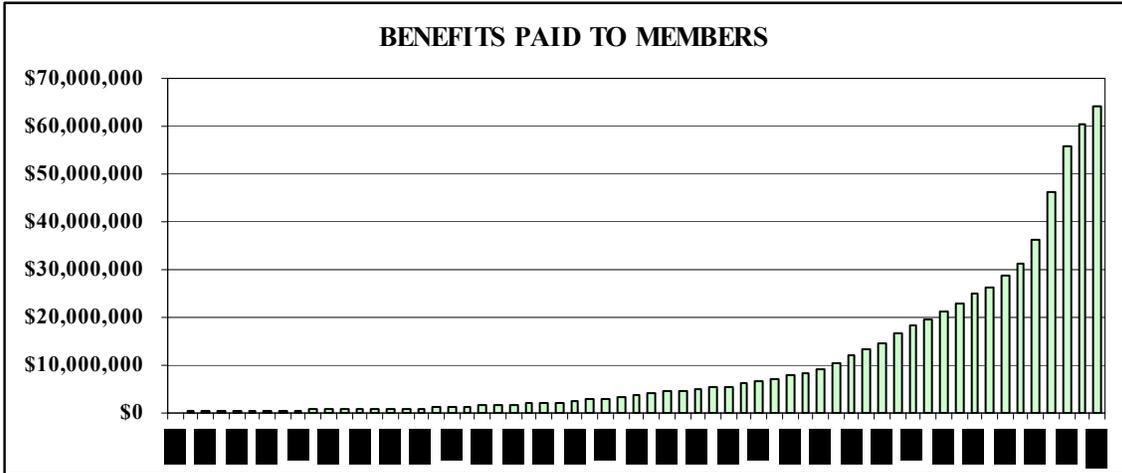
Surviving spouses of deceased retired members are eligible to retain health care insurance after the death of the member.

Surviving spouses of deceased active members who elect to receive monthly benefit payments under Option 1 may also be eligible for health insurance coverage for themselves and for otherwise eligible children of deceased active members.

COLAs

Cost of Living Adjustments (COLAs) are paid to retired members and surviving beneficiaries when such COLAs are approved by both the Board of Education and the Board of Trustees.

The information presented below shows how member benefit payments have increased and how the assets of the Retirement System have grown since the Retirement System was established in 1944.





Celebrating 60 Years of Service!