

**PUBLIC SCHOOL RETIREMENT SYSTEM
OF THE CITY OF ST. LOUIS**
MINUTES OF THE BOARD OF TRUSTEES REGULAR MEETING
April 20, 2015

I. ROLL CALL AND ANNOUNCEMENT OF A QUORUM

The April meeting of the Board of Trustees of the Public School Retirement System of the City of St. Louis (PSRSSTL) was called to order at 4:35 p.m., Monday, April 20, 2015. The meeting was held in the 2nd floor boardroom of the PSRSSTL office building located at 3641 Olive Street, St. Louis, Missouri. Joseph Clark, Chairman of the Board of Trustees, was the presiding officer.

Roll Call was taken and Trustees Joseph Clark, Tracie Goffe, Sheila Goodwin, Charles Shelton, Eural Thomas and Janusz Wolynski were present. The Board of Trustees had a quorum at the meeting. Trustee Christina Bennett joined the meeting in progress. Trustees Angela Banks, Mary Houlihan, Yvette Levy and Rick Sullivan were absent.

Executive Director, Andrew Clark, Accounting Specialist, Terry Mayes, PSRSSTL Attorney, Jeff Hartnett, PSRSSTL Actuary, Steve Siepman, PSRSSTL Auditor, Thomas Helm, Anders Representative, Brenda Shepherd, and several interested parties were also in attendance.

II. APPROVAL OF MINUTES FROM LAST MEETING

Tracie Goffe made a motion, seconded by Sheila Goodwin, to approve the minutes of the Board of Trustees Regular Meeting of February 23, 2015, and the Special Telephonic Board of Trustees Meeting of April 8, 2015.

A roll call vote was taken.

Joseph Clark	Yes	Tracie Goffe	Yes	Sheila Goodwin	Yes
Charles Shelton	Yes	Eural Thomas	Yes	Janusz Wolynski	Yes

With six yes votes, motion carried.

III. READING OF COMMUNICATIONS TO THE BOARD OF TRUSTEES

None

IV. PRESENTATIONS BY INTERESTED PARTIES

None

V. CONSENT AGENDA

Charles Shelton made a motion, seconded by Sheila Goodwin, to approve the Retirements and Benefits of March and April 2015, and the Refunds and Bills of February and March 2015.

A roll call vote was taken.

Joseph Clark	Yes	Tracie Goffe	Yes	Sheila Goodwin	Yes
Charles Shelton	Yes	Eural Thomas	Yes	Janusz Wolynski	Yes

With six yes votes, motion carried.

VI. UNFINISHED BUSINESS

None

VII. REPORT OF THE CHAIRPERSON

None

VIII. REPORT OF THE EXECUTIVE DIRECTOR

The Executive Director introduced the accounting firm, Anders Minkler Huber & Helm LLP, for a presentation on the retirement system's audited financial statements. The Auditor, Thomas Helm, introduced himself and another representative from his firm, Brenda Shepherd. The Auditor and Ms. Shepherd presented the audited financial statements for December 31, 2014 and December 31, 2013, by reviewing and highlighting important information in the pages of the Financial Statements report distributed at the meeting. The Auditor spent a considerable amount of time explaining the new reporting requirements resulting from the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 67, and that the Board of Trustees could expect a similar report on next year's implementation of GASB Statement No. 68. Overall, the Auditor reported on a good, clean audit by thanking staff for a smooth and efficient audit process. The Trustees and Executive Director thanked the Auditor for the presentation and the hard work that went into the preparation of the financial statements.

The Executive Director then reported on the retirement system's fiduciary liability and crime insurance renewals through Arthur J. Gallagher Risk Management Services, Inc. from a Memorandum to the Board of Trustees. The Executive Director recommended that the Board of Trustees accept the renewals as presented. All questions were answered satisfactorily.

Charles Shelton made a motion, seconded by Tracie Goffe, to accept the renewal of the fiduciary liability and crime insurance with Travelers as presented by the Executive Director.

A roll call vote was taken.

Christina Bennett	Yes	Joseph Clark	Yes	Tracie Goffe	Yes
Charles Shelton	Yes	Eural Thomas	Yes	Janusz Wolynski	Yes

With seven yes votes, motion carried.

IX. REPORT OF THE INVESTMENT CONSULTANT

None

X. REPORT OF THE ACTUARY

The Actuary reported on the progress of the 2015 Actuarial Valuation Report, including GASB Statement Nos. 67 & 68.

XI. REPORTS OF COMMITTEES OF THE BOARD OF TRUSTEES

The Chairman asked for reports from the Committees.

Benefits Committee

None

Trustee Business Committee

None

Investment Committee

Joe Clark, Chair of the Investment Committee, reported on the meetings of February 19, 2015, and March 19, 2015, by referring the Trustees to the meeting minutes in the board packet.

Legislative, Rules & Regulations Committee

None

Professional Contracts Committee

None

XII. NEW BUSINESS

None

XIII. REPORT OF THE ATTORNEY

The Attorney reported on two legislative bills that, if passed, would impact the retirement system. HB1205 appears to be stalled in committee while SB270 has picked up momentum, making its way through the house and senate. If passed, SB270 would change the make-up of the retirement system's Board of Trustees by designating one elected position to a Charter School teacher or administrator.

XIV. ADJOURNMENT

Charles Shelton made a motion, seconded by Eural Thomas, to adjourn the meeting.

By voice vote, motion carried and the meeting adjourned at 5:35 p.m.

Attachments:

Retirements Paid: March and April 2015

Refunds & Bills Paid: February and March 2015

December 31, 2014 and 2013 Financial Statements

Memo to the Board of Trustees from the Executive Director, April 20, 2015

To be Authorized and Approved
by the Board of Trustees

APPLICATIONS FOR RETIREMENT

NAME \ POSITION	RETIREMENT DATE	TYPE	CREDITED SERVICE	FINAL AVG SALARY	MONTHLY BENEFIT
Ralph Banks HVAC Technician	Feb. 1, 2015	Normal	30.0000	\$67,075.36	\$3,353.77
Carl Douglas Stationary Engineer	Feb. 1, 2015	Survivor	25.4176	\$56,070.81	\$1,646.86
Minnette Lawson Clerk Typist II	Feb. 1, 2015	Normal	26.1950	\$43,756.41	\$1,910.33

To be Authorized and Approved
by the Board of Trustees

APPLICATIONS FOR RETIREMENT

NAME \ POSITION	RETIREMENT DATE	TYPE	CREDITED SERVICE	FINAL AVG SALARY	MONTHLY BENEFIT
Karen Bradford Instructional Care Aide	March 1, 2015	Normal	28.5112	\$38,707.05	\$1,839.31
Minnie Evans Speech Language Diagnostician	March 1, 2015	Normal	6.5303	\$45,809.22	\$498.58
Sherlene Griffin Teaher	March 1, 2015	Early	19.3056	\$65,764.43	\$1,951.45
Argie Harold Teacher	March 1, 2015	Normal	11.6695	\$32,553.56	\$395.71
Gloria Reilly Teacher	March 1, 2015	Early	15.0833	\$56,875.88	\$1,251.06
Detra Thomas Teacher	March 1, 2015	Normal	25.7445	\$72,599.94	\$3,115.08

Distributions - February 2015

CHECK NUMBER	CHECK DATE	LAST NAME	FIRST NAME/MI	GROSS PAY	FEDERAL TAXES W/H	NET PAY	A(ctive) R(etired)	D(eath) S(eparation)	NOTES
070175	02/10/15	ARL	KELLY	1,886.42	377.28	1,509.14	A	S	GSA
070176	02/10/15	BREMERSKAMP	HANNA	1,845.13	369.03	1,476.10	A	S	LPA
070177	02/10/15	REID	GEOFFREY	1,293.54	258.71	1,034.83	A	S	
070217	02/25/15	CRENSHAW	LACRISA	14,134.66		14,134.66	A	S	KIPP
070218	02/25/15	HARPS	KIMBERLY	4,572.08	914.42	3,657.66	A	S	CA
070219	02/25/15	PAYNE	THERESA A	842.02	168.40	673.62	A	S	CCC
070220	02/25/15	STEVENS	ELIZABETH	9,456.42		9,456.42	A	S	SLPS 5321.23 CGMCS 4135.19
070221	02/25/15	COOPER	KIRSTIE	2,346.95	469.39	1,877.56	A	S	
070222	02/25/15	BOEHMER	DONNY	838.83	167.77	671.06	A	S	
070223	02/25/15	ROTHMILLER-JOHNSON	LAREE	1,745.06	349.01	1,396.05	A	S	
070224	02/25/15	DAVIS	MARK	1,074.90	214.98	859.92	A	S	
070225	02/25/15	WILSON	SHAUN	1,553.52	310.70	1,242.82	A	S	
070226	02/25/15	JAEGER	NICHOLAS	6,076.87	607.69	5,469.18	R	D	DEC: R JAEGER
070227	02/25/15	JAEGER	NATALIE	6,076.88		6,076.88	R	D	DEC: R JAEGER
TOTAL				\$ 53,743.28	\$ 4,207.38	\$ 49,535.90			

Distributions - March 2015

CHECK NUMBER	CHECK DATE	LAST NAME	FIRST NAME/MI	GROSS PAY	FEDERAL TAXES W/H	NET PAY	A(ctive) R(etired)	D(eath) S(eparation)	NOTES
070254	03/05/15	HELLMAN	HEATHER	6,728.08		6,728.08	A	S	CA
070255	03/05/15	KPERE-DAIBO	TARA	2,359.00	471.80	1,887.20	A	S	LPA
070256	03/05/15	SMITH	LAUREN	205.00	41.00	164.00	A	S	JAMAA
070257	03/05/15	TREECE	KEATON	165.38		165.38	A	S	JAMAA
070258	03/05/15	WEST	DORIS	766.60	153.32	613.28	A	S	JAMAA
070259	03/05/15	WILLIAMS	KIESHA	1,945.29	389.06	1,556.23	A	S	JAMAA
070260	03/05/15	ANDERSON	JAMES	7,655.34	1,531.07	6,124.27	A	S	
070261	03/05/15	GILLESPIE	BRIAN S	5,845.55	1,169.11	4,676.44	A	S	
070262	03/05/15	KLUNICK	CHELSEA	3,044.76		3,044.76	A	S	
070263	03/05/15	MATHUS	MARISA	5,013.99	1,002.80	4,011.19	A	S	
070264	03/05/15	MCKISSIC	JUAN	496.12	99.22	396.90	A	S	
070265	03/05/15	VONNER	CONSTANCE R	1,126.41	225.28	901.13	A	S	
070266	03/05/15	CHISM	DRUMOND	13,705.86		13,705.86	A	D	DEC; JUDY CHISM
070267	03/05/15	CHISM	KIMBERLY	13,705.85		13,705.85	A	D	DEC; JUDY CHISM
070268	03/17/15	BURNS-ANTHONY	MERVINA A	24,378.93		24,378.93	A	S	CA 538.7 SLPS 28840.23
070269	03/17/15	BURNS-ANTHONY	MERVINA A	5,000.00	1,000.00	4,000.00	A	S	CA 538.7 SLPS 28840.23
070270	03/17/15	ESCOBAR	BOYRS	567.95	113.59	454.36	A	S	SL LIS
070271	03/17/15	LEU	DERRICK	2,308.01	461.60	1,846.41	A	S	LPA
070272	03/17/15	MITTS	DAVID J	3,077.73	615.55	2,462.18	A	S	CCC
070273	03/17/15	SCHUH	JOHN	2,070.18	414.04	1,656.14	A	S	SL LIS
070274	03/17/15	WALDRON	JOHN	5,220.89		5,220.89	A	S	LFL
070275	03/17/15	FRY	BYRON C	1,172.00	234.40	937.60	A	S	
070276	03/17/15	JAMES	ERIN	2,352.72	470.54	1,882.18	A	S	
070277	03/17/15	MAURER	TIFFANY	2,354.83	470.97	1,883.86	A	S	
070278	03/17/15	MCATEE	MEGAN	649.73	129.95	519.78	A	S	
070279	03/17/15	MEYER	ALEXANDER	4,642.34	928.47	3,713.87	A	S	
070280	03/17/15	STEPHENS	RANDY	2,358.01	471.60	1,886.41	A	S	
070281	03/17/15	STOREY	AMANDA	3,516.04	703.21	2,812.83	A	S	
070282	03/17/15	TRAMBLE	CHARLOTTE	3,495.02		3,495.02	A	S	
070283	03/17/15	WINSTON	DEBORAH E	3,729.52	745.90	2,983.62	A	S	
070285	03/17/15	MURPHY	NANCY	55,249.95	5,525.00	49,724.95	A	D	DEC; M MURPHY
TOTAL				\$ 184,907.08	\$ 17,367.48	\$ 167,539.60			

Public School Retirement System of the City of St. Louis
Checks Written During the Month of February, 2015

<u>Payee</u>	<u>Ck. Number</u>	<u>Description</u>	<u>Amount</u>
Date Paid February 5, 2015			
Ameren Missouri	70142	Electric Service	3,022.92
Blade Technologies, Inc.	70143	Professional Services	765.33
Digital Intersection	70144	Monthly Data Center Housing	150.00
Purchase Power	70145	Postage	1,000.00
AT&T	70146	Acct #314 533-0531 631 1	464.76
AT&T	70147	U-Verse Internet	50.00
Office Essentials	70148	Office Supplies	289.20
Anders CPAs & Advisors	70149	Active Non-Teacher Trustee Election	1,600.00
Windstream Communications	70150	Telephone, Data	490.92
AT&T Long Distance	70151	Long Distance	1.40
BuildingStars STL Operations, Inc.	70152	Janitorial Service	1,326.00
Charter Communications	70153	Void Check	0.00
MSD	70154	Sewer Service	42.41
Evault, Inc.	70155	Disaster Recovery Site	1,082.07
Gallagher Benefit Services, Inc.	70156	Group Ins. Consulting Services Monthly Fee	3,320.25
MAPERS	70157	2015 Plan Sponsor Membership Dues	100.00
Andrew Clark	70158	Retirement Certificates	48.00
Tom Kinealy	70159	Shipping Costs-Defective Cooling Unit	161.84
CBRE - 608844	70160	Engineer Services	612.00
BSR Services, Inc.	70161	Snow and Ice Management	245.00
Causeway Capital Management LLC	70162	4th Quarter 2014 Management Fee	69,444.29
The Edgar Lomax Company	70163	4th Quarter 2014 Management Fee	49,369.98
Holland Capital Management LLC	70164	4th Quarter 2014 Management Fee	52,852.69
INTECH Investment Management LLC	70165	4th Quarter 2014 Management Fee	35,324.29
Loomis, Sayles & Company, L.P.	70166	4th Quarter 2014 Management Fee	57,467.88
Manulife Asset Management U.S. LLC	70167	4th Quarter 2014 Management Fee	35,051.29
Mondrian Investment Partners Limited	70168	4th Quarter 2014 Management Fee	42,582.17
New Amsterdam Partners, LLC	70169	4th Quarter 2014 Management Fee	25,324.83
Westfield Capital Management Company, LP	70170	4th Quarter 2014 Management Fee	63,778.85
US Bank	70171	4th Quarter 2014 Custodial Fees	35,855.04
Board of Education St. Louis Benefits Trust	70172	Office Employees Insurance - Dental	200.17
Board of Education St. Louis Benefits Trust	70173	Office Employees Insurance - Vision	12.36
Board of Education St. Louis Benefits Trust	70174	Office Employees Insurance - Life	79.75
Date Paid February 6, 2015			
Office Payroll	ACH	Office Payroll	10,664.92
AXA Equitable	ACH	457 Contributions	2,253.07
Date Paid February 20, 2015			
Absopure Water Company	70191	Water Cooler Service	222.10
Buck Consultants, LLC	70192	Actuarial Consulting Services - Jan. & Feb.	7,466.00
AT&T	70193	Monthly Service Charge #314 652-1704 033 4	419.31
Access	70194	Scanning Services & Document Scanning	2,524.52
Parking Management Services, LLC	70195	March 2015 Parking - 2 Employees	130.00
Parking Management Services, LLC	70196	Parking Ticket Validations - January 2015	33.00
Hartnett Gladney Hetterman, L.L.C.	70197	Legal Fees	2,326.50
Minuteman Press	70198	Envelopes, Newsletters and Envelopes	2,069.96
Eazy Business Mailers, Inc.	70199	Postage/Service-1099R Forms, Insurance Letters	6,121.32
Office Essentials	70200	Office Supplies	222.28
BuildingStars STL Operations, Inc.	70201	Janitorial Supplies	382.96
Charter Communications	70202	Charter Internet	270.00
Evault, Inc.	70203	Disaster Recovery Site	1,040.00
Pitney Bowes, Inc.	70204	Renewal of Maintenance Agreements	4,937.93
Republic Services #346	70205	Trash Pick-Up	134.01
CBRE - 608844	70206	Management Fee - February 2015	1,092.00
CBRE - 608844	70207	Engineer Services	220.00
BSR Services, Inc.	70208	Snow and Ice Management	1,000.00
St. Louis Mat & Linen Company	70209	Floor Mats	69.00
Blue Chip Pest Services	70210	Pest Control	44.00
Roofing Services and Solutions, LLC	70211	Roof Repair	667.43
QS Batterymarch Financial Management, Inc.	70212	4th Quarter 2014 Management Fee	31,919.43
Chicago Equity Partners, LLC	70213	4th Quarter 2014 Management Fee	47,201.66
Pyramis Global Advisors Trust Company	70214	4th Quarter 2014 Management Fee	67,741.65
NEPC, LLC	70215	4th Quarter 2014 Consulting Fee	35,789.84
NEPC, LLC	70216	4th Quarter 2014 Alt. Investment Mgmt. Fee	12,500.00
Date Paid February 20 2015			
Office Payroll	ACH	Office Payroll	10,664.92
AXA Equitable	ACH	457 Contributions	2,253.07
		TOTAL	<u>\$734,496.57</u>

Public School Retirement System of the City of St. Louis
Checks Written During the Month of March, 2015

<u>Payee</u>	<u>Ck. Number</u>	<u>Description</u>	<u>Amount</u>
Date Paid March 5, 2015			
Ameren Missouri	70228	Electric Service	3,154.81
Blade Technologies, Inc.	70229	Professional Services	795.33
Digital Intersection	70230	Monthly Data Center Housing	150.00
Purchase Power	70231	Postage	565.33
AT&T	70232	Acct #314 371-0114 632 9	360.72
AT&T	70233	U-Verse Internet	50.00
Windstream Communications	70234	Telephone, Data	490.92
BuildingStars STL Operations, Inc.	70235	Janitorial Service	1,326.00
MSD	70236	Sewer Service	42.41
Evault, Inc.	70237	Disaster Recovery Site	1,040.17
Gallagher Benefit Services, Inc.	70238	Group Ins. Consulting Services Monthly Fee	3,320.25
Eazy Business Mailers, Inc.	70239	Postage and Service - Newsletter	3,609.81
Pitney Bowes, Inc.	70240	Rental Charges	448.00
CGI Security, Inc.	70241	Security Guard 02/23/2015	144.00
Konika Minolta Business Solutions USA Inc.	70242	Service - Copier C364E	380.43
Andrew Clark	70243	Board Meeting Expenses	19.47
CBRE - 608844	70244	Engineer Services	550.00
BSR Services, Inc.	70245	Snow and Ice Management	1,690.00
St. Louis Mat & Linen Company	70246	Floor Mats	152.00
Blue Chip Pest Services	70247	Pest Control	44.00
TCW Asset Management Company	70248	4th Quarter 2014 Management Fee	52,982.01
Mellon Capital Management Corporation	70249	4th Quarter 2014 Management Fee	80,939.49
Mellon Capital Management Corporation	70250	4th Quarter 2014 Management Fee	1,065.40
Board of Education St. Louis Benefits Trust	70251	Office Employees Insurance - Dental	200.17
Board of Education St. Louis Benefits Trust	70252	Office Employees Insurance - Vision	12.36
Board of Education St. Louis Benefits Trust	70253	Office Employees Insurance - Life	79.75
Date Paid March 6, 2015			
Office Payroll	ACH	Office Payroll	10,664.92
AXA Equitable	ACH	457 Contributions	2,253.07
Date Paid March 20, 2015			
Absopure Water Company	70286	Water Cooler Service	110.75
Buck Consultants, LLC	70287	Actuarial Consulting Services - Feb. and March	4,066.00
AT&T	70288	Monthly Service Charge #314 652-1704 033 4	377.31
Access	70289	Scanning Services	385.20
Parking Management Services, LLC	70290	April 2015 Parking - 2 Employees	130.00
Parking Management Services, LLC	70291	Parking Ticket Validations - February 2015	33.00
Hartnett Gladney Hetterman, L.L.C.	70292	Legal Fees	1,825.95
Minuteman Press	70293	Members Handbook	1,084.47
Charter Communications	70294	Charter Internet	137.02
Blade Technologies, Inc.	70295	Professional Services	393.80
MSD	70296	Sewer Service	42.41
Gallagher Benefit Services, Inc.	70297	Group Ins. Consulting Services Monthly Fee	3,320.25
Gregory F.X. Daly, Collector of Revenue	70298	Water - City	124.31
A T & T Long Distance	70299	Long Distance	2.24
Crossroads Courier, Inc	70300	Courier Service	9.01
Republic Services #346	70301	Trash Pick-Up	134.01
CBRE - 608844	70302	Management Fee - March 2015	1,092.00
CBRE - 608844	70303	Engineer Services	192.50
BSR Services, Inc.	70304	Snow and Ice Management	1,203.00
Blue Chip Pest Services	70305	Pest Control	44.00
Office Payroll	ACH	Office Payroll	10,664.92
AXA Equitable	ACH	457 Contributions	2,253.07
		TOTAL	<u>\$194,156.04</u>

PUBLIC SCHOOL RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS
FINANCIAL STATEMENTS WITH REQUIRED SUPPLEMENTARY INFORMATION
AND OTHER SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2014 AND 2013

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Public School Retirement System of the City of St. Louis (the "System"), which comprise the statements of fiduciary net position as of December 31, 2014 and 2013, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The System's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Systems' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Systems' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public School Retirement System of the City of St. Louis as of December 31, 2014 and 2013, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis about a Matter - GASB

In the 2014 statements, the System implemented a new accounting standard issued by the Governmental Accounting Standards Board ("GASB"). This new standard, GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, requires the System to determine its net pension liability using assumptions that conform to actuarial standards of practice issued by the Actuarial Standards Board. The net pension liability is the difference between the present value of pension benefits earned by the employees through the end of the fiscal year, and the market value of investments at the end of the fiscal year. See Note 11 in the Notes to the Financial Statements for further information about the System's net pension liability.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the System's basic financial statements. The other supplementary information in the financial section, and the accompanying introductory, investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information in the financial section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information in the financial section is fairly stated in all material respects, in relation to the basic financial statements as a whole.

The introductory, investments, actuarial, and statistical sections of the System's Comprehensive Annual Financial Report ("CAFR") are not subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them. However, we do acknowledge the relevance of these sections to the financial status of the System as reported in the CAFR.



April 17, 2015

Public School Retirement System of the City of St. Louis
Management Discussion and Analysis
Year Ended December 31, 2014

The Management Discussion and Analysis ("MD&A") for the Public School Retirement System of the City of St. Louis ("PSRSSTL") is provided to comply with Governmental Accounting Standard No. 34. The purpose of the MD&A is to provide an overview of PSRSSTL financial activities for the fiscal year ended December 31, 2014. This MD&A is presented as required supplementary information to the financial statements and should be read in conjunction with the PSRSSTL financial statements, notes to the financial statements, and supplementary information.

The PSRSSTL financial statements, notes to the financial statements and required supplementary information were prepared in conformity with GASB Statement 67, Financial Reporting for Pension Plans. GASB Statement 67 replaces GASB statements 25 and 50 as reporting standards for pension systems.

Highlights of the change to these financial statements as a result of implementing GASB Statement 67 are as follows:

- GASB Statement 67 only affects reporting requirements and does not prescribe funding methods which could be different. PSRSSTL will continue to use a funding policy that follows a financing pattern which computes and requires contribution amounts (when expressed as a percentage of covered payroll) to remain approximately level from year to year and from one generation of citizens to the next generation. The actuary is required to use the entry age actuarial cost valuation method in determining the normal cost of system benefits, expressed as a percent of covered payroll for service retirement benefits, disability benefits, survivor benefits and administrative expenses. Expenses related to the investment of system assets are assumed to be covered by investment returns and income. The contribution amount required to amortize any unfunded actuarial accrued liability ("UAAL") is expressed as a level percent of covered payroll over a stipulated number of years. The computed employer contribution rate determined by each annual actuarial valuation consists of the normal cost plus the amortization payment for the UAAL, expressed in total as a percent of covered payroll. The annual required contribution (ARC) amounts for employers are also determined by the annual actuarial valuation, conducted by the board's actuary.
- Statement of Net Assets and Statement of Changes in Net Assets have been retitled as Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position, respectively.
- GASB Statement 67 classifies PSRSSTL as a cost-sharing multiple-employer public pension plan for reporting purposes which includes the St. Louis Board of Education, the Public School Retirement System of the City of St. Louis and all Charter Schools operating within the district of the St. Louis Public Schools.
- The discount rate used to calculate the present value of future benefit payments for reporting purposes is based upon the projected plan net position ("PNP") using actuarial assumptions for contributions, benefit payments and the long-term rate of return. If the projected PNP is short of projected benefit payments, a blended discount rate is required using both the weighted average of the long-term rate of return and the muni-bond rate for periods after the PNP is exhausted. PSRSSTL currently uses the long-term discount rate of 8% and expects that assets will be sufficient to cover PNP.

- New footnote requirements in the Notes to Financial Statements section include the system's Target Asset Allocation, including long-term expected real rate of return, Employers' Net Pension Liability, and Sensitivity of Net Pension Liability to Changes in the Discount Rate.
- New Required Supplementary Information following the Notes to Financial Statements section includes a Schedule of Changes in Employer Net Pension Liability, Schedule of Employer Contributions, Schedule of Actuarial Present Values of Projected Benefit Payments and Schedule of Projection of Fiduciary Net Position. Notes to the Required Supplementary Information include significant methods and assumptions used in calculating the actuarially determined contributions.

The basic financial statements contained in this section of the comprehensive annual financial report consist of:

- The Condensed Statements of Fiduciary Net Position illustrate the system's assets, liabilities, and resulting fiduciary net position where $\text{Assets} - \text{Liabilities} = \text{Fiduciary Net Position}$ held in trust for pension benefits available at the end of a fiscal year. These statements are a snapshot of the financial position of the system at specific points in time.
- The Condensed Statements of Changes in Fiduciary Net Position summarize the system's financial transactions throughout a fiscal year where $\text{Additions} - \text{Deductions} = \text{Change in Fiduciary Net Position}$. These statements support the change from the prior year's net position on the Statements of Fiduciary Net Position.
- The Notes to the Financial Statements are an integral part of these basic financial statements and contain information that helps better understand them.
- The required supplementary Management Discussion and Analysis information, the Required Supplementary Information, and Other Supplementary Information following the Notes to the Financial Statements provide detailed historical information that is useful in evaluating the condition of the retirement plan administered by PSRSSTL.

The system's fiduciary net position was \$936,930,499 on December 31, 2014, which represents a decrease of \$25,786,866 from December 31, 2013. This decrease is primarily due to market fluctuations during the year that resulted in a temporary decline in investment values at December 31, 2014.

The system's investment returns were 4.5% in fiscal year 2014 and 15.8% in fiscal year 2013. The investment returns in fiscal years 2014 and 2013 represent positive growth seen throughout the financial markets during the two-year time period. Predicting conditions in the marketplace is always challenging yet the Board of Trustees stands behind a sound Asset Allocation Policy by remaining focused on active monitoring of its money managers and long-term investment objective. The actuarially assumed rate of return remained at 8% for fiscal year 2014.

Additions to fiduciary net position, including other income (expenses), were \$88.6 million, \$178.1 million and \$139.3 million for fiscal years 2014, 2013 and 2012, respectively. The primary addition to fiduciary net position during this time was investment income, including rental income, of \$33.9 million in fiscal year 2014, \$129 million in fiscal year 2013 and \$98.2 million in fiscal year 2012. The secondary addition to fiduciary net position came from employer contributions of \$41.8 million in fiscal year 2014, \$37 million in 2013 and \$29.6 million in fiscal year 2012, followed by member contributions of \$11.9 million in fiscal year 2014, \$11.8 in fiscal year 2013 and \$12.1 million in fiscal year 2012.

Deductions from fiduciary net position were \$114.4 million, \$112 million and \$110.9 million in fiscal years 2014, 2013 and 2012, respectively. The \$3 million increase in deductions from fiduciary net position between fiscal years 2014 and 2013 is mostly due to the increase in retirement benefits and refunds paid to terminated or deceased members in fiscal year 2014. The \$1 million increase in deductions between fiscal years 2013 and 2012 is primarily due to increased retirement benefits in 2013.

FINANCIAL STATEMENTS

The PSRSSTL financial report consists of two financial statements, (1) the Statements of Fiduciary Net Position, and (2) the Statements of Changes in Fiduciary Net Position. The Statements of Fiduciary Net Position provides details concerning PSRSSTL assets and liabilities other than benefit obligations. However, PSRSSTL assets are the only source available to the system to pay pension benefits. The Statements of Changes in Fiduciary Net Position provide details regarding PSRSSTL financial activity during fiscal year 2014 that caused the change in fiduciary net position from fiscal year 2013 to fiscal year 2014.

Additionally, the financial report contains notes, supplementary information and actuarial data that provide further information to use while analyzing the system's financial statements.

FINANCIAL ANALYSIS

On December 31, 2014 , total assets for the system were \$937,780,710 and comprised of cash, an office building, receivables and investments. Total assets in fiscal year 2014 decreased by 2.7%, or \$25,804,224, compared to fiscal year 2013, which was primarily due to a decrease in the market value of the system's investments.

On December 31, 2014, total liabilities for the system were \$850,211 and consisted of accounts payable and accrued expenses. Total liabilities in fiscal year 2014 decreased by 2.0%, or \$17,358, from fiscal year 2013.

On December 31, 2014, the fiduciary net position restricted for pensions was \$936,930,499, a decrease of 2.7%, or \$25,786,866, from fiscal year 2013.

On December 31, 2013, total assets for the system were \$963,584,934 and comprised of cash, an office building, receivables and investments. Total assets in fiscal year 2013 increased by 7.4%, or \$66,204,090, over fiscal year 2012, which was primarily due to an increase in the market value of the system's investments.

On December 31, 2013, total liabilities for the system were \$867,569 and consisted of accounts payable and accrued expenses. Total liabilities in fiscal year 2013 increased by 3.4%, or \$28,898, over fiscal year 2012.

On December 31, 2013, the fiduciary net position restricted for pensions was \$962,717,365, an increase of 7.4%, or \$66,175,292, over fiscal year 2012.

Condensed Statements of Fiduciary Net Position

	FY 2014	FY 2013	FY 2012	FY 2014 % Change	FY 2013 % Change
Assets					
Cash	\$ 10,256,299	\$ 10,357,563	\$ 9,931,619	(1.0)%	4.3 %
Receivables	1,804,836	1,660,691	1,999,802	8.7 %	(17.0)%
Investments	923,769,557	949,549,223	883,364,528	(2.7)%	7.5 %
Property and equipment	1,950,018	2,017,457	2,084,895	(3.3)%	(3.2)%
Total Assets	937,780,710	963,584,934	897,380,844	(2.7)%	7.4 %
Liabilities					
Accounts payable and accrued expenses	850,211	867,569	838,671	(2.0)%	3.4 %
Fiduciary Net Position	\$ 936,930,499	\$ 962,717,365	\$ 896,542,173	(2.7)%	7.4 %

REVENUES – ADDITIONS TO FIDUCIARY NET POSITION

The assets available to finance PSRSSTL pension benefits are accumulated through receipt of employer and member contributions as well as through earnings on investments. For fiscal year 2014, employer contributions were around \$42 million; member contributions were approximately \$12 million; and net investment income was close to \$34 million. For fiscal year 2013, employer contributions were \$37 million, member contributions were approximately \$12 million; and net investment income was almost \$129 million.

Employer and member contributions combined increased by \$4.8 million in fiscal year 2014 as compared to the fiscal year 2013 increase of \$7.1 million, due to the increase in the required employer contribution rate from 15.07% of covered compensation in fiscal year 2013 to 16.50% in fiscal year 2014 and from 11.8% of covered compensation in fiscal year 2012 to 15.07% in fiscal year 2013. The PSRSSTL Actuary determines the amount of employer contributions as part of the annual actuarial valuation report. The active member contribution rate of 5% of covered compensation has been in effect since July 1, 1999.

Net investment income was \$95 million less in fiscal year 2014 than in fiscal year 2013 because investment earnings declined to 4.5% for fiscal year 2014 as compared to 15.8% for fiscal year 2013. Net investment income was \$30 million more in fiscal year 2013 than in fiscal year 2012 because investment earning increased to 15.8% in fiscal year 2013 as compared to 12.4% for fiscal year 2012.

Net investment income of \$33,744,345, \$128,888,406 and \$98,065,653 in fiscal years 2014, 2013, and 2012 respectively, reflect gross investment income less investment related expenses, such as investment manager, investment advisor and custodial fees.

EXPENSES – DEDUCTIONS FROM FIDUCIARY NET POSITION

The primary deductions from fiduciary net position were payments of retirement benefits, survivor benefits, disability benefits, retiree healthcare subsidies and refunds to members who have retired or terminated employment. PSRSSTL operating expenses in fiscal year 2014 were approximately 0.14%; in fiscal years 2013 and 2012, these same expenses were approximately 0.15% and 0.16% of assets, respectively.

Condensed Statements of Changes in Fiduciary Net Position

	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2014</u> <u>% Change</u>	<u>FY 2013</u> <u>% Change</u>
Additions					
Employer Contributions	\$ 41,757,458	\$ 37,034,907	\$ 29,551,964	12.8 %	25.3 %
Member Contributions	11,887,933	11,814,124	12,147,663	0.6 %	(2.7)%
Net investment income	33,744,345	128,888,406	98,065,562	(73.8)%	31.4 %
Rental income	<u>143,754</u>	<u>138,506</u>	<u>134,813</u>	3.8 %	2.7 %
Total Additions	87,533,490	177,875,943	139,900,002	(50.8)%	27.1 %
Deductions					
Retirement benefits	99,874,101	98,000,369	96,073,968	1.9 %	2.0 %
Survivor benefits	2,784,937	2,654,895	2,595,094	4.9 %	2.3 %
Disability benefits	3,524,388	3,402,037	3,246,805	3.6 %	4.8 %
Health care subsidies	2,696,001	2,726,158	2,752,751	(1.1)%	(1.0)%
Operating expenses	1,350,394	1,441,183	1,450,265	(6.3)%	(0.6)%
Refunds to members	<u>4,203,229</u>	<u>3,690,639</u>	<u>4,773,609</u>	13.9 %	(22.7)%
Total Deductions	114,433,050	111,915,281	110,892,492	2.2 %	0.9 %
Other Income (Expenses)	<u>1,112,694</u>	<u>214,530</u>	<u>(551,355)</u>	418.7 %	138.9 %
Change in Fiduciary Net Position	<u>\$ (25,786,866)</u>	<u>\$ 66,175,192</u>	<u>\$ 28,456,155</u>	(139.0)%	132.6 %

FINANCIAL SUMMARY

For more than 17 years, the PSRSSTL Investment Consultant has consistently calculated the system's investment performance; thereby, providing a valid basis on which performance can be compared with other public pension funds. For instance, PSRSSTL investment returns have performed consistently when compared to other public pension funds with the cumulative PSRSSTL returns ranking in the top 19% of public plans since 1997 for the period ended December 31, 2014.

The fiduciary net position over this same timeframe has fluctuated from a low of \$780 million in fiscal year 1997 to a high of \$1.15 billion in fiscal year 2007. At the end of fiscal year 2014, the fiduciary net position was \$937 million, ending up close to the middle between the system's 2007 high and 1997 low. This fluctuation in the value of the fiduciary net position can be attributed to volatile financial market conditions that caused substantial losses of investment returns in several fiscal years.

Over the same period, the funded status of the PSRSSTL plan, using the Governmental Accounting Standards Board ("GASB") calculation method implemented in 1992, has remained stable, fluctuating within the range of 80.5% in 2002 to 88.6% in 2011. The funded ratio of a plan compares its assets to its liabilities, thereby, on an actuarial basis, measuring a plan's ability to fulfill the obligations it has to its members. The funded ratio of the PSRSSTL plan for fiscal years 2014, 2013, and 2012 was 84.4%, 84.3% and 84.9%, respectively.

The Board of Trustees and the PSRSSTL Actuary assume that the PSRSSTL plan will continue to be funded on a sound actuarial basis provided required member and employer contributions are made as recommended, a prudent and well-diversified Asset Allocation Policy remains in place, quality investment managers continue to be selected, and the financial markets continue to remain relatively stable.

REQUESTS FOR INFORMATION

This report is intended to provide the Board of Trustees, PSRSSTL members, and other interested parties a general overview of PSRSSTL financial matters. If any reader has questions about this report or needs additional financial information, contact the Public School Retirement System of the City of St. Louis.

Public School Retirement System of the City of St. Louis
Statements of Fiduciary Net Position
December 31, 2014 and 2013

	Assets	
	2014	2013
Cash	\$ 10,256,299	\$ 10,357,563
Receivables		
Accrued interest and dividends	1,804,836	1,660,691
Investments, at fair value		
Cash equivalents	45,856,158	42,470,241
Bonds		
U.S. Government and agency issues	54,142,975	55,038,301
Corporate	49,771,651	48,769,735
Foreign investments (bonds and stocks)	81,572,508	97,267,831
Common and preferred stocks	277,686,810	275,848,250
Mutual funds	337,202,390	348,698,374
Real estate partnerships	49,040,921	49,057,339
Credit opportunity investments	9,939,430	9,530,937
Limited partnerships	17,619,984	21,148,713
Venture capital partnerships	936,730	1,719,502
Total Investments	923,769,557	949,549,223
Property and Building, net	1,950,018	2,017,457
Total Assets	937,780,710	963,584,934

Liabilities		
Accounts Payable and Accrued Expenses	850,211	867,569
Net Position Restricted for Pensions	\$936,930,499	\$962,717,365

Public School Retirement System of the City of St. Louis
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Additions		
Employer contributions		
St. Louis Public Schools	\$ 31,555,696	\$ 27,962,472
Sick leave conversion	1,588,665	2,215,167
Charter Schools	8,527,507	6,765,907
Retirement System	85,590	91,361
Plan member contributions		
St. Louis Public Schools	9,267,945	9,511,125
Charter Schools	2,594,757	2,277,677
Retirement System	<u>25,231</u>	<u>25,322</u>
	53,645,391	48,849,031
Net appreciation (depreciation) in fair value of investments		
Cash equivalents	151,529	148,625
Bonds		
U.S. Government and agency issues	3,476,443	(1,104,790)
Corporate	3,191,710	3,830,831
Foreign investments	(1,402,307)	10,881,060
Common and preferred stock	27,559,626	76,026,111
Mutual funds	(342,643)	34,486,791
Limited partnerships	(758,833)	3,171,204
Real estate partnerships	5,482,873	4,479,603
Venture capital partnerships	720,145	(70,898)
Credit opportunity investments	<u>458,367</u>	<u>1,579,408</u>
	38,536,910	133,427,945
Less investment expense	<u>4,792,565</u>	<u>4,539,539</u>
Net investment income	33,744,345	128,888,406
Rental income	143,754	138,506
Other miscellaneous income	<u>1,112,694</u>	<u>214,530</u>
Net Additions	88,646,184	178,090,473
Deductions		
Benefits paid		
Retirement benefits	99,874,101	98,000,369
Survivor benefits	2,784,937	2,654,895
Disability benefits	3,524,388	3,402,037
Health care subsidies	<u>2,696,001</u>	<u>2,726,158</u>
	108,879,427	106,783,459
Operating expenses	1,350,394	1,441,183
Contribution refunds due to death or resignation	<u>4,203,229</u>	<u>3,690,639</u>
Total Deductions	<u>114,433,050</u>	<u>111,915,281</u>
Net Increase (decrease) in Net Position	(25,786,866)	66,175,192
Net Position Restricted for Pensions Beginning of Year	<u>962,717,365</u>	<u>896,542,173</u>
Net Position Restricted for Pensions End of Year	<u>\$ 936,930,499</u>	<u>\$ 962,717,365</u>

Public School Retirement System of the City of St. Louis
Notes to Financial Statements
December 31, 2014 and 2013

1. Description of System

General

The Public School Retirement System of the City of St. Louis (the "System") is the administrator of a cost-sharing multiple-employer pension plan 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, and of all employees of the System.

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

Membership and Eligibility

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

	January 1, 2014	January 1, 2013
Active members	4,880	4,786
Inactive members	<u>1,798</u>	<u>1,643</u>
Total members not retired	6,678	6,429
Retired members		
Service and survivors	4,419	4,250
Disability	<u>270</u>	<u>266</u>
	<u>4,689</u>	<u>4,516</u>
Total membership	<u>11,367</u>	<u>10,945</u>

Vesting

Full vesting on termination of employment after at least five years of service is provided if contributions are left with the System. The full benefit is payable at age 65 or at a reduced early retirement benefit prior to age 65.

Funding Policy

The funding objective of the System is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percentage of covered compensation.

Public School Retirement System of the City of St. Louis
Notes to Financial Statements
December 31, 2014 and 2013

Benefits

Upon retirement at age 65, or at any age if age plus years of credited service equals or exceeds 85 (Rule of 85), 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. Early retirement can occur at age 60 with 5 years of service. The service retirement allowance is reduced five ninths of one percent for each month of commencement prior to age 65 or the age at which the Rule of 85 would have been satisfied had the employee continued working until that age, if earlier.

In lieu of the benefit paid over the lifetime of the participant, reduced benefit options are available for survivor and beneficiary payments.

Members are eligible, after accumulation of five years of credited service, for disability benefits prior to eligibility of normal retirement. Survivor 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.

Benefits are recorded when paid.

Return of Contributions Upon Death

If, after the death of a participant, no further monthly amounts are payable to a beneficiary under an optional form of payment or under the survivor benefit provisions, the participant's beneficiary shall be paid the excess, if any, of the participant's accumulated contributions over all payments made to, or on behalf of, the deceased participant.

Contributions by Participants

Active participants contribute 5% of compensation. Accumulated contributions are credited at the rate of interest established by the Board of Trustees. The current crediting rate is 5%.

Contributions by Employers

The employer contribution rate is set each year by the Board of Trustees upon recommendation of the independent actuary.

Expenses

Administrative expenses are paid out of investment income.

Public School Retirement System of the City of St. Louis
Notes to Financial Statements
December 31, 2014 and 2013

Investment Policy

The System's policy in regards to the allocation of invested assets is established and may be amended by the System's Board. Investments are managed on a total return basis with a long-term objective and maintaining a fully funded status for the benefits provided through the pension plan. The following was the System Board's adopted asset allocation policy as of October 21, 2013.

<u>Asset Class</u>	<u>Target Allocation</u>
Large Cap Growth Domestic Equities	5.5%
Large Cap Core Domestic Equities	2.0%
Large Cap Value Domestic Equities	5.5%
Mid Cap Growth Domestic Equities	3.0%
Small/Micro Cap Domestic Equities	6.0%
International Equities	12.0%
Emerging Markets Equities	7.0%
Global Equities	5.0%
Global Tactical Asset Allocation	12.0%
Core Domestic Bonds	7.0%
High Yield Domestic Bonds	5.0%
Emerging Markets Debt	4.0%
Global Bonds	3.0%
Credit Opportunities	1.0%
Hedge Funds	5.0%
Market Neutral Hedge Funds	4.0%
Real Estate	5.0%
Private Equity	4.0%
Private Debt	1.0%
Real Assets	3.0%
Cash (does not include Managers' Residual Cash)	0.0%
Total	<u>100%</u>

Public School Retirement System of the City of St. Louis
Notes to Financial Statements
December 31, 2014 and 2013

2. Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The financial statements of the System have been prepared in accordance with the criteria established by the Governmental Accounting Standards Board ("GASB") and the provisions of Financial Accounting Standards Board ("FASB"), Accounting Standards Codification (the "FASB ASC"), which is the source of authoritative, non-governmental accounting principles generally accepted in the United States of America ("GAAP"). The System's financial statements are prepared using the accrual basis of accounting.

GASB Statement 67 was adopted during the year ended December 31, 2014, addressing accounting and financial reporting requirements for pension plans. GASB Statement 67 requires changes in presentation of the financial statements, *Notes to the Financial Statements*, and *Required Supplementary Information*. Significant changes include an actuarial calculation of the total and net pension liability as defined in the accounting standard. Comprehensive footnote disclosures regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures are also included. The implementation of this standard did not significantly impact the accounting for investment balances. The total employers net pension liability is presented in Note 11. Related GASB Statement 67 disclosures can be found in the *Required Supplementary Information* on page 33.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Receivables

Receivables consist of pending interest and dividends payable on investments held at the end of the year.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements. 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.

Limited Partnerships

Fair values of the limited partnership investments are based on valuations of the underlying companies of the limited partnerships as reported by the general partner. Certain limited partnerships reflect values on a quarter lag basis due to the nature of those investments and the time it takes to value them.

Public School Retirement System of the City of St. Louis
Notes to Financial Statements
December 31, 2014 and 2013

Alternative Investments

For alternative investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, values these investments in good faith based upon audited financial statements, cash flow analysis, purchase and sales of similar investments, other practices used within the industry, or other information provided by the underlying investment advisors. The estimated fair value of these investments may differ significantly from values that would have been used had a ready market existed.

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. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investment Expenses

Investment expenses consist of investment manager, investment advisor and custodial bank fees.

Fair Value Measurements

The System follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. The three general valuation techniques used to measure fair value are the market approach, cost approach, and income approach.

Furniture and Equipment

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

Property and Building

The System records property, building, and related improvements at cost while expenditures for normal repairs and maintenance, which do not extend the useful life of the assets, are charged to operations as incurred. The System uses the straight-line method for the depreciation of the building and improvements over the estimated life of 40 years.

Public School Retirement System of the City of St. Louis
Notes to Financial Statements
December 31, 2014 and 2013

Long-Lived Asset Impairment

The System evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2014 and 2013.

Reclassifications

Certain amounts in the 2013 financial statements have been reclassified to conform to the current year presentation.

Subsequent Events

The System has evaluated subsequent events through April 17, 2015, the date the financial statements were available to be issued.

Adoption of New Accounting Standards

During the year ended December 31, 2014, the System adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement specifies items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

During the year ended December 31, 2014, the System adopted GASB Statement No. 67 which addresses accounting and financial reporting requirements for pension plans. GASB No. 67 requires changes in the presentation of the financial statements, notes to the financial statements, and required supplementary information.

During the year ended December 31, 2014, the System adopted GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations. Upon examination of GASB 69, it was determined to have no current impact on the System.

During the year ended December 31, 2014, the System adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to identify a third-party obligation holder under specified conditions. Upon examination of GASB 70, it was determined to have no current impact on the System.

Public School Retirement System of the City of St. Louis
Notes to Financial Statements
December 31, 2014 and 2013

Recent Accounting Pronouncements

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27," was established to set standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. This statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The System will adopt GASB 68 for its portion of the pension liability and will assist plan employers in their implementation of this statement for the year ending December 31, 2015.

3. Investments

At December 31, 2014 and 2013, investments consisted of the following:

	<u>2014</u>	
	<u>Fair Value</u>	<u>Cost</u>
Cash equivalents	\$ 45,856,158	\$ 45,856,158
Bonds		
U.S. Government and agency issues	54,142,975	53,208,128
Corporate	49,771,651	47,455,253
Foreign investments (bonds and stocks)	81,572,508	78,777,780
Common and preferred stocks	277,686,810	219,422,076
Mutual funds	337,202,390	273,340,436
Real estate partnerships	49,040,921	40,082,488
Credit opportunity investments	9,939,430	6,493,069
Limited partnerships	17,619,984	18,765,262
Venture capital partnerships	<u>936,730</u>	<u>192,963</u>
	<u>\$923,769,557</u>	<u>\$783,593,613</u>

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	2013	
	Fair Value	Cost
Cash equivalents	\$ 42,470,241	\$ 42,470,241
Bonds		
U.S. Government and agency issues	55,038,301	55,812,525
Corporate	48,769,735	44,523,846
Foreign investments (bonds and stocks)	97,267,831	87,472,364
Common and preferred stocks	275,848,250	211,119,325
Mutual funds	348,698,374	248,541,498
Real estate partnerships	49,057,339	43,245,288
Cash equivalents	9,530,937	6,526,109
Limited partnerships	21,148,713	19,602,206
Venture capital partnerships	1,719,502	705,685
	\$949,549,223	\$760,019,087
	2014	
Annual money-weighted rate of return, net of investment expense, adjusted for the changing amounts actually invested	3.93 %	

The System began tracking the annual money weighted rate of return during the year ended December 31, 2014.

4. Fair Value Measurements

The framework for measuring fair value establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into Levels 1, 2, and 3. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical instruments in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, inputs other than quoted prices that are observable for the instrument, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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The instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Carrying amounts of certain financial instruments such as cash and cash equivalents, receivables, accounts payable, and accrued expenses approximate fair value due to their short maturities. There have been no changes in the methodologies used at December 31, 2014 and 2013.

Following is a description of the valuation methodologies used for investments measured at fair value.

- Level 1 Investments consist of publicly traded mutual funds, common stocks, preferred stocks and credit opportunity investments. Mutual funds and credit opportunity investments are valued at the net asset value ("NAV") of shares held by the System at year-end. Common and preferred stocks are valued using the closing price reported on the active market on which the individual securities are traded.

- Level 2 Investments consist of corporate and foreign bonds and stocks, U.S. government securities and agency issues, and cash equivalent accounts. These securities are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

- Level 3 Investments consist of real estate partnerships, limited partnerships, and venture capital partnerships. Real estate partnerships are valued at fair value as determined by the general partner. Limited partnerships are valued based on valuations of the underlying companies of the limited partnerships as reported by the general partner. Venture capital partnerships are valued by investment advisors based upon audited financial statements, other practices, and other information provided by the underlying investment advisor.

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The following table presents the fair value measurements of instruments recognized in the accompanying statements of fiduciary net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements are categorized at December 31, 2014 and 2013:

	2014			
	Total	Fair Value Measurements		Level 3
	Level 1	Level 2		
Cash equivalents	\$ 45,856,158	\$ -	\$ 45,856,158	\$ -
U.S. Government and agency issues	54,142,975	-	54,142,975	-
Corporate bonds	49,771,651	-	49,771,651	-
Foreign investments	81,572,508	-	81,572,508	-
Common and preferred stocks	277,686,810	277,686,810	-	-
Mutual funds	337,202,390	337,202,390	-	-
Real estate partnerships	49,040,921	-	-	49,040,921
Credit opportunity investments	9,939,430	9,939,430	-	-
Limited partnerships	17,619,984	-	-	17,619,984
Venture capital partnerships	936,730	-	-	936,730
	<u>\$923,769,557</u>	<u>\$624,828,630</u>	<u>\$231,343,292</u>	<u>\$ 67,597,635</u>

	2013			
	Total	Fair Value Measurements		Level 3
	Level 1	Level 2		
Cash equivalents	\$ 42,470,241	\$ -	\$ 42,470,241	\$ -
U.S. Government and agency issues	55,038,301	-	55,038,301	-
Corporate bonds	48,769,735	-	48,769,735	-
Foreign investments	97,267,831	-	97,267,831	-
Common and preferred stocks	275,848,250	275,848,250	-	-
Mutual funds	348,698,374	348,698,374	-	-
Real estate partnerships	49,057,339	-	-	49,057,339
Credit opportunity investments	9,530,937	9,530,937	-	-
Limited partnerships	21,148,713	-	-	21,148,713
Venture capital partnerships	1,719,502	-	-	1,719,502
	<u>\$949,549,223</u>	<u>\$634,077,561</u>	<u>\$243,546,108</u>	<u>\$ 71,925,554</u>

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Changes in fair value of the System's Level 3 instruments are as follows:

	<u>Venture Capital Partnerships</u>	<u>Limited Partnerships</u>	<u>Real Estate Partnerships</u>	<u>Total</u>
December 31, 2012	\$ 1,855,345	\$ 23,352,373	\$ 45,034,321	\$ 70,242,039
Realized gains	-	1,815,916	17,370	1,833,286
Unrealized gains (losses)	(62,771)	1,294,540	2,328,852	3,560,621
Purchases, sales, issuances, and settlements (net)	(64,944)	(5,314,116)	-	(5,379,060)
Investment income (loss), (net)	(8,128)	-	2,133,382	2,125,254
Management fees	<u>-</u>	<u>-</u>	<u>(456,586)</u>	<u>(456,586)</u>
December 31, 2013	1,719,502	21,148,713	49,057,339	71,925,554
Realized gains	728,121	1,932,951	36,948	2,698,020
Unrealized gains (losses)	(5,991)	(2,691,784)	3,146,383	448,608
Purchases, sales, issuance and settlements, (net)	(1,502,918)	(2,769,896)	(5,000,000)	(9,272,814)
Investment income (loss), (net)	(1,984)	-	2,299,542	2,297,558
Management fees	<u>-</u>	<u>-</u>	<u>(499,291)</u>	<u>(499,291)</u>
December 31, 2014	<u>\$ 936,730</u>	<u>\$ 17,619,984</u>	<u>\$ 49,040,921</u>	<u>\$ 67,597,635</u>

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All assets have been valued using a market approach, except for Level 3 assets. Fair values in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. The following table describes the valuation technique used to calculate fair values for assets in Level 3. Annually, management determines if the current valuation techniques used in the fair value measurements are still appropriate and evaluates and adjusts the unobservable inputs used in the fair value measurements based on third-party information. There were no changes in the valuation techniques during the current year.

<u>December 31, 2014</u>	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Inputs</u>
Limited Partnerships	\$ 17,619,984	Basis in LLC	Undistributed Income
Real Estate Partnerships	\$ 49,040,921	Basis in LLC	Undistributed Income
Venture Capital Partnerships	\$ 936,730	Basis in LLC	Undistributed Income

<u>December 31, 2013</u>	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Inputs</u>
Limited Partnerships	\$ 21,148,713	Basis in LLC	Undistributed Income
Real Estate Partnerships	\$ 49,057,339	Basis in LLC	Undistributed Income
Venture Capital Partnerships	\$ 1,719,502	Basis in LLC	Undistributed Income

The significant unobservable inputs used in the fair value measurement of the System's investments in limited partnerships are the original cost of the investment in the partnership plus the cumulative net income of the partnership through the end of the most recent fiscal year. Significant increases or decreases in the partnership's cumulative net income through December 31, 2014 and 2013 could result in a significantly higher or lower fair value measurement.

5. Occupancy

The System occupies offices in a building it owns. Occupancy expenses for the years ended December 31, 2014 and 2013 were \$32,319 and \$27,946, respectively.

On May 7, 2009, the System entered into an agreement to lease a portion of its building to an unrelated party. The initial lease term was five years with five one-year renewal options with annual rent ranging from \$144,047 to \$158,821 through May, 2019. Rental income received for the years ended December 31, 2014 and 2013 totaled \$143,754 and \$138,506, respectively.

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6. Property and Building

Property and building as of December 31, 2014 and 2013 consists of:

	<u>2014</u>	<u>2013</u>
Land	\$ 229,451	\$ 229,451
Building	2,065,061	2,065,061
Tenant improvements	<u>158,120</u>	<u>158,120</u>
	2,452,632	2,452,632
Less accumulated depreciation	<u>502,614</u>	<u>435,175</u>
Total Property and Building	<u>\$ 1,950,018</u>	<u>\$ 2,017,457</u>

Depreciation expense totaled \$67,439 and \$67,438 for the years ended December 31, 2014 and 2013, respectively.

7. Funding Status

The funded status as of January 1, which is the most recent actuarial date is as follows:

	<u>2014</u>	<u>2013</u>
Actuarial value of assets	\$ 922,922,386	\$ 914,494,335
Actuarial accrual liability (AAL)	\$ 1,093,394,768	\$ 1,085,124,658
Unfunded AAL (UAAL)	\$ 170,472,382	\$ 170,630,323
Funded ratio	84.4 %	84.3 %
Annual covered payroll	\$ 243,280,015	\$ 225,893,514
UAAL as a percentage of payroll	70.1 %	75.5 %

The funded ratio increased 0.1% from the previous year. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents similar information but uses a multi-year format to show trend information. These trends indicate whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The trend information was obtained from the annual valuation report of the independent actuary retained by the System.

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Additional information regarding assumptions used in the actuarial valuation is as follows:

	<u>January 1, 2014</u>	<u>January 1, 2013</u>
Actuarial cost method	Frozen entry age	Frozen entry age
Amortization method	Level dollar, closed period	Level dollar, closed period
Amortization period	22 years	23 years
Inflation rate	3.5%	3.5%
Asset valuation method	Assumed Yield Method	Assumed Yield Method
Investment return	8.0% per annum	8.0% per annum
Projected salary increase	Based on actual experience of the System, at a rate of 4.5% per annum	Based on actual experience of the System, at a rate of 4.5% per annum
Mortality or death benefits	Mortality tables mandated by the Pension Protection Act as specified in IRS Regulation 1.430(h)(3)-1	Mortality tables mandated by the Pension Protection Act as specified in IRS Regulation 1.430(h)(3)-1
Disability Rates	RP-2000 Disability Mortality Table	RP-2000 Disability Mortality Table

8. Annual Required Contribution

As determined by the actuary, the annual required contribution is as follows at January 1, 2014:

	<u>Board of Education</u>	<u>Retirement System</u>	<u>Charter Schools</u>	<u>Total</u>
Normal Cost contribution	\$ 17,618,983	\$ 47,607	\$ 4,218,880	\$ 21,885,470
Actuarial accrued liability contribution	<u>13,453,867</u>	<u>36,353</u>	<u>3,221,540</u>	<u>16,711,760</u>
Annual required contribution (ARC)	<u>\$ 31,072,850</u>	<u>\$ 83,960</u>	<u>\$ 7,440,420</u>	<u>\$ 38,597,230</u>
Covered compensation	\$ 195,853,519	\$ 529,203	\$ 46,897,293	\$ 243,280,015
ARC as % of covered compensation	15.87 %	15.87 %	15.87 %	15.87 %

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As determined by the actuary, the annual required contribution is as follows at January 1, 2013:

	<u>Board of Education</u>	<u>Retirement System</u>	<u>Charter Schools</u>	<u>Total</u>
Normal Cost contribution	\$ 17,624,667	\$ 47,804	\$ 3,142,261	\$ 20,814,732
Actuarial accrued liability contribution	<u>13,931,029</u>	<u>37,786</u>	<u>2,483,731</u>	<u>16,452,546</u>
Annual required contribution (ARC)	\$ 31,555,696	\$ 85,590	\$ 5,625,992	\$ 37,267,278
Covered compensation	\$ 191,273,081	\$ 518,799	\$ 34,101,634	\$ 225,893,514
ARC as % of covered compensation	16.50 %	16.50 %	16.50 %	16.50 %

9. Tax Status of Plan

The Internal Revenue Service has determined and informed the System by a letter dated June 15, 2012, that the System and related trust and amendments are designed in accordance with the applicable sections of the Internal Revenue Code ("IRC"). The System believes that the System is designed and is currently being operated in compliance with the applicable requirements of the IRC and therefore believes that the System is qualified and the related trust is tax-exempt.

10. Risks and Uncertainties

Financial instruments that potentially subject the System to concentrations of custodial credit and market risk consist principally of cash and investments. The System places its temporary cash investments with major financial institutions. At December 31, 2014 and 2013, the System had approximately \$10,339,000 and \$10,773,000, respectively, in cash on deposit at US Bank. These balances were insured by the Federal Deposit Insurance Corporation ("FDIC") for \$250,000 per account. The remaining balances are collateralized by US Bank's assets held jointly in the name of US Bank, N.A. and the System, held by the Federal Home Loan 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 \$250,000. The market value of the collateralized securities at December 31, 2014 and 2013 was \$11,000,000. A significant portion of the System's investments are held in trust by US Bank of St. Louis, N.A.

On December 30, 2014 and December 28, 2013, the System received \$33,134,319 and \$30,126,350, respectively from the St. Louis Board of Education for the 2014 and 2013 St. Louis Public Schools' annual regular pension contribution and sick leave conversion contribution and held it in a cash equivalents account until investment allocations were implemented.

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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.

Concentration of Credit Risk

At December 31, 2014, 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 represent 5% or more of net assets held in trust for pension benefits.

<u>Mutual Funds</u>	<u>Fair Value</u>	<u>Percentage of Total Net Assets</u>
The Bank of New York Mellon	\$ 47,660,777	5.1%
<u>Real Estate Investments</u>		
UBS Global Asset Management	\$ 49,040,921	5.2%

Credit Risk of Debt Securities

The System's rated debt investments as of December 31, 2014 were rated by Moody's Investor Services ("Moody's") and the ratings are presented using the Moody's rating scale. The System's policy to limit credit risk is that the overall average quality of each high-grade domestic fixed income portfolio shall be AA or better and the average quality rating of securities held in a domestic high-yield portfolio shall be B or better. The overall average quality of each global fixed income portfolio shall be A or better. Non-rated issues are allowed as long as the quality is sufficient to maintain the overall average rating noted.

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As of December 31, 2014, the System held the following fixed income investments with respective Moody's quality ratings or equivalent rating. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk. Foreign investments not considered to have credit risk such as stocks and cash equivalents are not included in the following:

Quality Rating	Corporate debt and debentures	Foreign government and corporate obligations	US Government and agency issues	Total
Aaa	\$ 3,312,480	\$ 10,198,701	\$ 25,391,375	\$ 38,902,556
Aa1	-	2,976,526	172,802	3,149,328
Aa2	1,444,205	406,368	-	1,850,573
Aa3	522,859	-	-	522,859
A1	854,006	5,112,957	-	5,966,963
A2	988,271	937,467	-	1,925,738
A3	2,391,509	887,041	-	3,278,550
Baa1	1,816,595	2,552,973	-	4,369,568
Baa2	2,777,439	1,377,184	-	4,154,623
Baa3	3,555,383	872,786	-	4,428,169
Ba1	4,557,385	1,201,425	-	5,758,810
Ba2	2,483,889	344,541	-	2,828,430
Ba3	4,039,966	1,780,267	-	5,820,233
B1	2,878,373	856,896	-	3,735,269
B2	3,704,514	74,750	-	3,779,264
B3	2,999,633	794,626	-	3,794,259
Caa1	1,732,443	-	-	1,732,443
Caa2	639,548	226,075	-	865,623
Ca	38,928	-	-	38,928
Not rated	9,034,225	470,792	28,578,798	38,083,815
Total	<u>\$ 49,771,651</u>	<u>\$ 31,071,375</u>	<u>\$ 54,142,975</u>	<u>\$ 134,986,001</u>

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As of December 31, 2013, the System held the following fixed income investments with respective Moody's quality ratings or equivalent rating.

Quality Rating	Corporate debt and debentures	Foreign government and corporate obligations	US Government and agency issues	Total
Aaa	\$ 1,973,760	\$ 13,356,344	\$ 25,039,145	\$ 40,369,249
Aa1	372,437	-	178,159	550,596
Aa2	1,072,142	916,350	-	1,988,492
Aa3	781,016	7,234,923	-	8,015,939
A1	1,388,740	85,026	-	1,473,766
A2	707,695	3,389,392	-	4,097,087
A3	2,226,489	319,987	-	2,546,476
Baa1	2,009,528	4,200,163	-	6,209,691
Baa2	3,555,336	1,950,041	-	5,505,377
Baa3	4,994,805	654,801	-	5,649,606
Ba1	2,979,385	1,072,087	-	4,051,472
Ba2	2,915,006	1,299,694	-	4,214,700
Ba3	3,147,638	982,596	-	4,130,234
B1	3,416,081	566,019	-	3,982,100
B2	2,567,059	52,000	-	2,619,059
B3	3,897,198	196,300	-	4,093,498
Caa1	1,253,006	146,249	-	1,399,255
Caa2	1,698,704	144,688	-	1,843,392
Caa3	-	110,463	-	110,463
Ca	81,457	63,524	-	144,981
C	5,106	101,115	-	106,221
Not rated	7,727,147	983,366	29,820,997	38,531,510
Total	<u>\$ 48,769,735</u>	<u>\$ 37,825,128</u>	<u>\$ 55,038,301</u>	<u>\$ 141,633,164</u>

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Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The System does not have a formal policy to limit foreign currency risk. The System's exposure to foreign currency risk in U.S. dollars as of December 31, 2014 is as follows:

<u>Currency</u>	<u>Cash</u> <u>Equivalents</u>	<u>Fixed Income</u>	<u>Equities</u>	<u>Total</u>
Australian Dollar	\$ 1	\$ 351,891	\$ -	\$ 351,892
British Pound Sterling	-	2,976,526	9,289,576	12,266,102
Canadian Dollar	-	-	384,584	384,584
Chilean Peso	-	212,444	-	212,444
Euros	-	4,084,803	13,134,947	17,219,750
Hong Kong Dollar	-	-	2,796,192	2,796,192
Indian Rupee	-	21,203	-	21,203
Japanese Yen	21,194	5,112,957	6,250,873	11,385,024
Korean Won	-	-	2,358,451	2,358,451
Malaysian Ringgit	19,844	-	-	19,844
Mexican Peso	56,517	3,416,505	-	3,473,022
New Zealand Dollar	11,724	1,848,557	-	1,860,281
Polish Zloty	-	704,974	-	704,974
Singapore Dollar	-	-	425,802	425,802
South African Rand	14	-	-	14
Swedish Krona	6,387	3,484,696	-	3,491,083
Swiss Franc	-	-	5,742,740	5,742,740
	<u>\$ 115,681</u>	<u>\$ 22,214,556</u>	<u>\$ 40,383,165</u>	<u>62,713,402</u>
Foreign investment denominated in US Dollars				<u>18,859,106</u>
				<u>\$ 81,572,508</u>

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The System's exposure to foreign currency risk in U.S. dollars as of December 31, 2013 is as follows:

<u>Currency</u>	<u>Cash Equivalents</u>	<u>Fixed Income</u>	<u>Equities</u>	<u>Total</u>
Australian Dollar	\$ 2,991	\$ 4,329,852	\$ -	\$ 4,332,843
British Pound Sterling	-	-	9,491,650	9,491,650
Canadian Dollar	-	110,463	912,023	1,022,486
Euros	-	6,011,686	20,705,432	26,717,118
Hong Kong Dollar	-	-	2,673,437	2,673,437
Japanese Yen	24,772	7,044,423	5,153,927	12,223,122
Korean Won	-	-	1,636,286	1,636,286
Malaysian Ringgit	21,183	-	-	21,183
Mexican Peso	68,709	3,493,506	-	3,562,215
New Zealand Dollar	19	-	-	19
Polish Zloty	-	3,389,392	-	3,389,392
Singapore Dollar	-	-	734,952	734,952
South African Rand	9	-	-	9
Swedish Krona	-	4,172,309	-	4,172,309
Swiss Franc	-	-	3,580,268	3,580,268
	<u>\$ 117,683</u>	<u>\$ 28,551,631</u>	<u>\$ 44,887,975</u>	<u>\$ 73,557,289</u>

Foreign investment denominated in US Dollars 23,710,542

\$ 97,267,831

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System's fixed income investments are managed in accordance with policies established by the board that are specific as to the degree of interest rate risk that can be taken. The System's policies established by the board manage the interest rate risk within the portfolio using various methods, including effective duration, option adjusted duration, average maturity, and segmented time distribution, which reflects total fair value of investments maturing during a given time period.

The segmented time distribution of the various investment types of the System's debt securities at December 31, 2014 is as follows:

<u>Type</u>	<u>2014 Fair Value</u>	<u>Less Than 1 year</u>	<u>1 to 5 years</u>	<u>6 to 10 years</u>	<u>More than 10 years</u>
Corporate bonds and debentures	\$ 49,771,651	\$ 425,345	\$ 13,730,295	\$ 18,775,353	\$ 16,840,660
Foreign government and corporate obligations	31,071,375	24,150	12,393,762	9,649,922	9,003,540
US government and corporate obligations	<u>54,142,975</u>	<u>-</u>	<u>15,974,483</u>	<u>7,495,989</u>	<u>30,672,502</u>
Total	<u>\$ 134,986,001</u>	<u>\$ 449,495</u>	<u>\$ 42,098,540</u>	<u>\$ 35,921,264</u>	<u>\$ 56,516,702</u>

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The segmented time distribution of the various investment types of the System's debt securities at December 31, 2013 is as follows:

<u>Type</u>	<u>2013 Fair Value</u>	<u>Less Than 1 year</u>	<u>1 to 5 years</u>	<u>6 to 10 years</u>	<u>More than 10 years</u>
Corporate bonds and debentures	\$ 48,769,735	\$ 330,815	\$ 12,054,536	\$ 16,792,640	\$ 19,591,744
Foreign government and corporate obligations	37,825,128	2,663,259	13,835,849	15,448,421	5,877,599
US government and corporate obligations	<u>55,038,301</u>	<u>700,574</u>	<u>14,987,431</u>	<u>12,284,794</u>	<u>27,101,502</u>
Total	<u>\$ 141,633,164</u>	<u>\$ 3,694,648</u>	<u>\$ 40,877,816</u>	<u>\$ 44,525,855</u>	<u>\$ 52,570,845</u>

11. Employers' Net Pension Liability

The components of the net pension liability (the retirement system's liability determined in accordance with GASB Statement 67 less the fiduciary net position) as of December 31, 2014, are shown in the *Schedule of Net Pension Liability* below.

Actuarial valuation of an ongoing plan involves estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was performed in 2012. The total pension liability as of December 31, 2014 is \$265,067,639 based on an actuarial valuation performed as of June 2014, and a measurement date of January 1, 2014, rolled forward and updated to December 31, 2014, using generally accepted actuarial procedures.

Schedule of Net Pension Liability

The components of the net pension liability of the participating employers at December 31, 2014 are as follows:

Total pension liability	\$ 1,201,998,138
Fiduciary net position	<u>936,930,499</u>
Employers' net pension liability	<u>\$ 265,067,639</u>
Plan net position as a percentage of total pension liability	77.95 %

Public School Retirement System of the City of St. Louis
Notes to Financial Statements
December 31, 2014 and 2013

Sensitivity of Net Pension Eligibility to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 8%, as well as what the net pension liability would have been if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability	375,649,108	265,067,639	169,951,694

The projection of cash flows used to determine the discount rate assumed that System contributions will continue to follow the current funding policy. Based on those assumptions, the System's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. See page 39.

Under GASB Statement No. 68, employers participating in the plan could recognize a total pension expense of \$36,058,914 for their fiscal years beginning after June 15, 2014.

A schedule of changes in the net pension liability for the year ended December 31, 2014 is provided on page 34.

A schedule of projected fiduciary net position is provided on page 42.

The System selected the assumptions used for the accounting results on page 36. Management believes that these assumptions are reasonable and comply with the requirements of FASB Statement No. 67 as applicable.

Public School Retirement System of the City of St. Louis
Required Supplementary Schedule
Schedule of Changes of Employer Net Pension Liability
December 31, 2014

Total pension liability		
Service cost	\$	18,728,870
Interest		93,305,719
Changes of benefit terms		-
Difference between expected and actual experience		-
Changes of assumptions		-
Benefit payments		(113,082,656)
Refunds		-
Net change in total pension liability		<u>(1,048,067)</u>
Total pension liability - beginning		<u>1,203,046,205</u>
Total pension liability - ending	\$	<u>1,201,998,138</u>
Plan fiduciary net position		
Employer contributions	\$	41,757,458
Employee contributions		11,887,933
Net investment income		35,000,792
Benefit payments including refunds		(113,082,656)
Administrative expense		<u>(1,350,393)</u>
Net change in plan fiduciary net position		(25,786,866)
Plan fiduciary net position - beginning		<u>962,717,365</u>
Plan fiduciary net position - ending	\$	<u>936,930,499</u>
Net pension liability - ending	\$	<u>265,067,639</u>
Total pension liability	\$	1,201,998,138
Plan fiduciary net position		<u>936,930,499</u>
Employer net pension liability	\$	<u>265,067,639</u>
Plan fiduciary net position as a percentage of the total pension liability		77.95 %
Covered employee payroll	\$	243,280,015
Employer net pension liability as a percentage of covered employee payroll		109 %

There have been no changes in benefits or changes in assumptions.

Public School Retirement System of the City of St. Louis
Required Supplementary Schedule
Schedules of Employer Contributions
December 31, 2014

Board of Education

Year Ended December 31	Actuarially Determined Contribution	Contributions Recognized by the Plan	Contributions Deficiency (Excess)	Covered Employee Payroll	Contributions Recognized by the Plan as a Percentage of Covered Payroll
2005	\$18,632,674	\$ 18,632,674	\$ -	\$245,666,358	7.58 %
2006	13,305,881	14,299,464	(993,583) *	221,718,075	6.45 %
2007	16,204,917	16,204,917	-	212,521,330	7.63 %
2008	19,091,518	19,091,518	-	201,971,702	9.45 %
2009	19,274,150	19,274,150	-	202,754,929	9.51 %
2010	16,790,176	16,790,176	-	202,943,889	8.27 %
2011	19,933,761	19,933,761	-	198,775,945	10.03 %
2012	20,786,075	20,786,075	-	175,009,885	11.88 %
2013	27,962,472	27,962,472	-	185,606,968	15.07 %
2014	31,555,696	31,555,696	-	191,273,081	16.50 %

*In 2006, the Board of Education approved a 2.5% COLA for retired members.

Retirement System

Year Ended December 31	Actuarially Determined Contribution	Contributions Recognized by the Plan	Contributions Deficiency (Excess)	Covered Employee Payroll	Contributions Recognized by the Plan as a Percentage of Covered Payroll
2005	\$ 43,460	\$ 43,460	\$ -	\$ 573,002	7.58 %
2006	34,190	36,743	(2,553) *	569,706	6.45 %
2007	34,330	34,330	-	450,221	7.63 %
2008	47,364	47,364	-	501,066	9.45 %
2009	51,995	51,995	-	546,968	9.51 %
2010	48,617	48,617	-	587,617	8.27 %
2011	57,964	57,964	-	578,006	10.03 %
2012	73,902	73,902	-	622,220	11.88 %
2013	91,361	91,361	-	606,427	15.07 %
2014	85,590	85,590	-	518,799	16.50 %

*In 2006, the Retirement System approved a 2.5% COLA for retired members.

Public School Retirement System of the City of St. Louis
Required Supplementary Schedule
Schedules of Employer Contributions
December 31, 2014

Charter Schools

Year Ended December 31	Actuarially Determined Contribution	Contributions Recognized by the Plan	Contributions Deficiency (Excess)*	Covered Employee Payroll	Contributions Recognized by the Plan as a Percentage of Covered Payroll
2005	\$ 683,657	\$ 983,782	\$ (300,125) *	\$ 9,013,818	10.91 %
2006	1,070,169	887,992	182,177 *	17,832,398	4.98 %
2007	1,067,464	887,976	179,488 *	13,999,374	6.34 %
2008	1,875,688	3,145,999	(1,270,311) *	19,843,158	15.85 %
2009	2,074,020	3,377,789	(1,303,769) *	21,817,708	15.48 %
2010	2,568,929	3,843,486	(1,274,557) *	31,050,800	12.38 %
2011	4,272,457	4,521,680	(249,223) *	42,604,182	10.61 %
2012	5,068,681	5,533,481	(464,800) *	42,676,134	12.97 %
2013	7,313,765	6,765,907	547,858 *	48,546,696	13.94 %
2014	5,625,992	8,527,507	(2,901,515) *	34,101,634	25.01 %

*Charter Schools report and pay employer contributions in the current year as service is credited.

The actuarially determined contribution is determined from the prior year census.

Harris-Stowe College

Year Ended December 31	Actuarially Determined Contribution	Contributions Recognized by the Plan	Contributions Deficiency (Excess)	Covered Employee Payroll	Contributions Recognized by the Plan as a Percentage of Covered Payroll
2005	\$ 4,914	\$ 4,914	\$ -	\$ 64,796	7.58 %
2006	3,893	4,914	(1,021)	64,876	7.57 %
2007	4,947	4,947	-	64,876	7.63 %
2008	6,746	-	6,746	71,363	-
2009	6,784	6,746	38	71,363	-

Harris-Stowe College ceased participating in the plan in 2009.

Public School Retirement System of the City of St. Louis
Required Supplementary Schedule
Schedules of Employer Contributions
December 31, 2014

Employer Contributions

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percent</u> <u>Contributed</u>
2005	\$ 19,364,705	121.4 %
2006	14,414,133	114.9
2007	17,311,658	129.7
2008	21,021,316	132.5
2009	21,406,949	133.6
2010	19,407,722	134.4
2011	24,264,182	118.4
2012	25,928,658	114.0
2013	35,367,598	104.7
2014	37,267,278	*

* 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 Buck Consultants at January 1, 2014.

Additional information related to the above actuarial valuation follows:

Actuarial cost method:	Frozen entry age
Rate of investment return	8.00% for 2014 and 2013, net of expenses
Participant account interest crediting rate	5.00% for 2014
Turnover or withdrawal rates:	Various by age and year of membership based on actual
Mortality and death rates:	Mortality tables mandated by the Pension Protection Act as specified in IRS Regulation 1.430(h)(3)-1 applied on a static basis, projected 7 years from the valuation date for annuitants and 15 years for non-annuitants
Disability rates	RP-2000 Disability Mortality Table
Rates of retirement between the 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

The Unfunded Actuarial Accrued Liability ("UFAAL") was originally determined and frozen as of January 1, 1981. Effective January 1, 2006, the UFAAL was re-determined. The UFAAL is being amortized over thirty (30) years.

Public School Retirement System of the City of St. Louis
Required Supplementary Schedule
Schedule of Funding Progress
(in millions)
December 31, 2014

Actuarial Valuation Date January 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Frozen Entry Age (b)	Unfunded AAL (UAAL) (b - a)
2005	\$ 935.3	\$ 1,084.4	\$ 149.1
2006	983.8	1,122.6	138.8
2007	1,003.4	1,150.2	146.8
2008	1,014.9	1,158.9	144.0
2009	963.9	1,099.9	136.0
2010	950.7	1,076.0	125.3
2011	944.4	1,066.3	121.9
2012	925.4	1,090.3	164.9
2013	914.5	1,085.1	170.6
2014	922.9	1,093.4	170.5

Actuarial Valuation Date January 1,	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
2005	86.3	240.2	62.1
2006	87.6	227.0	61.1
2007	87.2	222.4	66.0
2008	87.6	225.2	63.9
2009	87.6	234.6	58.0
2010	88.4	242.0	51.8
2011	88.6	218.3	55.8
2012	84.9	234.8	70.3
2013	84.3	225.9	75.5
2014	84.4	243.3	70.1

Public School Retirement System of the City of St. Louis
Required Supplementary Schedule
Schedule of Actuarial Present Values of Projected Benefit Payments
000's omitted
December 31, 2014

Fiscal Year Ending 12/31	Beginning Fiduciary Net Position	Benefit Payments			Present Value		
		Benefit Payments	Funded Portion	Unfunded Portion	Funded Portion at 8.00%	Unfunded Portion at 3.34%	Using a Single Discount Rate of 8.00%
2015	\$936,930	\$107,187	\$107,187	-	\$103,141	-	\$103,141
2016	\$950,378	\$106,904	\$106,904	-	\$95,248	-	\$95,248
2017	\$960,107	\$106,643	\$106,643	-	\$87,978	-	\$87,978
2018	\$968,996	\$106,452	\$106,452	-	\$81,315	-	\$81,315
2019	\$977,511	\$106,481	\$106,481	-	\$75,312	-	\$75,312
2020	\$985,617	\$106,638	\$106,638	-	\$69,836	-	\$69,836
2021	\$993,231	\$106,750	\$106,750	-	\$64,731	-	\$64,731
2022	\$1,000,389	\$106,666	\$106,666	-	\$59,889	-	\$59,889
2023	\$1,007,271	\$106,386	\$106,386	-	\$55,307	-	\$55,307
2024	\$1,014,058	\$106,049	\$106,049	-	\$51,048	-	\$51,048
2025	\$1,020,818	\$105,672	\$105,672	-	\$47,099	-	\$47,099
2026	\$1,027,601	\$105,268	\$105,268	-	\$43,443	-	\$43,443
2027	\$1,034,424	\$104,854	\$104,854	-	\$40,067	-	\$40,067
2028	\$1,041,288	\$104,594	\$104,594	-	\$37,007	-	\$37,007
2029	\$1,048,028	\$104,373	\$104,373	-	\$34,193	-	\$34,193
2030	\$1,054,569	\$104,260	\$104,260	-	\$31,626	-	\$31,626
2031	\$1,060,729	\$104,131	\$104,131	-	\$29,248	-	\$29,248
2032	\$1,066,452	\$104,232	\$104,232	-	\$27,107	-	\$27,107
2033	\$1,071,392	\$104,472	\$104,472	-	\$25,157	-	\$25,157
2034	\$1,075,266	\$104,612	\$104,612	-	\$23,325	-	\$23,325
2035	\$1,077,967	\$104,901	\$104,901	-	\$21,657	-	\$21,657
2036	\$1,079,002	\$104,893	\$104,893	-	\$20,051	-	\$20,051
2037	\$1,077,755	\$104,802	\$104,802	-	\$18,550	-	\$18,550
2038	\$1,063,151	\$104,602	\$104,602	-	\$17,143	-	\$17,143
2039	\$1,043,908	\$104,116	\$104,116	-	\$15,799	-	\$15,799
2040	\$1,022,234	\$103,683	\$103,683	-	\$14,568	-	\$14,568
2041	\$998,460	\$103,137	\$103,137	-	\$13,418	-	\$13,418
2042	\$972,835	\$102,671	\$102,671	-	\$12,368	-	\$12,368
2043	\$945,396	\$101,817	\$101,817	-	\$11,356	-	\$11,356
2044	\$916,406	\$100,715	\$100,715	-	\$10,401	-	\$10,401
2045	\$886,023	\$99,388	\$99,388	-	\$9,504	-	\$9,504
2046	\$854,391	\$97,812	\$97,812	-	\$8,661	-	\$8,661
2047	\$821,690	\$95,811	\$95,811	-	\$7,855	-	\$7,855
2048	\$788,312	\$93,531	\$93,531	-	\$7,100	-	\$7,100
2049	\$754,519	\$91,128	\$91,128	-	\$6,405	-	\$6,405
2050	\$720,430	\$88,450	\$88,450	-	\$5,756	-	\$5,756
2051	\$686,324	\$85,512	\$85,512	-	\$5,153	-	\$5,153
2052	\$652,487	\$82,223	\$82,223	-	\$4,588	-	\$4,588
2053	\$619,317	\$78,867	\$78,867	-	\$4,075	-	\$4,075
2054	\$586,947	\$75,489	\$75,489	-	\$3,611	-	\$3,611
2055	\$555,472	\$72,098	\$72,098	-	\$3,193	-	\$3,193
2056	\$524,983	\$68,710	\$68,710	-	\$2,818	-	\$2,818
2057	\$495,563	\$65,335	\$65,335	-	\$2,481	-	\$2,481

Public School Retirement System of the City of St. Louis
Required Supplementary Schedule
Schedule of Actuarial Present Values of Projected Benefit Payments
000's omitted
December 31, 2014

Fiscal Year Ending 12/31	Beginning Fiduciary Net Position	Benefit Payments			Present Value		
		Benefit Payments	Funded Portion	Unfunded Portion	Funded Portion at 8.00%	Unfunded Portion at 3.34%	Using a Single Discount Rate of 8.00%
2058	\$467,287	\$61,982	\$61,982	-	\$2,179	-	\$2,179
2059	\$440,229	\$58,647	\$58,647	-	\$1,909	-	\$1,909
2060	\$414,466	\$55,341	\$55,341	-	\$1,668	-	\$1,668
2061	\$390,077	\$52,073	\$52,073	-	\$1,453	-	\$1,453
2062	\$367,132	\$48,848	\$48,848	-	\$1,262	-	\$1,262
2063	\$345,704	\$45,673	\$45,673	-	\$1,093	-	\$1,093
2064	\$325,861	\$42,562	\$42,562	-	\$943	-	\$943
2065	\$307,666	\$39,535	\$39,535	-	\$811	-	\$811
2066	\$291,163	\$36,606	\$36,606	-	\$695	-	\$695
2067	\$276,385	\$33,784	\$33,784	-	\$594	-	\$594
2068	\$263,360	\$31,078	\$31,078	-	\$506	-	\$506
2069	\$252,108	\$28,502	\$28,502	-	\$430	-	\$430
2070	\$242,635	\$26,058	\$26,058	-	\$364	-	\$364
2071	\$234,946	\$23,754	\$23,754	-	\$307	-	\$307
2072	\$229,037	\$21,590	\$21,590	-	\$258	-	\$258
2073	\$224,906	\$19,573	\$19,573	-	\$217	-	\$217
2074	\$222,543	\$17,694	\$17,694	-	\$182	-	\$182
2075	\$221,945	\$15,954	\$15,954	-	\$152	-	\$152
2076	\$223,108	\$14,341	\$14,341	-	\$126	-	\$126
2077	\$226,043	\$12,855	\$12,855	-	\$105	-	\$105
2078	\$230,757	\$11,485	\$11,485	-	\$87	-	\$87
2079	\$237,273	\$10,221	\$10,221	-	\$71	-	\$71
2080	\$245,625	\$9,054	\$9,054	-	\$59	-	\$59
2081	\$255,858	\$7,985	\$7,985	-	\$48	-	\$48
2082	\$268,023	\$7,005	\$7,005	-	\$39	-	\$39
2083	\$282,179	\$6,115	\$6,115	-	\$31	-	\$31
2084	\$298,394	\$5,296	\$5,296	-	\$25	-	\$25
2085	\$316,757	\$4,545	\$4,545	-	\$20	-	\$20
2086	\$337,370	\$3,876	\$3,876	-	\$16	-	\$16
2087	\$360,329	\$3,276	\$3,276	-	\$12	-	\$12
2088	\$385,748	\$2,740	\$2,740	-	\$10	-	\$10
2089	\$413,759	\$2,262	\$2,262	-	\$7	-	\$7
2090	\$444,507	\$1,851	\$1,851	-	\$6	-	\$6
2091	\$478,143	\$1,498	\$1,498	-	\$4	-	\$4
2092	\$514,836	\$1,198	\$1,198	-	\$3	-	\$3
2093	\$554,777	\$939	\$939	-	\$2	-	\$2
2094	\$598,182	\$727	\$727	-	\$2	-	\$2
2095	\$645,281	\$555	\$555	-	\$1	-	\$1
2096	\$696,326	\$417	\$417	-	\$1	-	\$1
2097	\$751,599	\$308	\$308	-	\$1	-	\$1
2098	\$811,407	\$223	\$223	-	-	-	-
2099	\$876,087	\$159	\$159	-	-	-	-
2100	\$946,009	\$111	\$111	-	-	-	-

Public School Retirement System of the City of St. Louis
Required Supplementary Schedule
Schedule of Actuarial Present Values of Projected Benefit Payments
000's omitted
December 31, 2014

Fiscal Year Ending 12/31	Beginning Fiduciary Net Position	Benefit Payments			Present Value		
		Benefit Payments	Funded Portion	Unfunded Portion	Funded Portion at 8.00%	Unfunded Portion at 3.34%	Using a Single Discount Rate of 8.00%
2101	\$1,021,573	\$76	\$76	-	-	-	-
2102	\$1,103,220	\$52	\$52	-	-	-	-
2103	\$1,191,424	\$34	\$34	-	-	-	-
2104	\$1,286,702	\$22	\$22	-	-	-	-
2105	\$1,389,615	\$15	\$15	-	-	-	-
2106	\$1,500,769	\$9	\$9	-	-	-	-
2107	\$1,620,820	\$6	\$6	-	-	-	-
2108	\$1,750,480	\$4	\$4	-	-	-	-
2109	\$1,890,514	\$2	\$2	-	-	-	-
2110	\$2,041,753	\$1	\$1	-	-	-	-
2111	\$2,205,091	\$1	\$1	-	-	-	-
2112	\$2,381,498	-	-	-	-	-	-

Public School Retirement System of the City of St. Louis
Required Supplementary Schedule
Schedule of Projection of Fiduciary Net Position
000's omitted
December 31, 2014

Year	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2015	\$936,930	\$49,530	\$107,187	\$71,104	\$950,378
2016	\$950,378	\$44,477	\$106,904	\$72,157	\$960,107
2017	\$960,107	\$42,612	\$106,643	\$72,919	\$968,996
2018	\$968,996	\$41,351	\$106,452	\$73,616	\$977,511
2019	\$977,511	\$40,311	\$106,481	\$74,277	\$985,617
2020	\$985,617	\$39,350	\$106,638	\$74,902	\$993,231
2021	\$993,231	\$38,417	\$106,750	\$75,491	\$1,000,389
2022	\$1,000,389	\$37,496	\$106,666	\$76,052	\$1,007,271
2023	\$1,007,271	\$36,574	\$106,386	\$76,599	\$1,014,058
2024	\$1,014,058	\$35,665	\$106,049	\$77,143	\$1,020,818
2025	\$1,020,818	\$34,768	\$105,672	\$77,687	\$1,027,601
2026	\$1,027,601	\$33,857	\$105,268	\$78,234	\$1,034,424
2027	\$1,034,424	\$32,934	\$104,854	\$78,784	\$1,041,288
2028	\$1,041,288	\$32,001	\$104,594	\$79,333	\$1,048,028
2029	\$1,048,028	\$31,044	\$104,373	\$79,870	\$1,054,569
2030	\$1,054,569	\$30,034	\$104,260	\$80,386	\$1,060,729
2031	\$1,060,729	\$28,982	\$104,131	\$80,873	\$1,066,452
2032	\$1,066,452	\$27,858	\$104,232	\$81,315	\$1,071,392
2033	\$1,071,392	\$26,657	\$104,472	\$81,689	\$1,075,266
2034	\$1,075,266	\$25,331	\$104,612	\$81,981	\$1,077,967
2035	\$1,077,967	\$23,763	\$104,901	\$82,174	\$1,079,002
2036	\$1,079,002	\$21,401	\$104,893	\$82,245	\$1,077,755
2037	\$1,077,755	\$8,060	\$104,802	\$82,138	\$1,063,151
2038	\$1,063,151	\$4,393	\$104,602	\$80,967	\$1,043,908
2039	\$1,043,908	\$3,006	\$104,116	\$79,436	\$1,022,234
2040	\$1,022,234	\$2,200	\$103,683	\$77,709	\$998,460
2041	\$998,460	\$1,693	\$103,137	\$75,819	\$972,835
2042	\$972,835	\$1,454	\$102,671	\$73,778	\$945,396
2043	\$945,396	\$1,219	\$101,817	\$71,608	\$916,406
2044	\$916,406	\$1,008	\$100,715	\$69,324	\$886,023
2045	\$886,023	\$816	\$99,388	\$66,939	\$854,391
2046	\$854,391	\$646	\$97,812	\$64,465	\$821,690
2047	\$821,690	\$510	\$95,811	\$61,923	\$788,312
2048	\$788,312	\$398	\$93,531	\$59,340	\$754,519
2049	\$754,519	\$310	\$91,128	\$56,729	\$720,430
2050	\$720,430	\$239	\$88,450	\$54,106	\$686,324
2051	\$686,324	\$182	\$85,512	\$51,493	\$652,487
2052	\$652,487	\$137	\$82,223	\$48,916	\$619,317
2053	\$619,317	\$102	\$78,867	\$46,395	\$586,947
2054	\$586,947	\$74	\$75,489	\$43,939	\$555,472
2055	\$555,472	\$53	\$72,098	\$41,556	\$524,983
2056	\$524,983	\$38	\$68,710	\$39,252	\$495,563
2057	\$495,563	\$27	\$65,335	\$37,033	\$467,287

Public School Retirement System of the City of St. Louis
Required Supplementary Schedule
Schedule of Projection of Fiduciary Net Position
000's omitted
December 31, 2014

Year	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2058	\$467,287	\$19	\$61,982	\$34,904	\$440,229
2059	\$440,229	\$12	\$58,647	\$32,873	\$414,466
2060	\$414,466	\$8	\$55,341	\$30,944	\$390,077
2061	\$390,077	\$5	\$52,073	\$29,123	\$367,132
2062	\$367,132	\$2	\$48,848	\$27,417	\$345,704
2063	\$345,704	\$1	\$45,673	\$25,829	\$325,861
2064	\$325,861	-	\$42,562	\$24,366	\$307,666
2065	\$307,666	-	\$39,535	\$23,032	\$291,163
2066	\$291,163	-	\$36,606	\$21,829	\$276,385
2067	\$276,385	-	\$33,784	\$20,759	\$263,360
2068	\$263,360	-	\$31,078	\$19,826	\$252,108
2069	\$252,108	-	\$28,502	\$19,029	\$242,635
2070	\$242,635	-	\$26,058	\$18,369	\$234,946
2071	\$234,946	-	\$23,754	\$17,846	\$229,037
2072	\$229,037	-	\$21,590	\$17,459	\$224,906
2073	\$224,906	-	\$19,573	\$17,210	\$222,543
2074	\$222,543	-	\$17,694	\$17,096	\$221,945
2075	\$221,945	-	\$15,954	\$17,117	\$223,108
2076	\$223,108	-	\$14,341	\$17,275	\$226,043
2077	\$226,043	-	\$12,855	\$17,569	\$230,757
2078	\$230,757	-	\$11,485	\$18,001	\$237,273
2079	\$237,273	-	\$10,221	\$18,573	\$245,625
2080	\$245,625	-	\$9,054	\$19,288	\$255,858
2081	\$255,858	-	\$7,985	\$20,149	\$268,023
2082	\$268,023	-	\$7,005	\$21,162	\$282,179
2083	\$282,179	-	\$6,115	\$22,330	\$298,394
2084	\$298,394	-	\$5,296	\$23,660	\$316,757
2085	\$316,757	-	\$4,545	\$25,159	\$337,370
2086	\$337,370	-	\$3,876	\$26,835	\$360,329
2087	\$360,329	-	\$3,276	\$28,695	\$385,748
2088	\$385,748	-	\$2,740	\$30,750	\$413,759
2089	\$413,759	-	\$2,262	\$33,010	\$444,507
2090	\$444,507	-	\$1,851	\$35,487	\$478,143
2091	\$478,143	-	\$1,498	\$38,191	\$514,836
2092	\$514,836	-	\$1,198	\$41,139	\$554,777
2093	\$554,777	-	\$939	\$44,345	\$598,182
2094	\$598,182	-	\$727	\$47,825	\$645,281
2095	\$645,281	-	\$555	\$51,600	\$696,326
2096	\$696,326	-	\$417	\$55,689	\$751,599
2097	\$751,599	-	\$308	\$60,116	\$811,407
2098	\$811,407	-	\$223	\$64,904	\$876,087
2099	\$876,087	-	\$159	\$70,081	\$946,009
2100	\$946,009	-	\$111	\$75,676	\$1,021,573

Public School Retirement System of the City of St. Louis
Required Supplementary Schedule
Schedule of Projection of Fiduciary Net Position
000's omitted
December 31, 2014

Year	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2101	\$1,021,573	-	\$76	\$81,723	\$1,103,220
2102	\$1,103,220	-	\$52	\$88,256	\$1,191,424
2103	\$1,191,424	-	\$34	\$95,313	\$1,286,702
2104	\$1,286,702	-	\$22	\$102,935	\$1,389,615
2105	\$1,389,615	-	\$15	\$111,169	\$1,500,769
2106	\$1,500,769	-	\$9	\$120,061	\$1,620,820
2107	\$1,620,820	-	\$6	\$129,665	\$1,750,480
2108	\$1,750,480	-	\$4	\$140,038	\$1,890,514
2109	\$1,890,514	-	\$2	\$151,241	\$2,041,753
2110	\$2,041,753	-	\$1	\$163,340	\$2,205,091
2111	\$2,205,091	-	\$1	\$176,407	\$2,381,498
2112	\$2,381,498	-	-	\$190,520	\$2,572,018
2113	\$2,572,018	-	-	\$205,761	\$2,777,779

Public School Retirement System of the City of St. Louis
Other Supplementary Information
Schedules of Operating Expenses
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Actuarial services	\$ 103,946	\$ 177,146
Accounting and auditing fees	49,229	51,139
Computer programming and consultation	72,896	87,881
Conventions, conferences, seminars		
Executive Director	1,687	1,156
Trustees (see below)	30,979	26,928
Depreciation expense	67,439	67,438
Dues and subscriptions	4,857	4,718
Employee benefits	2,893	3,184
Furniture and equipment	2,413	11,311
Health insurance consultation	39,843	39,843
Insurance - group health	54,138	59,824
Insurance - casualty and bonding	87,484	84,707
Legal fees and expenses	22,316	22,173
Medical fees	800	2,300
Miscellaneous expense	8,016	7,247
Occupancy expense	32,319	27,946
Office repairs and maintenance	42,134	47,969
Office supplies and expenses	10,667	14,931
Payroll taxes	34,460	34,164
Pension contribution	85,590	91,361
Postage	66,665	60,298
Printing and publishing	28,985	29,140
Salaries - administrative and clerical	450,456	446,591
Telephone	15,602	10,682
Utilities	34,580	31,106
	<u>\$ 1,350,394</u>	<u>\$ 1,441,183</u>

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:

	<u>2014</u>	<u>2013</u>
Lodging, meals, and miscellaneous	\$ 17,548	\$ 17,650
Transportation and registration	<u>13,431</u>	<u>9,278</u>
Total	<u>\$ 30,979</u>	<u>\$ 26,928</u>

Public School Retirement System of the City of St. Louis
Other Supplementary Information
Schedules of Investment Expenses
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Investment management fees		
Batterymarch Financial Management	\$ 127,085	\$ 117,545
Causeway Capital Management	298,042	294,235
Chicago Equity Partners	195,017	188,266
Earnest Partners	52,832	52,052
Edgar Lomax Company	195,051	172,499
Entrust Capital Diversified Fund LTD	316,850	295,594
GMO	-	718
Holland Capital Management	211,582	193,757
Intech Investment Management	138,116	121,972
Manulife Asset Management	143,304	153,711
Loomis Sayles & Company, LP	283,310	307,644
Mellon Capital Management	308,185	299,900
Mondrian Investment Partners	180,059	191,534
New Amsterdam Partners	102,500	99,928
OFI Global Asset Management	78,970	-
Pyramis Global Advisors Trust	278,136	274,160
Standard Global Equity	53,830	-
SW Pelham Fund III	-	60,748
Systematic Financial Management	267,040	256,604
TCW Asset Management Company	215,108	192,509
UBS Realty Investors LLC	499,291	456,585
US Bank Trust	149,027	147,831
Wellington Trust Company	203,167	200,263
Westfield Capital Management	<u>252,448</u>	<u>229,248</u>
Total investment management fees	4,548,950	4,307,303
NEPC, LLC	196,336	192,519
Banking services	<u>47,279</u>	<u>39,717</u>
Total investment expenses	<u>\$ 4,792,565</u>	<u>\$ 4,539,539</u>

Public School Retirement System of the City of St. Louis
Other Supplementary Information
Schedules of Professional/Consultant Fees
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Actuarial services	\$ 103,946	\$ 177,146
Accounting and auditing fees	49,229	51,139
Building property management	32,319	27,946
Health insurance consulting	39,843	39,843
Legal expenses	22,316	22,173
Technology consulting	<u>72,896</u>	<u>87,881</u>
Total fees	<u>\$ 320,549</u>	<u>\$ 406,128</u>

Public School Retirement System of the City of St. Louis
Other Supplementary Information
Schedules of Limited Partnerships
Years Ended December 31, 2014 and 2013

Partnership Name	Style	Investments at Fair Value as of December 31, 2014
Landmark Equity Partners XIV, LP	Private Equity & Private Debt	\$ 3,281,635
Lighthouse Capital Partners VI, LP	Private Equity & Private Debt	1,838,537
Mesirow Financial Private Equity Partnership Fund III, LP	Private Equity & Private Debt	3,894,693
Pantheon Global Secondary Fund III B, LP	Private Equity & Private Debt	4,300,246
Singuler Guff Distressed Opportunities Fund II, LP	Private Equity & Private Debt	827,267
SW Pelham Fund III, LP	Private Equity & Private Debt	1,732,256
Vista Foundation Fund II, LP	Private Equity & Private Debt	1,745,350
		<u>\$ 17,619,984</u>

Partnership Name	Style	Investments at Fair Value as of December 31, 2013
Landmark Equity Partners XIV, LP	Private Equity & Private Debt	\$ 3,300,502
Lighthouse Capital Partners VI, LP	Private Equity & Private Debt	3,747,510
Mesirow Financial Private Equity Partnership Fund III, LP	Private Equity & Private Debt	4,423,406
Pantheon Global Secondary Fund III B, LP	Private Equity & Private Debt	5,104,919
Singuler Guff Distressed Opportunities Fund II, LP	Private Equity & Private Debt	1,176,152
SW Pelham Fund III, LP	Private Equity & Private Debt	3,117,487
Vista Foundation Fund II, LP	Private Equity & Private Debt	278,737
		<u>\$ 21,148,713</u>

MEMORANDUM

To: Angela Banks
Tracey Goffe
Yvette Levy
Eural Thomas

Christina Bennett
Sheila Goodwin
Charles Shelton
Janusz Wolynski

Joe Clark
Mary Houlihan
Rick Sullivan

FROM: Andrew Clark

RE: **Fiduciary Liability Insurance Renewal & Three-Year Crime Insurance Coverage**

DATE: April 20, 2015

The insurance broker, Arthur J. Gallagher Risk Management Services, Inc., has submitted the renewal of the retirement system's Fiduciary Liability Insurance for a period from May 20, 2015 - May 20, 2016, and Crime Insurance for the second installment on a three-year policy term from May 20, 2014 – May 20, 2017. If accepted by the Board of Trustees, the insurance carrier and coverage for both types of insurance will remain the same as in 2014 according to the following summary:

Carrier	Coverage Type	Coverage Limit	Coverage Retention	Current (2014) Premium/Fee	Renewal (2015) Premium/Fee
Travelers	Fiduciary Liability	\$10,000,000	\$0	\$55,850	\$57,949
Travelers	Crime	\$2,000,000 / \$100,000	\$15,000 / \$5,000	\$1,818	\$1,818
Broker Fee				\$14,000	\$14,000
Total Cost				\$71,668	\$73,767

After marketing the fiduciary insurance, the insurance broker negotiated a premium for the fiduciary liability insurance that holds the increase to 3.8% (\$2,099) relative to the cost in 2014. To keep the increase in perspective, it is important to look at the total cost for the three components above because only the fiduciary liability coverage has increased. The total cost increase is 2.9% over the total cost in 2014 and within the 2015 budget.

Arthur J. Gallagher Risk Management Services, Inc. negotiated a three-year term in 2014 for the system's Crime Insurance that will remain in effect through May 20, 2017. This means the annual Crime Insurance premium will remain the same as in 2014 for the next two years. And, Travelers has managed to constrain the system's annual liability insurance premium increases for seven years when compared to the highest premium of \$71,518 paid by the system in 2008 for the same coverage.

Recommendation: To accept the renewal of the Fiduciary Liability & Crime Insurance with Travelers as presented by the Executive Director.