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A NEWSLETTER FOR THE MEMBERS OF THE PUBLIC SCHOOL RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS

Special Edition!

PSRSSTL Retirement News

PUBLIC SCHOOL RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS

Editor
James U. Hammond

From The Desk of the Executive Director

Over the past several months there have been developments at the St. Louis Public Schools (SLPS) that have caused concern and ultimately angst among the membership of the Public School Retirement System of the City of St. Louis (PSRSSTL). The main development that has caused this worry is the looming intervention at SLPS by the Missouri Department of Elementary and Secondary Education. The Board of Trustees of PSRSSTL requested an opinion on the issue from the Attorney and for me to put together a financial picture for the membership of a retirement fund that is sound and secure.

I have enclosed a copy of the letter of opinion from the Attorney to the Board of Trustees concerning the legal issues surrounding the State intervention at SLPS in this Special Edition of the PSRSSTL newsletter. On page 3 you will find information on the financial status and investment performance of the PSRSSTL retirement fund as of December 31, 2006.

The Attorney's opinion states there will be no affect on PSRSSTL because of the State's intervention at SLPS. According to current Missouri state law, the Missouri Department of Elementary and Secondary Education has absolutely no authority to take over PSRSSTL. This means that SLPS is required to make annual contributions on behalf of its employees regardless of the entity that controls it and that PSRSSTL retirees will continue to receive their monthly pensions uninterrupted. In essence, nothing will change for our membership because of the intervention.

With regard to the financial status of PSRSSTL, your retirement system is incredibly stable. In fact, as of December 31, 2006, the market value of the fund's assets stood at $1.119 billion, an all time high. You can thank a dedicated Board of Trustees for this unprecedented performance. The Board of Trustees diligently monitors the trust fund and invests the assets for you in such a way to maximize returns and minimize risk. The Investment Committee meets at least 10 times a year on a monthly basis to perform due diligence on the fund, usually the third Thursday of the month. All members are welcome to attend these open meetings.

In addition to PSRSSTL normal retirement, two retirement programs exist that the SLPS created as part of the employees benefit package. The PSRSSTL administers these programs for SLPS known as the DROP Plan and the Sick Leave Conversion Program. The DROP Plan ends on June 30, 2008; however, the Sick Leave Conversion Program will continue. Recently, there has been confusion among participants in the DROP Plan who care to exercise their right to benefits under the Sick Leave Conversion Program. In this newsletter, you will find an article on "how to" coordinate normal retirement, DROP Plan and Sick Leave Conversion benefits.

This newsletter also contains a Board of Trustees Regular Meeting Schedule for Calendar Year 2007. All regular meetings are open to the public. For more news from PSRSSTL, please visit our website at www.psrsstl.org where you will find information about health insurance benefits, a brief history on PSRSSTL, forms, investment briefs, benefit calculators and more.

Thank you for being a member of the Public School Retirement System of the City St. Louis. After all, you are the reason we are here.

Board of Trustees Regular Meeting Schedule
Remainder of Calendar Year 2007

April 16, 2007
June 18, 2007
August 20, 2007
October 15, 2007
December 17, 2007

All meetings are open to the public and are usually held in the board room on the second floor of the PSRSSTL Offices located at 3641 Olive Street, St. Louis, MO 63108.

Special points of interest:

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PLEASE RESPOND TO ST. LOUIS OFFICE

March 7, 2007

Trustees of the Public School Retirement
System of the City of St. Louis
3641 Olive Blvd., Suite 300
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Re: Effect on PSRSSTL of a State Takeover of St. Louis Public Schools

Dear Trustees:

You have asked us for an opinion regarding the effect on PSRSSTL of a State takeover of St. Louis Public Schools. There has been some understandable concern among PSRSSTL members regarding the effect of a state takeover of SLPS on PSRSSTL. The most common questions have been: (1) Can the State takeover PSRSSTL as well?; (2) Will a takeover of SLPS mean that contributions to PSRSSTL will stop being made?; and (3) Will I stop receiving benefits of the State takes over SLPS? The answer to all three questions is "No."

1. Can the State takeover PSRSSTL as well? No, it cannot. The power to takeover St. Louis Public Schools is given to the Department of Elementary and Secondary Education in a specific law. There is no such law giving the Department of Elementary and Secondary Education, or any other part of the State government, the power to takeover control of PSRSSTL under any circumstances. In fact, the law that created PSRSSTL says that if the school district lapses, "the general administration and the responsibility for the proper operation of the retirement system shall continue to be fully vested in the trustees." This means that the Board of Trustees of PSRSSTL continues to control PSRSSTL, as if nothing had happened.

2. Will a takeover of SLPS mean that contributions to PSRSSTL will stop being made? No, it does not. In fact, the law that created PSRSSTL says that contributions have to be made to PSRSSTL no matter who is in control of SLPS. Right now, that is the Board of Education. If DESE votes to takeover SLPS, the Special Administrative Board will run SLPS. The Special Administrative Board will be required to make contributions to PSRSSTL, just as SLPS has to now.

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Trustees, PSRSSTL
March 7, 2007
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3. Will Members stop receiving benefits if the State takes over SLPS? No, you will not. A state takeover of SLPS does not affect your right to receive your benefits. Since contributions have to be made to PSRSSTL no matter what, the money that helps build our base so we can pay benefits will still come in, regardless of what happens to the control of SLPS.

Sincerely,

Jeffrey E. Hartnett

PSRSSTL INVESTMENT AND FINANCIAL HIGHLIGHTS

The Retirement System's investment portfolio experienced a return of 6.5% and a net increase of 5.8% in market value during the Fourth Quarter of 2006. For all of 2006, the return was 13.1% and the net increase in market value was 6.7%. The summaries of the market value and asset allocation of funds held in trust on behalf of the membership on December 31, 2006 follow.

Net External Growth represents withdrawals from the trust fund so the System can pay pension benefits and cover administrative expenses. The Board of Trustees has granted authority to the System's administrative staff to make withdrawals from the trust fund on an as needed basis. By continuously evaluating the System's asset allocation and making withdrawals on an as needed basis, staff assists the Board of Trustees in maximizing returns by leaving funds in investments yielding higher returns than a checking account until the funds are necessary to cover the System's pension obligations and expenses.

PSRSSTL Market Value — 12/31/2006		
	Fourth Quarter	Last 12 Months
Beginning Market Value	$1,057,649	$1,048,309
Net External Growth	(2,648)	(66,531)
Return on Investment	63,986	137,209
Ending Market Value	$1,118,987	$1,118,987
	(Dollars in $000's)	
PSRSSTL Asset Allocation Summary 12/31/2006		
Asset Class	Market Value ($)	Percent of Portfolio (%)
Domestic Stocks	$380,243,883	34.0%
Domestic Bonds	156,501,234	14.0%
International Stocks	185,430,205	16.6%
International Bonds	103,343,894	9.2%
Tactical Asset Allocation (GTAA)	92,087,133	8.2%
T-Bills	43,659,940	3.9%
Hedge Funds	59,982,030	5.4%
Real Estate	54,845,681	4.9%
Alternatives	8,204,422	.7%
Cash	34,688,418	3.1%
Total	$1,118,986,840	100.00%

In 1997, the Board of Trustees changed the System's investment policy and hired an outside advisor, New England Pension Consultants (NEPC), to assist in the management of the System's assets. According to the Actuarial Valuation Report of January 1, 1997, the market value of the System's assets stood at $668 million on December 31, 1996. Since that time, the market value of the System's assets has grown to an all time high of $1.119 billion as of December 31, 2006. This means that in little over ten years, the market value of the System's assets has grown by approximately 68%.

According to the System's Actuary, the actuarial funded ratio was 91.8% as of January 1, 2006. This ratio was calculated by dividing the actuarial value of the System's assets ($983,828,243) by the System's projected benefit obligation ($1,071,275,169). The Actuary determines the projected benefit obligation by analyzing the demographic outlook and financial status of the System. This obligation is usually projected into the future

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PSRSSTL'S MISSION

...to enhance the well-being and financial security of its members, retirees and beneficiaries through benefit programs and services which are soundly financed and prudently administered in an effective and efficient manner.

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PSRSSTL Investment And Financial Highlights Coninued

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for 30 years. At the last regular board meeting, the Actuary reported that nationally, retirement systems are funded between 85% and 100%. The Missouri State Employees Retirement System is 85% funded, the Public Education Employees Retirement System is 86% funded and the Public School Retirement System is 85% funded. The Actuary stated that the System is performing better than average on a national and state level. This means that as it stands today, the System will be able to meet its current projected pension payment obligations into the unforeseen future.

Coordinating Normal Retirement, Drop Plan & Sick Leave Conversion Benefits (Q & A)

1. Who should be concerned with coordinating normal retirement, Drop Plan & SLPS Sick Leave Conversion Program retirement benefits?

The only members who should be concerned are participants in the DROP Plan created by the St. Louis Public Schools (SLPS). SLPS is phasing out this special program and the last participants must exit the DROP Plan no later than June 30, 2008.

2. How do I go about collecting my normal retirement, DROP Plan and SLPS Sick Leave Conversion Program retirement benefits when I re-retire?

- You must file all required paperwork with PSRSSTL on time to begin receiving your full normal retirement benefits when you re-retire under the DROP Plan.
- You must meet all eligibility requirements to receive retirement benefits under the Sick Leave Conversion Program. You should verify participant eligibility requirements directly with SLPS because it is an SLPS program administered by PSRSSTL.
- You should make sure SLPS knows you are a DROP Plan participant.
- If you qualify for the Sick Leave Conversion Program, you will receive 75% of your banked sick leave if you re-retire at the end of a school year or 50% of your banked sick leave if you re-retire at the end of the first semester.

3. When must I re-retire so I may receive normal retirement, DROP Plan and SLPS Sick Leave Conversion Program retirement benefits?

- To receive Sick Leave Conversion Program retirement benefits there are only two opportunities each year to enter the program and you must re-retire at the end of the school year or at the end of the first semester.
- You must file a Board of Education Notice of Intent to Retire ("Notice of Intent to Retire") form no later than January 1 if you intend to retire at the end of the normal school year or August 1 if you intend to retire at the end of the first semester. Failure to file this form timely will cause you to forfeit your right to benefits under the program.
- A retiree working under the DROP Plan may re-retire at any time within their designated four-year period without consequences other than cutting short the amount of accumulated deferred retirement benefits and service credit earned.

Retirement Application Due Dates

Missouri state law requires that we receive potential retirees' completed Retirement Applications at least 15 days prior to their retirement effective dates. Application due dates and effective retirement dates for the remainder of calendar year 2007 are:

Due Date	Retirement Effective Date
April 16, 2007	May 1, 2007
May 17, 2007	June 1, 2007
June 15, 2007	July 1, 2007
July 17, 2007	August 1, 2007
August 17, 2007	September 1, 2007
September 14, 2007	October 1, 2007
October 17, 2007	November 1, 2007
November 15, 2007	December 1, 2007