

www.pwc.com

Public School Retirement System of Missouri

Actuarial Valuation as of
June 30, 2016





October 20, 2016

Board of Trustees
Public School Retirement System of Missouri
3210 W. Truman Blvd.
Jefferson City, MO 65109

**Re: Certification of the Actuarial Valuation of the Public School Retirement System of Missouri
as of June 30, 2016**

Dear Board of Trustees:

An actuarial valuation is performed annually for the Public School Retirement System of Missouri ("PSRS") defined benefit pension plan ("Plan"). The results of the latest actuarial valuation were prepared as of June 30, 2016 and are presented herein pursuant to the engagement letter between PSRS and PricewaterhouseCoopers LLP ("PwC"), dated June 9, 2014, and amended April 16, 2015. This report is intended to provide the Board of Trustees ("Board") with information on the funded status of the Plan, development of the actuarially determined contribution rates, and certain financial statement disclosure information.

Financing Objectives and Funding Policy

Under Missouri statutes, contribution rates are adopted annually by the Board. The recommended contribution rate presented herein was actuarially determined based on the funding policy, actuarial assumptions, and actuarial methods adopted by the Board and summarized herein.

In setting contribution rates, the principal objectives of the Board's funding policy are:

- To set contribution rates such that the funded ratio will reach 100% over a closed 30-year period.
- To set contribution rates such that they remain stable over time.
- To set contribution rates such that they promote intergenerational equity.
- To provide a reasonable margin for adverse experience to help offset risks.

Progress Toward Realization of Financing Objectives

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a Plan's funded status. It should increase over time until it reaches 100% under the funding policy, though adverse experience could prevent this from being achieved. The funded ratio for the Plan increased by 0.9% from the preceding year to 84.8%, primarily due to the recognition of excess returns from prior years in the AVA development, favorable salary experience, and lower than assumed COLA, but partially offset by changes in actuarial assumptions pursuant to the experience study completed in June 2016.

Benefit Provisions

The benefit provisions reflected in the valuation reports are those which were in effect at June 30, 2016, as set forth in the related Missouri statutes. It is our understanding that there were no changes in benefit provisions that would impact the valuation.

Assets and Member Data

The valuation was based on asset values of the trust funds and member census data as of June 30, 2016. All asset information and member data were provided by PSRS. While certain checks for reasonableness were performed, the data was used unaudited. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying asset and census information.

Actuarial Assumptions and Methods

The actuarial assumptions used in the June 30, 2016 valuations were adopted by the Board pursuant to an experience study completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the experience study completed in June 2016. The next experience study is scheduled to be completed prior to the June 30, 2021 valuation.



We believe the actuarial assumptions and methods are reasonable for the purposes of this valuation report, were developed in accordance with the Actuarial Standards of Practice, and comply with the parameters set forth in Statements No. 67 and No. 68 of the Governmental Accounting Standards Board ("GASB"). Different assumptions and methods may be reasonable for other purposes. As such, the results presented in the valuation reports should only be relied upon for the intended purpose.

Certification

We certify that the information presented herein is accurate and fairly portrays the actuarial position of the Plan administered by PSRS as of June 30, 2016 based on the underlying census data, asset information and selected assumptions and methods.

This report contains certain accounting information required to be included in the System's Comprehensive Annual Financial Report. This information has been prepared in accordance with our understanding of GASB No.67. This report also contains employer accounting information prepared in accordance with our understanding of GASB No. 68.

To the best of our knowledge this actuarial statement is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Our calculations also reflect our understanding of the requirements of Missouri state law. The undersigned actuaries are members of the Society of Actuaries and other professional organizations, including the American Academy of Actuaries, and meet the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States relating to pension plans. There is no relationship between the PwC practitioners involved in this engagement and PSRS that may impair our objectivity.

The content of this document is limited to the matters specifically addressed herein and does not address any other potential tax consequences, or the potential application of tax penalties, to any matter other than as set forth herein. Our conclusions are not binding upon any taxing authority or the courts and there is no assurance that any relevant taxing authority will not successfully assert a contrary position. In addition, no exceptions (including the reasonable cause exception) are available for any federal or state penalties imposed if any portion of a transaction is determined to lack economic substance or fails to satisfy any similar rule of law, and our advice will not protect you from any such penalties. This document supersedes all prior written or oral advice with respect to the issues addressed in this document and all such prior communications should not be relied upon by any person for any purpose. This document has been prepared pursuant to an engagement letter between PSRS and PwC, and is intended solely for the use and benefits of PSRS and not for reliance by any other person.

Respectfully submitted,

Ms. Cindy Fraterrigo
Member, American Academy of Actuaries
Fellow of the Society of Actuaries
Enrolled Actuary (No. 14-06229)

Mr. Brandon Robertson
Member, American Academy of Actuaries
Associate of the Society of Actuaries
Enrolled Actuary (No. 14-07568)

Ms. Kelly Stolyar
Member, American Academy of Actuaries
Associate of the Society of Actuaries
Enrolled Actuary (No. 14-08336)

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY	1
II. FUNDING	
A. Summary of Funding Policy	9
B. Development of Funded Status	11
C. Unfunded Actuarial Accrued Liability Reconciliation	12
D. Reconciliation of Actuarial Accrued Liability	13
E. Reconciliation of Market Value of Assets	14
F. Development of Actuarial Value of Assets	15
G. Contribution Rate	16
H. Determination of the Normal Cost Rate	17
I. Determination of the Unfunded Actuarial Accrued Liability Amortization Rate	18
J. History of Contribution Rates	19
K. Historical Investment Experience	20
III. ACCOUNTING	
A. Statement of Fiduciary Net Position under GASB #67 as of June 30, 2016	21
B. Statement of Changes in Fiduciary Net Position under GASB #67 for the Year Ended June 30, 2016	22
C. Net Pension Liability under GASB #68 for the Year Ended June 30, 2016	23
D. Deferred Inflows and Outflows of Resources under GASB #68 for the Year Ended June 30, 2016	24
E. Pension Expense under GASB #68 for the Year Ended June 30, 2016	26
F. Selected Notes to the Financial Statements under GASB #67 and #68	27
G. Schedule of Changes in the Net Pension Liability and Plan Fiduciary Net Position under GASB #67 and #68	29
H. Schedule of Net Pension Liability and Related Ratios under GASB #67 and #68	30
I. Schedule of Contributions under GASB #67 and #68	31
J. Schedule of Money-Weighted Returns under GASB #67 and #68	32
IV. CENSUS DATA	33
V. ACTUARIAL ASSUMPTIONS AND METHODS	44
VI. SUMMARY OF PLAN PROVISIONS	53

SECTION I - EXECUTIVE SUMMARY

HIGHLIGHTS OF THE ACTUARY'S REPORT

This report presents the results of the actuarial valuation of the Public School Retirement System of Missouri ("PSRS") defined benefit pension plan ("Plan") as of June 30, 2016, and has been prepared to present the current funded status of the Plan, contribution requirements for fiscal year 2018 (July 1, 2017 through June 30, 2018), and certain financial statement disclosure information. The valuation was performed using census data for plan members as of June 30, 2016 provided by PSRS and summarized in Section IV of this report, asset information as of June 30, 2016 provided by PSRS, the actuarial assumptions and methods approved by the Board and summarized in Section V, and the plan provisions effective June 30, 2016 summarized in Section VI.

Contributions

The Board sets, at its discretion and subject to certain restrictions, the applicable employer and member contribution rates upon considering the results of the actuarial valuation and other analysis as appropriate. Based on the objectives of the Board's funding policy, our valuation of the Actuarially Determined Contribution Rate, and the assumptions and methods approved by the Board, the recommended contribution rate is 29.00% (14.50% for employers and 14.50% for members) for fiscal year 2018. A contribution rate of 29.00% represents no change from the rate currently in effect for fiscal year 2017. The contribution rate approved by the Board becomes effective on July 1, 2017. Therefore, the dollar cost will depend on the actual payroll during fiscal year 2018.

Members of PSRS pay half of the total contribution rate, currently 14.50% of pay. If a member terminates employment with less than 5 years of service, their accumulated contributions with interest can be withdrawn as a lump sum, or the member may direct PSRS to make a direct rollover of the distribution amount. When a member becomes vested with at least 5 years of service, the member also has the option to leave their contributions in the Plan and select from various retirement annuity options commencing at retirement age.

Funded Status

The funded status of PSRS is measured as the ratio of assets available for benefits to a benefit liability measure for the System. While there are several such measures that could be appropriately used, the benefit liability measure that ties most closely to the funding strategy is the Actuarial Accrued Liability ("AAL") computed in accordance with assumptions and methods summarized in Section V.

Using the Actuarial Value of Assets ("AVA"), a smoothed asset value that recognizes 20% of the total investment gain or loss on the AVA for each of the preceding five (5) years, the PSRS AAL funded ratio increased from 83.9% at June 30, 2015 to 84.8% as of June 30, 2016. The increase is primarily due to the recognition of excess returns from prior years in the AVA development, favorable salary experience, and lower than assumed COLA, but partially offset by changes in actuarial assumptions pursuant to the experience study completed in June 2016.

Investment Experience

The market value of the assets available for benefits has decreased from \$34.8 billion as of June 30, 2015 to \$34.3 billion as of June 30, 2016. The actuarial value of assets increased from \$34.1 billion as of June 30, 2015, to \$35.4 billion as of June 30, 2016. The actuarial value of assets is more than the market value by \$1.1 billion and the difference will be recognized over the next four years.

The assets of the Plan returned 1.8% (1.6% net of all expenses) for the year ended June 30, 2016. Based on the Actuarial Value of Assets, the approximate return for the same period was 7.2%. The return on actuarial value is different due to the smoothing of returns greater or less than expected returns over five years. For GASB accounting purposes, the money-weighted return, net of investment expenses only, was also 1.6%.

SECTION I - EXECUTIVE SUMMARY

HIGHLIGHTS OF THE ACTUARY'S REPORT (CONTINUED)

Funding Policy

The Board has adopted a formal funding policy with the objective of fully funding the system over a closed 30-year period while adhering to the applicable statutes of the State of Missouri, as well as sound financial principles, such as maintaining contribution rate stability and intergenerational equity, and the applicable statutes of the State of Missouri. The policy sets forth certain actions, actuarial assumptions and actuarial methods that are to be utilized in executing the funding strategy. The funding policy is summarized in Section II.

Governmental Accounting Standards

This report contains certain financial statement information, including notes and required supplemental information, prepared in accordance with our understanding of Governmental Accounting Standards No. 67 and No. 68 ("GASB 67" and "GASB 68"). Information prepared in accordance with GASB 67 is intended to assist PSRS with the preparation of its Comprehensive Annual Financial Report. Information shown in this report prepared in accordance with GASB 68 are the collective amounts for all participating employers in aggregate. Further calculation is required to determine the proportionate share applicable to each participating employer.

Changes in Actuarial Assumptions

An experience study was completed in June 2016 resulting in an update to the following assumptions:

The **inflation** assumption decreased from 2.50% to 2.25% per year.

The **payroll growth** assumption decreased from 3.50% to 2.75% per year.

The **future salary increase** assumption decreased from 4.00%-10.00%, depending on service to 3.00%-9.50%, depending on service.

The **investment return** assumption decreased from 8.00% to 7.75% per year.

The **active mortality** assumption changed from the RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA to 75% of the RP-2006 White Collar Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

The **non-disabled retiree** mortality assumption changed from the RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA to the RP-2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.

The **disabled retiree** mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

The **withdrawal** assumption is a service-based table of rates. The rates at most years of service were increased to reflect recent experience.

The **disability** assumption is an age-based table of rates. The rates at most ages were increased to reflect recent experience.

The **retirement** assumption is an age and service based table of rates. The rates at certain age and service combinations were decreased to reflect recent experience.

The **refund of contributions** assumption was adjusted to reflect that active and inactive members who terminate with 5 or more years of service, but prior to satisfying the age and service requirements for service retirement, will select the option that has the greater present value between an immediate refund and a deferred annuity.

SECTION I - EXECUTIVE SUMMARY

HIGHLIGHTS OF THE ACTUARY'S REPORT (CONTINUED)

Changes in Actuarial Assumptions (Continued)

The **service purchase load** assumption was decreased from 2.00% to 1.00%.

The **dependent** assumptions for active members (pre-retirement) were adjusted to reflect recent experience.

The **beneficiary age** assumption for retired members (post-retirement) was adjusted to reflect recent experience.

The **return of unused member account balance** assumption was changed to explicitly value the cash refund.

In addition, the Board adopted a new COLA policy during fiscal 2016 resulting in a decrease in the future COLA assumption from 2.00% per year to a variable, increasing assumption of 1.00%-1.50% over ten years beginning January 1, 2018.

Please refer to the experience study report dated June 2, 2016, and the Board resolution related to the COLA policy for more details.

Changes in Plan Provisions

It is our understanding that there were no changes to the Plan that impacted the pension benefits during the fiscal year.

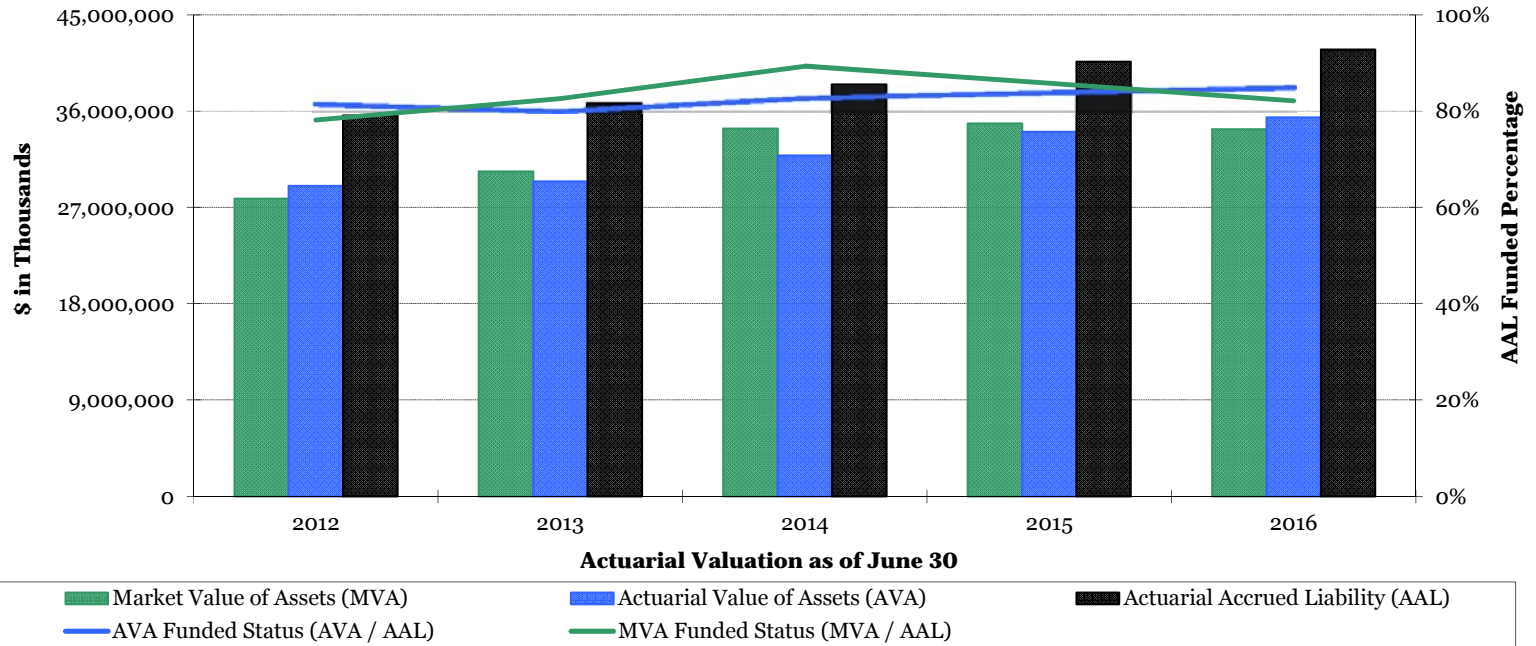
Changes in Actuarial Methods

There were no changes in the actuarial methods for the June 30, 2016 valuation.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY

PSRS – 5 Year History of Funded Status



Actuarial Valuation as of June 30:

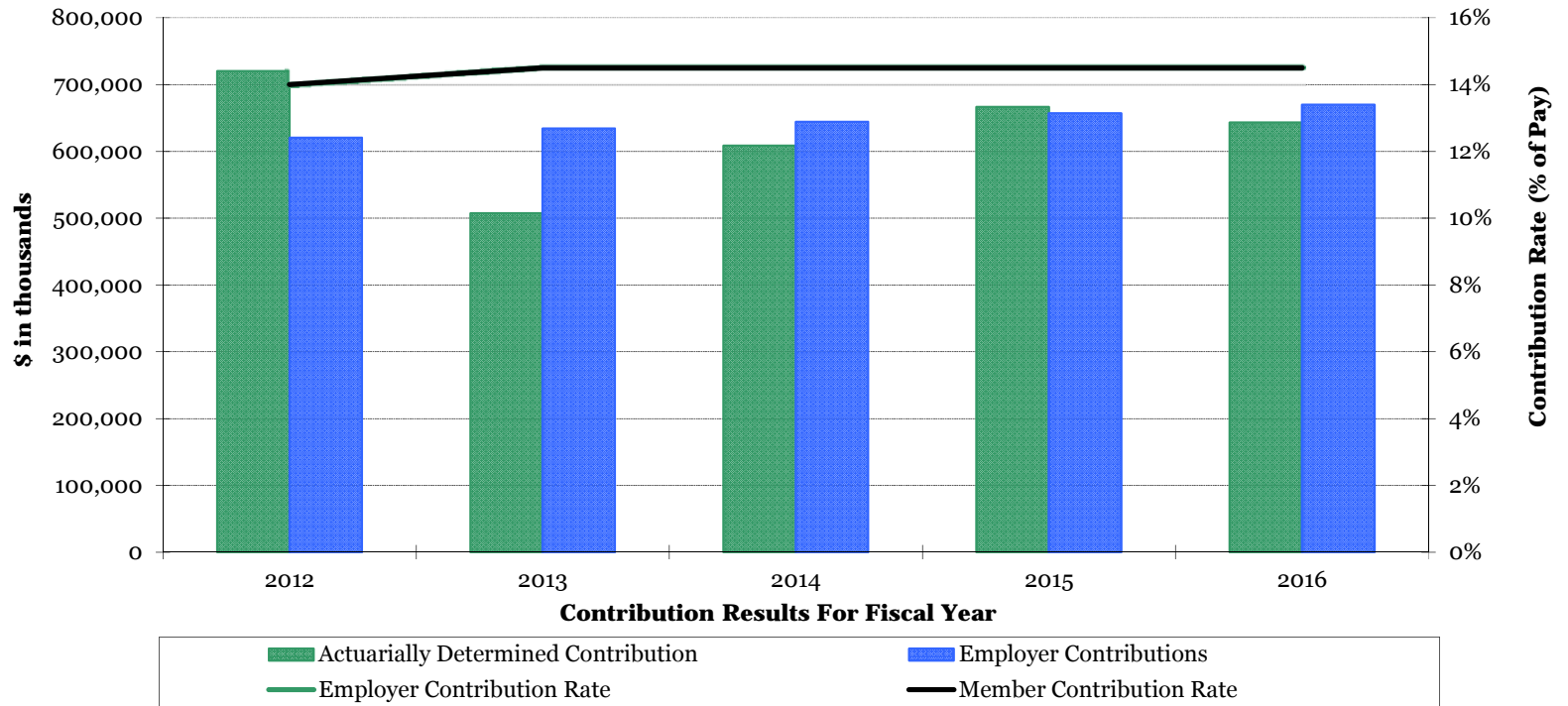
(\$ in '000's)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarial Accrued Liability (AAL)	\$35,588,030	\$36,758,165	\$38,483,184	\$40,610,540	\$41,744,619
Actuarial Value of Assets (AVA)	\$29,013,002	\$29,443,147	\$31,846,599	\$34,073,415	\$35,419,277
Market Value of Assets (MVA)	\$27,816,773	\$30,375,417	\$34,380,609	\$34,837,680	\$34,303,970
Unfunded Liability (AAL - AVA)	\$6,575,028	\$7,315,018	\$6,636,585	\$6,537,124	\$6,325,341
AVA Funded Status (AVA / AAL)	81.5%	80.1%	82.8%	83.9%	84.8%
MVA Funded Status (MVA / AAL)	78.2%	82.6%	89.3%	85.8%	82.2%

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

PSRS – 5 Year History of Contributions



**Contribution Results For Fiscal Year:
(\$ in '000's)**

	2012	2013	2014	2015	2016
Actuarially Determined Contribution	\$720,304.0	\$507,232.3	\$608,459.4	\$666,439.0	\$643,155.5
Employer Contributions	\$620,214.2	\$634,040.3	\$643,989.9	\$656,924.9	\$669,953.7
ADC % Contributed	86.1%	125.0%	105.8%	98.6%	104.2%
Employer Contribution Rate	14.00%	14.50%	14.50%	14.50%	14.50%
Member Contribution Rate	14.00%	14.50%	14.50%	14.50%	14.50%

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

Summary of Valuation Results¹

<u>Valuation Date</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Development of Actuarially Determined Contribution Rate:					
1. Anticipated Payroll	\$ 4,379,059,546	\$ 4,460,871,713	\$ 4,425,567,630	\$ 4,508,241,581	\$ 4,556,137,282
2. Total Normal Cost: ²					
a. Amount	\$ 833,145,686	\$ 849,712,130	\$ 836,085,151	\$ 842,548,463	\$ 740,176,751
b. Percentage of Payroll	19.03%	19.05%	18.89%	18.69%	16.25%
3. Total Unfunded Actuarial Accrued Liability Annual Amortizations: ³					
a. Amount	\$ 401,379,307	\$ 453,336,439	\$ 421,555,306	\$ 424,734,170	\$ 425,472,449
b. Percentage of Payroll	9.17%	10.16%	9.53%	9.42%	9.34%
4. Total Actuarially Determined Contribution Rate:					
a. Percentage of Payroll: (2)(b) + (3)(b)	28.20%	29.21%	28.42%	28.11%	25.59%
b. Effective UAAL Amortization Period	29.0 Years	28.2 Years	26.9 Years	25.8 Years	24.6 Years
5. Recommended Total Contribution Rate, Member + Employer:					
a. Percentage of Payroll	29.00%	29.00%	29.00%	29.00%	29.00%
b. Effective UAAL Amortization Period	24.8 Years	29.4 Years	24.2 Years	22.1 Years	14.8 Years
c. Effective Date	July 1, 2013	July 1, 2014	July 1, 2015	July 1, 2016	July 1, 2017

¹ The contribution rates shown were developed on a funding basis only and do not reflect accounting requirements.

² The Normal Cost shown for years prior to June 30, 2016 is mid-year and includes a 2.00% load for anticipated losses on service purchases. The Normal Cost shown for June 30, 2016 is as of the beginning of the year and includes a 1.00% load for anticipated losses on service purchases. As a suggestion noted in the 2016 actuarial audit, this methodology was refined for June 30, 2016 and approved by PSRS.

³ The Unfunded Actuarial Accrued Liability (UAAL) Amortization shown for years prior to June 30, 2016 is mid-year. The UAAL Amortization for June 30, 2016 is as of the beginning of the year. As a suggestion noted in the 2016 actuarial audit, this methodology was refined for June 30, 2016 and approved by PSRS.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

Summary of Valuation Results (Continued)

	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Census Information					
Active					
Number ¹	77,529	78,076	75,168	78,314	78,129
Average Age	42.2	42.1	42.2	42.0	42.0
Average Years of Service	11.4	11.4	11.8	11.5	11.6
Anticipated Payroll of Actives (\$ in 000's) ²	\$ 4,379,060	\$ 4,460,872	\$ 4,425,568	\$ 4,508,242	4,556,137
Inactive					
Vested					
Number ³	6,891	7,203	8,884	7,656	8,112
Annual Deferred Annuities (\$ in 000's)	\$ 66,943	\$ 71,974	\$ 96,084	\$ 80,645	\$ 88,177
Non Vested					
Number	4,633	4,446	5,567	4,423	4,821
Account Balance (\$ in 000's)	\$ 50,988	\$ 50,686	\$ 64,244	\$ 46,394	\$ 50,241
Former Members					
Entitled to a Deferred Annuity					
Number		50	67	119	80
Annual Deferred Annuities (\$ in 000's)		\$ 905	\$ 568	\$ 1,599	\$ 1,129
Entitled to a Refund of Contributions					
Number	3,069	3,286	3,733	4,065	3,363
Account Balance (\$ in 000's)	\$ 22,335	\$ 23,205	\$ 31,549	\$ 34,683	\$ 27,284
Retiree/Beneficiary/Disabled					
Number	50,344	52,306	54,486	56,125	58,020
Annual Benefits Payable (\$ in 000's) ⁴	\$ 1,893,836	\$ 2,008,069	\$ 2,134,558	\$ 2,263,957	\$ 2,358,773

¹ The number of active members as of June 30, 2016 includes 2,132 members who retired in July 2016.

² Figures shown are the anticipated payroll for the one-year period following the valuation date. For the June 30, 2016 valuation, anticipated payroll excludes 2,132 members who retired in July 2016. Reflects two-thirds of the anticipated payroll for members covered by Social Security and expected to contribute two-thirds of the contribution rate.

³ The number of inactive vested members as of June 30, 2016 includes 24 members who retired in July 2016.

⁴ Excludes \$5,000 death benefits and tax sheltered annuities. The annual benefits payable as of June 30, 2016 does not include 2,132 members who retired in July 2016.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

Summary of Valuation Results (Continued)

	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Present Value of Future Benefits					
Member Contribution Balances	\$ 6,687,357,639	\$ 6,856,920,007	\$ 6,985,665,067	\$ 6,787,037,824	\$ 6,994,369,700
Retiree/Beneficiary	21,001,513,187	22,124,006,508	23,367,687,349	24,362,454,505	25,559,758,445
Disabled	189,519,113	204,788,381	212,310,218	311,715,660	335,253,120
Inactive	62,541,687	74,467,654	101,926,552	93,048,140	124,310,214
Active	15,519,264,944	15,447,188,509	15,611,874,950	17,217,411,367	15,664,041,020
Total	<u>\$ 43,460,196,569</u>	<u>\$ 44,707,371,059</u>	<u>\$ 46,279,464,136</u>	<u>\$ 48,771,667,496</u>	<u>\$ 48,677,732,499</u>
Actuarial Accrued Liability (AAL)					
Member Contribution Balances	\$ 6,687,357,639	\$ 6,856,920,007	\$ 6,985,665,067	\$ 6,787,037,824	\$ 6,994,369,700
Retiree/Beneficiary	21,001,513,187	22,124,006,508	23,367,687,349	24,362,454,505	25,559,758,445
Disabled	189,519,113	204,788,381	212,310,218	311,715,660	335,253,120
Inactive	62,541,687	74,467,654	101,926,552	93,048,140	124,310,214
Active	7,647,099,014	7,497,982,861	7,815,594,746	9,056,283,487	8,730,927,183
Total	<u>\$ 35,588,030,639</u>	<u>\$ 36,758,165,411</u>	<u>\$ 38,483,183,932</u>	<u>\$ 40,610,539,616</u>	<u>\$ 41,744,618,662</u>
Actuarial Value of Assets (AVA)					
Member Contribution Balances	\$ 6,687,357,639	\$ 6,856,920,007	\$ 6,985,665,067	\$ 6,787,037,824	\$ 6,994,369,700
Retiree/Beneficiary	21,001,513,187	22,124,006,508	23,367,687,349	24,362,454,505	25,559,758,445
Disabled	189,519,113	204,788,381	212,310,218	311,715,660	335,253,120
Inactive	62,541,687	74,467,654	101,926,552	93,048,140	124,310,214
Active	1,072,070,617	182,964,322	1,179,010,201	2,519,159,101	2,405,585,800
Total	<u>\$ 29,013,002,242</u>	<u>\$ 29,443,146,872</u>	<u>\$ 31,846,599,387</u>	<u>\$ 34,073,415,230</u>	<u>\$ 35,419,277,279</u>
Unfunded Actuarial Accrued Liability: AAL - AVA ¹					
Member Contribution Balances	\$ -	\$ -	\$ -	\$ -	\$ -
Retiree/Beneficiary	-	-	-	-	-
Disabled	-	-	-	-	-
Inactive	-	-	-	-	-
Active	6,575,028,397	7,315,018,539	6,636,584,545	6,537,124,386	6,325,341,383
Total	<u>\$ 6,575,028,397</u>	<u>\$ 7,315,018,539</u>	<u>\$ 6,636,584,545</u>	<u>\$ 6,537,124,386</u>	<u>\$ 6,325,341,383</u>
Funded Percentage: AVA / AAL ¹					
Member Contribution Balances	100.0%	100.0%	100.0%	100.0%	100.0%
Retiree/Beneficiary	100.0%	100.0%	100.0%	100.0%	100.0%
Disabled	100.0%	100.0%	100.0%	100.0%	100.0%
Inactive	100.0%	100.0%	100.0%	100.0%	100.0%
Active	14.0%	2.4%	15.1%	27.8%	27.6%
Total	<u>81.5%</u>	<u>80.1%</u>	<u>82.8%</u>	<u>83.9%</u>	<u>84.8%</u>
Market Value of Assets	\$ 27,816,772,561	\$ 30,375,416,792	\$ 34,380,608,561	\$ 34,837,679,504	\$ 34,303,969,835
Summary of Assumptions ²					
Valuation Interest Rate	8.00%	8.00%	8.00%	8.00%	7.75%
Salary Increases	4.00% - 10.00%	4.00% - 10.00%	4.00% - 10.00%	4.00% - 10.00%	3.00% - 9.50%
Cost-of-Living Assumption	2.00%	2.00%	2.00%	2.00%	1.00% - 1.50%

¹ In determining the funded percentage, the assets are allocated first to member contribution balances, then to the retiree/beneficiary/disabled liability, then to the inactive liability, and then to the active liability. This does not represent a legal allocation of assets.

² The Board of Trustees adopted several assumption changes for the June 30, 2016 valuation pursuant to a comprehensive experience study completed in June 2016.

SECTION II - FUNDING

FUNDING

	<u>Page</u>
A. Summary of Funding Policy	9
B. Development of Funded Status	11
C. Unfunded Actuarial Accrued Liability Reconciliation	12
D. Reconciliation of Actuarial Accrued Liability	13
E. Reconciliation of Market Value of Assets	14
F. Development of Actuarial Value of Assets	15
G. Contribution Rate	16
H. Determination of the Normal Cost Rate	17
I. Determination of the Unfunded Actuarial Accrued Liability Amortization Rate	18
J. History of Contribution Rates	19
K. Historical Investment Experience	20

SECTION II - FUNDING

A. Summary of Funding Policy

Introduction

The Board of Trustees ("Board") for the Public School Retirement System of Missouri (PSRS) has adopted a funding policy to record the funding objectives and help ensure the systematic funding of future benefit payments for members of PSRS. The funding policy governs the methods used in performing the actuarial valuation, which is the basis for determining the annual contribution rate for both employers and members. The funding policy shall be updated every five years in conjunction with an experience study. Other changes to the funding policy may be considered in the interim as recommended by the actuary. The funding policy was last revised on June 14, 2016, with all changes effective for the June 30, 2016 actuarial valuations.

The "Funding" results presented in this section of the report were prepared in accordance with the funding policy.

Funding Objective

The funding objective is to achieve a funded ratio of 100% over a closed 30-year period. For this purpose, the funded ratio is defined as the Actuarial Value of Assets divided by the Actuarial Accrued Liability determined under the Entry Age Normal Level Percent cost method and the actuarial assumptions adopted by the Board.

Principles of Funding

1. Maintain adequate assets so that current plan assets plus future contributions and investment earnings should be sufficient to fund all benefits expected to be paid to members and their beneficiaries.
2. Maintain stability of contribution rates, consistent with other funding objectives.
3. Maintain public policy goals of accountability and transparency. Each policy element is clear in intent and effect, and each should allow an assessment of whether, how and when the funding requirements of the plan will be met.
4. Promote intergenerational equity. Each generation of members and employers should incur the cost of benefits for the employees who provide services to them, rather than deferring those costs to future members and employers.
5. Provide a reasonable margin for adverse experience to help offset risks.
6. Review the investment earning assumption in conjunction with the periodic asset liability study and in consideration of the Board's risk profile.
7. Review demographic and economic assumptions in conjunction with an experience study performed by an actuary.
8. Continue progress of systematic reduction of the Unfunded Actuarial Accrued Liabilities (UAAL) while keeping the member and employer contribution rates at or near 14.5% of pay, the contribution rates paid during 2010-2011.

SECTION II - FUNDING

A. Summary of Funding Policy (Continued)

Annual Actuarial Valuation to Set Contribution Rates

In accordance with statute, annual actuarial valuations of the System's assets and liabilities shall be performed by an actuary. The contribution rate shall be established based on the results of these valuations. The funding policy requires that the Actuarially Determined Contribution ("ADC") Rate is equal to the sum of the employer Normal Cost Rate and the Unfunded Actuarial Accrued Liability ("UAAL") Amortization Rate. The Normal Cost Rate is the portion of the Present Value of Future Benefits allocated to the year following the Actuarial Valuation Date by the Actuarial Cost Method, as a percentage of payroll. The Unfunded Actuarial Accrued Liability (UAAL) Amortization Rate is the difference between the Actuarial Accrued Liability and Actuarial Value of Assets as of the valuation date, as a percentage of payroll. The contribution rates shall be approved by the Board no later than December 31st for the upcoming school year.

The Board, at its discretion (and to the extent permitted by law), may authorize a change in the member and employer contribution rates from one year to the next should the actuary determine that the contribution rates currently in effect are more or less than required to fully fund the plan over the weighted-average period of the existing UAAL amortization bases established in accordance with the funding policy. The decision by the Board will be based on the expected number of years required to fully fund under the current contribution rates. The contribution rates cannot be increased by more than 1.0% (0.5% for employers and 0.5% for members) per year.

SECTION II - FUNDING

B. Development of Funded Status

	June 30, 2015	June 30, 2016
1. Present Value of Future Benefits		
a. Member Contribution Balances	\$ 6,787,037,824	\$ 6,994,369,700
b. Retirees, Beneficiaries, and Disableds	24,674,170,165	25,895,011,565
c. Inactives	93,048,140	124,310,214
d. Actives	17,217,411,367	15,664,041,020
e. Total: (1)(a) + (1)(b) + (1)(c) + (1)(d)	\$ 48,771,667,496	\$ 48,677,732,499
2. Actuarial Accrued Liability		
a. Member Contribution Balances	\$ 6,787,037,824	\$ 6,994,369,700
b. Retirees, Beneficiaries, and Disableds	24,674,170,165	25,895,011,565
c. Inactives	93,048,140	124,310,214
d. Actives	9,056,283,487	8,730,927,183
e. Total: (2)(a) + (2)(b) + (2)(c) + (2)(d)	\$ 40,610,539,616	\$ 41,744,618,662
3. Actuarial Value of Assets ¹		
a. Member Contribution Balances	\$ 6,787,037,824	\$ 6,994,369,700
b. Retirees, Beneficiaries, and Disableds	24,674,170,165	25,895,011,565
c. Inactives	93,048,140	124,310,214
d. Actives	2,519,159,101	2,405,585,800
e. Total: (3)(a) + (3)(b) + (3)(c) + (3)(d)	\$ 34,073,415,230	\$ 35,419,277,279
4. Unfunded Actuarial Accrued Liability ¹		
a. Member Contribution Balances: (2)(a) - (3)(a)	\$ -	\$ -
b. Retirees, Beneficiaries, and Disableds: (2)(b) - (3)(b)	-	-
c. Inactives: (2)(c) - (3)(c)	-	-
d. Actives: (2)(d) - (3)(d)	6,537,124,386	6,325,341,383
e. Total: (2)(e) - (3)(e)	6,537,124,386	6,325,341,383
5. Funded Percentage ¹		
a. Member Contribution Balances: (3)(a)/(2)(a)	100.0%	100.0%
b. Retirees, Beneficiaries, and Disableds: (3)(b)/(2)(b)	100.0%	100.0%
c. Inactives: (3)(c)/(2)(c)	100.0%	100.0%
d. Actives: (3)(d)/(2)(d)	27.8%	27.6%
e. Total: (3)(e)/(2)(e)	83.9%	84.8%

¹ In determining the funded percentage, the assets are allocated first to member contribution balances, then to the retiree/beneficiary/disabled liability, then to the inactive liability, and then to the active liability. This does not represent a legal allocation of assets.

SECTION II - FUNDING

C. Unfunded Actuarial Accrued Liability Reconciliation

1. June 30, 2015 Unfunded Actuarial Accrued Liability	\$	6,537,124,386
2. Normal Cost for 2015 Plan Year ¹		842,548,463
3. Actuarially Determined Contribution (Employer + Member) ¹		1,267,282,633
4. Interest of 8.00% on (1) + (2) - (3) ²		506,634,020
5. Expected June 30, 2016 Unfunded Actuarial Accrued Liability (1) + (2) - (3) + (4)	\$	6,619,024,236
6. Actuarial Value of Assets Experience (Gain)/Loss ³	\$	283,283,229
7. Actuarial Accrued Liability Experience (Gain)/Loss		
a. Actuarial Accrued Liability Experience	\$	(230,522,804)
b. Additional Liability Due to Cost-of-living Adjustments ⁴		(446,690,829)
c. Additional Liability Due to Changes in Actuarial Assumptions ⁵		100,247,551
d. Additional Liability Due to Changes in Plan Provisions		-
8. Total Experience (Gain)/Loss - New Amortization Base (6) + (7)(a) + (7)(b) + (7)(c) + (7)(d)	\$	(293,682,853)
9. Actual June 30, 2016 Unfunded Actuarial Accrued Liability (5) + (8)	\$	6,325,341,383

¹ Mid-year.

² Includes adjustment due to changes from mid-year to beginning-of-year and from simple to compound interest.

³ Includes the impact of contributions made in excess of the Actuarially Determined Contribution.

⁴ A Cost-of-Living Adjustment (COLA) of 0.00% is effective January 1, 2017, rather than the assumed increase of 2.00%.

⁵ Several assumptions were updated pursuant to an experience study completed in June 2016. See Section V for a detailed list of the assumption changes made for the June 30, 2016 valuation.

SECTION II - FUNDING

D. Reconciliation of Actuarial Accrued Liability

1. June 30, 2015 Actuarial Accrued Liability	\$	40,610,539,616	
2. Normal Cost for 2015 Plan Year ¹		842,548,463	
3. Actual Benefit Payments ²		2,430,906,732	
4. Transfers, Purchases, and Reinstatements ³		36,115,032	
5. Interest of 8.00% on (1) + (2) - (3) + (4) ⁴		3,263,288,365	
6. Expected June 30, 2016 Actuarial Accrued Liability: (1) + (2) - (3) + (4) + (5)	\$	42,321,584,744	
7. (Gain)/Loss Components			
a. Census and Experience Other Than Salary Experience	\$	16,814,811	0.0%
b. Salary Experience		(247,337,615)	(0.6%)
c. Cost-of-Living Adjustment ⁵		(446,690,829)	(1.1%)
d. Assumption Changes ⁶		100,247,551	0.2%
e. Plan Provision Changes		-	0.0%
f. Total: (6)(a) + (6)(b) + (6)(c) + (6)(d) + (6)(e)	\$	(576,966,082)	(1.4%)
8. Actual June 30, 2016 Actuarial Accrued Liability: (6) + (7)(f)	\$	41,744,618,662	

¹ Mid-year.

² Includes refunds of accumulated member contributions.

³ Includes \$840,362 of employer reciprocity and RSMo 169.655 transfers and \$35,274,670 of member service purchases and reinstatements.

⁴ Includes adjustment due to changes from mid-year to beginning-of-year and from simple to compound interest.

⁵ A Cost-of-Living Adjustment (COLA) of 0.00% is effective January 1, 2017, rather than the assumed increase of 2.00%

⁶ Several assumptions were updated pursuant to an experience study completed in June 2016. See Section V for a detailed list of the assumption changes made for the June 30, 2016 valuation.

SECTION II - FUNDING

E. Reconciliation of Market Value of Assets

	June 30, 2015	June 30, 2016
1. Market Value of Assets, Prior June 30	\$ 34,380,608,561	\$ 34,837,679,504
2. Operating Revenues (Receipts)		
a. Employer Contributions	\$ 656,924,899	\$ 670,794,045 ¹
b. Member Contributions	689,187,215	704,785,734 ²
c. Interest	177,311,665	173,489,063
d. Dividends	165,308,030	177,873,108
e. Net Income from Security Lending Activities	3,560,672	120,369,656
f. Net Capital Appreciation/(Depreciation)	1,504,338,229	378,091,003
g. Investment Expenses	(403,375,033)	(316,648,910)
h. Other Income	25,640	6,326
i. Total Receipts:	\$ 2,793,281,317	\$ 1,908,760,025
(2)(a) + (2)(b) + (2)(c) + (2)(d) + (2)(e) + (2)(f) + (2)(g) + (2)(h)		
3. Operating Expenses (Disbursements)		
a. Benefit Payments	\$ 2,270,258,828	\$ 2,376,276,333
b. Refunds to Members	55,937,945	54,630,399
c. Administrative Expenses	10,011,961	11,547,623 ³
d. Other Expenses	1,640	15,339
e. Total Disbursements:	\$ 2,336,210,374	\$ 2,442,469,694
(3)(a) + (3)(b) + (3)(c) + (3)(d)		
4. Excess of Revenues over Expenses: (2)(i) - (3)(e)	\$ 457,070,943	\$ (533,709,669)
5. Market Value of Assets, Current June 30: (1) + (4)	\$ 34,837,679,504	\$ 34,303,969,835

¹ Includes \$840,362 of reciprocity and RSMo 169.655 transfers and \$362,418 of contributions for system employees other than investment staff.

² Includes \$35,274,670 of member service purchases and reinstatements.

³ Includes \$362,418 of contributions for system employees other than investment staff.

SECTION II - FUNDING

F. Development of Actuarial Value of Assets

1.	Actuarial Value of Assets June 30, 2015		\$	34,073,415,230
2.	Activity for Fiscal Year 2016			
	a. Contributions ¹		\$	1,375,579,779
	b. Benefit Payments ²			<u>(2,430,906,732)</u>
	c. Net Cash Flow		\$	(1,055,326,953)
3.	Expected Returns ³		\$	2,684,472,231
4.	Assets Before Allocation of Gain/Loss: (1) + (2) + (3)		\$	35,702,560,508
5.	Actual Returns for 2016 (Net of Expenses)		\$	521,617,284
6.	Excess Returns for 2016: (5) - (3)		\$	(2,162,854,947)
7.	Recognized Excess Returns:			
	<u>Year</u>	<u>Excess Return</u>	<u>% Unrecognized</u>	
	2016	(2,162,854,947)	80%	\$ (432,570,989)
	2015	(1,071,368,963)	60%	(214,273,793)
	2014	2,599,351,144	40%	519,870,229
	2013	1,090,287,168	20%	218,057,434
	2012	(1,871,830,546)	0%	<u>(374,366,110)</u>
	Total		\$	(283,283,229)
8.	Actuarial Value of Assets, June 30, 2016: (4) + (7)		\$	35,419,277,279

¹ Includes \$840,362 of employer reciprocity and RSMo 169.655 transfers and \$35,274,670 of member service purchases and reinstatements.

² Includes refunds of accumulated member contributions.

³ Assumes cash flows occur at mid-year.

SECTION II - FUNDING

G. Contribution Rate

Development of Actuarially Determined Contribution Rate:	June 30, 2015	June 30, 2016
1. Anticipated Payroll	\$ 4,508,241,581	\$ 4,556,137,282 ¹
2. Normal Cost ²		
a. Amount	\$ 842,548,463	\$ 740,176,751
b. Percentage of Payroll	18.69%	16.25%
3. Unfunded Actuarial Accrued Liability (UAAL) Amortization ³		
a. Amount	\$ 424,734,170	\$ 425,472,449
b. Percentage of Payroll	9.42%	9.34%
4. Actuarially Determined Contribution Rate		
a. Percentage of Payroll: (2)(b) + (3)(b)	28.11%	25.59%
b. Effective UAAL Amortization Period	25.8 Years	24.6 Years
5. Recommended Total Contribution Rate, Member + Employer		
a. Percentage of Payroll	29.00%	29.00%
b. Effective UAAL Amortization Period	22.1 Years	14.8 Years
c. Effective Date	July 1, 2016	July 1, 2017

¹ Equal to \$4,516,312,110 of anticipated payroll for members that are not covered by Social Security and two-thirds (2/3) of \$59,737,758 of anticipated payroll for members that are covered by Social Security and expected to contribute two-thirds of the contribution rate.

² The Normal Cost shown for June 30, 2015 is mid-year and includes a 2.00% load for anticipated losses on service purchases. The Normal Cost shown for June 30, 2016 is as of the beginning of the year and includes a 1.00% load for anticipated losses on service purchases. As a suggestion noted in the 2016 actuarial audit, this methodology was refined for June 30, 2016 and approved by PSRS.

³ The Unfunded Actuarial Accrued Liability (UAAL) Amortization shown for June 30, 2015 is mid-year. The UAAL Amortization for June 30, 2016 is as of the beginning of the year. As a suggestion noted in the 2016 actuarial audit, this methodology was refined for June 30, 2016 and approved by PSRS.

SECTION II - FUNDING

H. Determination of the Normal Cost Rate

	<u>Dollar ¹</u>	<u>Rate</u>
1. Active Members		
a. Retirement Benefits	\$ 597,483,166	13.12%
b. Termination Benefits	125,285,775	2.75%
c. Death and Disability Benefits	<u>17,407,810</u>	<u>0.38%</u>
d. Total Normal Cost	\$ 740,176,751	16.25%
2. Anticipated Member Payroll ²	\$ 4,556,137,282	

¹ Normal cost amounts include a 1.00% load for anticipated losses on service purchases.

² Equal to \$4,516,312,110 of anticipated payroll for members that are not covered by Social Security and two-thirds (2/3) of \$59,737,758 of anticipated payroll for members that are covered by Social Security and expected to contribute two-thirds of the contribution rate.

SECTION II - FUNDING

I. Determination of the Unfunded Actuarial Accrued Liability Amortization Rate

	Date Base Established	Reason	Remaining Balance ¹	Remaining Period	Amortization Amount	Rate
1.	6/30/2007	Plan Amendment	\$ 30,223,913	11	\$ 3,445,434	0.08%
2.	6/30/2011	UAAL Fresh Start	5,353,052,629	25	357,345,085	7.84%
3.	6/30/2012	Actuarial Experience	1,589,358,644	26	103,982,039	2.28%
4.	6/30/2013	Actuarial Experience	727,679,922	27	46,719,052	1.03%
5.	6/30/2013	Plan Amendment ²	(65,140,143)	27	(4,182,176)	-0.09%
6.	6/30/2014	Actuarial Experience	(820,144,127)	28	(51,734,681)	-1.14%
7.	6/30/2015	Actuarial Experience	(196,006,602)	29	(12,161,289)	-0.27%
8.	6/30/2016	Actuarial Experience and Assumption Changes	<u>(293,682,853)</u>	30	<u>(17,941,015)</u>	<u>-0.39%</u>
	Total		\$ 6,325,341,383		\$ 425,472,449	9.34%
9.	Anticipated Member Payroll ³				\$ 4,556,137,282	

¹ Amortized as a level percent of payroll assuming 2.75% payroll growth and 7.75% discount rate.

² Includes the permanent extension of the Special Early Retirement ("25-and-out") benefit and one-year extension of the enhanced Normal Retirement ("2.55% formula factor") benefit for members who retire with 31 or more years of service, which reduced the Actuarial Accrued Liability and is therefore being amortized over 30 years.

³ Equal to \$4,516,312,110 of anticipated payroll for members that are not covered by Social Security and two-thirds (2/3) of \$59,737,758 of anticipated payroll for members that are covered by Social Security and expected to contribute two-thirds of the contribution rate.

SECTION II - FUNDING

J. History of Contribution Rates¹

<u>Valuation Date</u>	<u>Effective Date</u>	<u>Total Contribution Rate</u>
June 30, 2001	July 1, 2002	21.00%
June 30, 2002	July 1, 2003	21.00%
June 30, 2003	July 1, 2004	22.00%
June 30, 2004	July 1, 2005	23.00%
June 30, 2005	July 1, 2006	24.00%
June 30, 2006	July 1, 2007	25.00%
June 30, 2007	July 1, 2008	26.00%
June 30, 2008	July 1, 2009	27.00%
June 30, 2009	July 1, 2010	28.00%
June 30, 2010	July 1, 2011	29.00%
June 30, 2011	July 1, 2012	29.00%
June 30, 2012	July 1, 2013	29.00%
June 30, 2013	July 1, 2014	29.00%
June 30, 2014	July 1, 2015	29.00%
June 30, 2015	July 1, 2016	29.00%

¹ Valuation results prior to June 30, 2009 were calculated by the prior actuary.

SECTION II - FUNDING

K. Historical Investment Experience

<u>Year Ending June 30</u>	<u>Rate of Investment Return</u>		<u>Actuarial Assumed</u>
	<u>Market Basis ¹</u>	<u>Actuarial Basis ^{2,3}</u>	<u>Interest Rate</u>
2007	16.4%	11.0%	8.00%
2008	(4.4%)	8.1%	8.00%
2009	(19.5%)	2.1%	8.00%
2010	12.8%	2.3%	8.00%
2011	21.6%	4.0%	8.00%
2012	1.7%	1.2%	8.00%
2013	12.4%	4.4%	8.00%
2014	16.7%	11.0%	8.00%
2015	4.3%	10.2%	8.00%
2016	1.6%	7.2%	8.00%

¹ As provided by PSRS. Net of all expenses and fees.

² Approximate return net of all expenses and fees and assuming all cash flows occurred at mid-year.

³ Valuation results prior to June 30, 2009 were calculated by the prior actuary.

SECTION III - ACCOUNTING

ACCOUNTING

	<u>Page</u>
A. Statement of Fiduciary Net Position under GASB #67 as of June 30, 2016	21
B. Statement of Changes in Fiduciary Net Position under GASB #67 for the Year Ended June 30, 2016	22
C. Net Pension Liability under GASB #68 for the Year Ended June 30, 2016	23
D. Deferred Inflows and Outflows of Resources under GASB #68 for the Year Ended June 30, 2016	24
E. Pension Expense under GASB #68 for the Year Ended June 30, 2016	26
F. Selected Notes to the Financial Statements under GASB #67 and #68	27
G. Schedule of Changes in the Net Pension Liability and Plan Fiduciary Net Position under GASB #67 and #68	29
H. Schedule of Net Pension Liability and Related Ratios under GASB #67 and #68	30
I. Schedule of Contributions under GASB #67 and #68	31
J. Schedule of Money-Weighted Returns under GASB #67 and #68	32

SECTION III - ACCOUNTING

PLAN FINANCIAL STATEMENTS UNDER GASB #67

A. Statement of Fiduciary Net Position under GASB #67 as of June 30, 2016

1.	Assets		
	a. Cash	\$	75,849,297
	b. Receivables		
	i. Contributions Receivable	\$	192,196,993
	ii. Accrued Interest and Dividends		63,519,053
	iii. Investment Sales		1,468,462,732
	iv. Due from PEERS		994,703
	v. Other		6,811
	vi. Total Receivables	\$	1,725,180,292
	c. Total Investments		
	i. Short-Term Investments	\$	500,150,729
	ii. US Treasuries and TIPS		5,898,759,717
	iii. US Public Equities		10,813,068,761
	iv. Global Public Equities		5,152,924,108
	v. Public Debt		2,078,784,716
	vi. Private Equity		2,731,251,511
	vii. Private Credit		224,330,322
	viii. Private Real Estate		2,699,586,635
	ix. Hedged Assets		4,317,185,809
	x. Total Investments	\$	34,416,042,308
	d. Invested Securities Lending Collateral		365,310,828
	e. Prepaid Expenses		308,247
	f. Fixed Assets, Net of Depreciation		25,214,511
	g. Total Assets: (1)(a) + (1)(b)(vi) + (1)(c)(x) + (1)(d) + (1)(e) + (1)(f)	\$	36,607,905,483
2.	Liabilities		
	a. Accounts Payable	\$	12,413,426
	b. Interest Payable		153,290
	c. Securities Lending Collateral		365,311,695
	d. Investment Purchases		1,923,244,694
	e. Due to PEERS		-
	f. Lease Liability		-
	g. Accrued Medical Claims ¹		161,200
	h. OPEB Liability for System Employees ¹		1,209,495
	i. Compensated Absences ¹		1,441,848
	j. Total Liabilities: (2)(a) + (2)(b) + (2)(c) + (2)(d) + (2)(e) + (2)(f) + (2)(g) + (2)(h) + (2)(i)	\$	2,303,935,648
3.	Fiduciary Net Position Restricted for Pensions: (1)(g) - (2)(j)	\$	34,303,969,835

¹ Compensation and benefit costs related to System employees and paid from the Trust.

SECTION III - ACCOUNTING

PLAN FINANCIAL STATEMENTS UNDER GASB #67

B. Statement of Changes in Fiduciary Net Position under GASB #67 for the Year Ended June 30, 2016

1.	Fiduciary Net Position as of June 30, 2015	\$	34,837,679,504
2.	Additions		
a.	Contributions		
	i. Member Contributions ¹		704,785,734
	ii. Employer Contributions ²		670,794,045
	iii. Non-Employer Contributing Entity Contributions		-
	iv. Total Contributions	\$	1,375,579,779
b.	Investment Income/(Loss)		
	i. Net Appreciation/(Depreciation)	\$	378,091,003
	ii. Net Interest and Dividend Income		351,362,171
	iii. Net Income from Security Lending Activities		120,369,656
	iv. Other Net Investment Income		-
	v. Investment Expenses and Rebates		(316,648,910)
	vi. Total Investment Income/(Loss)	\$	533,173,920
c.	Other Additions		
	i. PSRS Capital Asset Change	\$	-
	ii. Miscellaneous Income		6,326
	iii. Total Other Additions	\$	6,326
d.	Total Revenue (Additions): (2)(a)(iv) + (2)(b)(vi) + (2)(c)(iii)	\$	1,908,760,025
3.	Deductions		
a.	Monthly Benefits	\$	2,376,276,333
b.	Refunds of Contributions		54,630,399
c.	Administrative Expenses ³		11,547,623
d.	Other Expenses		15,339
e.	Total Expenses (Deductions): (3)(a) + (3)(b) + (3)(c) + (3)(d)	\$	2,442,469,694
4.	Net Increase (Decrease) in Fiduciary Net Position: (2)(d) - (3)(e)	\$	(533,709,669)
5.	Fiduciary Net Position as of June 30, 2016: (1) + (4)	\$	34,303,969,835

¹ Includes \$35,274,670 of contributions for service purchases and reinstatements.

² Includes \$840,362 of contributions for reciprocity and RSMo 169.655 transfers and \$362,418 of contributions for system employees other than investment staff.

³ Includes \$362,418 of contributions for system employees other than investment staff.

SECTION III - ACCOUNTING

EMPLOYER FINANCIAL STATEMENTS UNDER GASB #68

C. Net Pension Liability under GASB #68 for the Year Ended June 30, 2016

1.	Total Pension Liability		
	a. Total Pension Liability - Beginning of year	\$	40,610,539,616
	b. Total service cost ¹		842,548,463
	c. Interest cost ²		3,263,288,365
	d. Experience (gains)/losses		(677,213,633)
	e. Assumption changes		100,247,551
	f. Plan amendments		-
	g. Benefit payments ³		(2,430,906,732)
	h. Transfers, Purchases, and Reinstatements		<u>36,115,032</u>
	i. Total Pension Liability - End of year	\$	<u>41,744,618,662</u>
2.	Plan Fiduciary Net Position		
	a. Plan Fiduciary Net Position - Beginning of year	\$	34,837,679,504
	b. Employer contributions ⁴		670,794,045
	c. Member contributions ⁵		704,785,734
	d. Non-employer contributing entity contributions		-
	e. Investment return		
	i. Expected investment return ^{2,6}	\$	2,745,613,373
	ii. Investment gain/(loss)		<u>(2,212,433,127)</u>
	iii. Net investment return		533,180,246
	f. Benefit payments ³		(2,430,906,732)
	g. Administrative and Other Expenses ⁷		<u>(11,562,962)</u>
	h. Plan Fiduciary Net Position - End of year:	\$	<u>34,303,969,835</u>
3.	Net Pension Liability		
	a. Net Pension Liability: (1)(i) - (2)(h)	\$	7,440,648,827
	b. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability : (2)(h) / (1)(i)		82.2%

¹ Mid-year.

² Reflects actual benefit payments and includes adjustment due to changes from mid-year to beginning-of-year and from simple to compound interest.

³ Includes refunds of accumulated member contributions.

⁴ Includes \$840,362 of contributions for reciprocity and RSMo 169.655 transfers and \$362,418 of contributions for system employees other than investment staff.

⁵ Includes \$35,274,670 of contributions for service purchases and reinstatements.

⁶ 8.00%, net of investment expenses and assuming cash flows occur at mid-year.

⁷ Includes \$362,418 of contributions for system employees other than investment staff.

SECTION III - ACCOUNTING

EMPLOYER FINANCIAL STATEMENTS UNDER GASB #68

D. Deferred Inflows and Outflows of Resources under GASB #68 for the Year Ended June 30, 2016¹

Fiscal Year Established	Reason	Remaining Balance At Beginning of Year	Remaining Period ²	Annual Recognition	Remaining Balance At End of Year
1. Liability experience					
a. Inflows					
2016	Experience gain	\$ 677,213,633	6.23	\$ 108,702,028	\$ 568,511,605
b. Outflows					
2014	Experience loss	\$ (155,671,060)	4.39	\$ (35,460,378)	\$ (120,210,682)
2015	Experience loss	\$ (506,581,381)	5.54	\$ (91,440,682)	\$ (415,140,699)
2. Assumption changes					
a. Inflows					
None					
b. Outflows					
2016	Assumption loss	\$ (100,247,551)	6.23	\$ (16,091,100)	\$ (84,156,451)
3. Investment experience ³					
a. Inflows					
2014	Investment gain	\$ 1,479,785,015	3.00	\$ 493,261,671	\$ 986,523,344
b. Outflows					
2015	Investment loss	\$ (1,011,267,558)	4.00	\$ (252,816,890)	\$ (758,450,668)
2016	Investment loss	\$ (2,212,433,127)	5.00	\$ (442,486,626)	\$ (1,769,946,501)
4. Total deferred inflows / outflows: (1) + (2) + (3)					
a. Inflows					
	Total	\$ 2,156,998,648		\$ 601,963,699	\$ 1,555,034,949
b. Outflows					
	Total	\$ (3,986,200,677)		\$ (838,295,676)	\$ (3,147,905,001)

¹ As allowable under GASB #68, information was prepared prospectively from June 30, 2013.

² The initial amortization period for liability experience gains / losses and assumption change gains / losses is equal to the expected future working lifetime of all members, active and inactive.
The initial amortization period for investment gains / losses is five years.

³ Net of investment expenses.

SECTION III - ACCOUNTING

EMPLOYER FINANCIAL STATEMENTS UNDER GASB #68

D. Deferred Inflows and Outflows of Resources under GASB #68 for the Year Ended June 30, 2016 (Continued)

Amounts reported as collective deferred inflows / (outflows) of resources to be recognized in pension expense:

Year Ending June 30:

2017	\$	(236,331,977)
2018	\$	(236,331,975)
2019	\$	(729,593,646)
2020	\$	(455,145,925)
2021	\$	43,232,957
Thereafter	\$	21,300,514

SECTION III - ACCOUNTING

EMPLOYER FINANCIAL STATEMENTS UNDER GASB #68

E. Pension Expense under GASB #68 for the Year Ended June 30, 2016

1. Service cost	
a. Total service cost ¹	\$ 842,548,463
b. Member contributions ²	(669,511,064)
c. Administrative and other expenses ³	<u>11,185,205</u>
d. Net employer service cost	\$ 184,222,604
2. Plan amendments	\$ -
3. Interest cost ⁴	\$ 3,263,288,365
4. Expected return on assets	\$ (2,745,613,373)
5. Recognition of deferred (inflows) / outflows of resources related to:	
a. Liability experience (gains) / losses	\$ 18,199,032
b. Assumption changes (gains) / losses	16,091,100
c. Investment (gains) / losses	<u>202,041,845</u>
d. Total: (5)(a) + (5)(b) + (5)(c)	\$ 236,331,977
6. Total collective pension expense: (1)(d) + (2) + (3) + (4) + (5)(d)	\$ 938,229,573

¹ Mid-year.

² Excludes \$35,274,670 of contributions for service purchases and reinstatements.

³ Excludes \$362,418 of contributions for system employees other than investment staff.

⁴ Includes adjustment due to changes from mid-year to beginning-of-year and from simple to compound interest.

SECTION III - ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #67 AND #68

G. Schedule of Changes in the Net Pension Liability and Plan Fiduciary Net Position under GASB #67 and #68 ¹

Year Ending June 30:	<u>2014</u>	<u>2015</u>	<u>2016</u>
1. Total Pension Liability			
a. Total Pension Liability - Beginning of year	\$ 36,758,165,411	\$ 38,483,183,932	\$ 40,610,539,616
b. Total service cost ²	849,712,130	836,085,151	842,548,463
c. Interest cost ³	2,885,182,982	3,019,050,250	3,263,288,365
d. Experience (gains)/losses	226,591,816	598,022,063	(677,213,633)
e. Assumption changes	-	-	100,247,551
f. Plan amendments	-	-	-
g. Benefit payments ⁴	(2,236,468,407)	(2,326,196,773)	(2,430,906,732)
h. Transfers, Purchases, and Reinstatements	-	394,993	36,115,032
i. Total Pension Liability - End of year:	<u>\$ 38,483,183,932</u>	<u>\$ 40,610,539,616</u>	<u>\$ 41,744,618,662</u>
2. Plan Fiduciary Net Position			
a. Plan Fiduciary Net Position - Beginning of year	\$ 30,375,416,792	\$ 34,380,608,561	\$ 34,837,679,504
b. Employer contributions ⁵	643,989,869	656,924,899	670,794,045
c. Member contributions ⁶	679,390,918	689,187,215	704,785,734
d. Non-employer contributing entity contributions	-	-	-
e. Net investment return	4,927,198,588	1,447,169,203	533,180,246
f. Benefit payments ⁴	(2,236,468,407)	(2,326,196,773)	(2,430,906,732)
g. Administrative and Other Expenses ⁷	(8,919,199)	(10,013,601)	(11,562,962)
h. Plan Fiduciary Net Position - End of year:	<u>\$ 34,380,608,561</u>	<u>\$ 34,837,679,504</u>	<u>\$ 34,303,969,835</u>

¹ As allowable under GASB #67 and GASB #68, information was prepared prospectively from June 30, 2013.

² Mid-year.

³ Reflects actual benefit payments. The Interest Cost shown for 2016 includes an adjustment due to changes from mid-year to beginning-of-year and from simple to compound interest.

⁴ Includes refunds of accumulated member contributions and other interfund transfers.

⁵ Includes contributions for reciprocity and RSMo 169.655 transfers and contributions for system employees.

⁶ Includes contributions for service purchases and reinstatements.

⁷ Includes contributions for system employees.

SECTION III - ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #67 AND #68

H. Schedule of Net Pension Liability and Related Ratios under GASB #67 and #68 ¹

1. Year Ending	2. Total Pension Liability	3. Plan Fiduciary Net Position	4. Net Pension Liability (2) - (3)	5. Fiduciary Net Position as a Percentage of Total Pension Liability (3) / (2)	6. Anticipated Covered Employee Payroll ²	7. Net Pension Liability as a Percentage of Covered Payroll (4) / (6)
6/30/2014	\$ 38,483,183,932	\$ 34,380,608,561	\$ 4,102,575,371	89.3%	\$ 4,425,567,630	92.7%
6/30/2015	\$ 40,610,539,616	\$ 34,837,679,504	\$ 5,772,860,112	85.8%	\$ 4,508,241,581	128.1%
6/30/2016	\$ 41,744,618,662	\$ 34,303,969,835	\$ 7,440,648,827	82.2%	\$ 4,556,137,282	163.3%

¹ As allowable under GASB #67 and GASB #68, information was prepared prospectively from June 30, 2013.

² Pensionable pay as provided by PSRS. Gross member compensation, which may include components of compensation not included in pensionable pay, was not made available to PwC. Reflects two-thirds of the anticipated payroll for members covered by Social Security and expected to contribute two-thirds of the contribution rate.

SECTION III - ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #67 AND #68

I. Schedule of Contributions under GASB #67 and #68¹

1. Year Ending	2. Actuarially Determined Contribution ^{1,2}	3. Actual Employer Contributions	4. Contribution Excess / (Deficiency) (Deficiency) (3) - (2)	5. Actual Covered Member Payroll	6. Contributions as a Percentage of Covered Payroll (3) / (5)
6/30/2007	644,969,214	472,216,630	(172,752,584)	3,935,138,583	12.00%
6/30/2008	656,347,298	521,241,501	(135,105,797)	4,169,932,008	12.50%
6/30/2009	669,643,988	563,454,487	(106,189,501)	4,334,265,285	13.00%
6/30/2010	658,161,150	594,326,122	(63,835,028)	4,402,415,719	13.50%
6/30/2011	684,366,766	594,732,137	(89,634,629)	4,248,086,693	14.00%
6/30/2012	720,303,976	620,214,231	(100,089,745)	4,277,339,524	14.50%
6/30/2013	507,232,268	634,040,335	126,808,067	4,372,691,966	14.50%
6/30/2014	608,459,393	643,989,869	35,530,476	4,441,309,441	14.50%
6/30/2015	666,438,984	656,924,899	(9,514,085)	4,530,516,545	14.50%
6/30/2016	643,155,536 ³	669,953,683 ⁴	26,798,147	4,620,370,228	14.50%

¹ Valuation results prior to June 30, 2009 were computed by the prior actuary.

² Employer portion of the Actuarial Determined Contribution, net of member contributions.

³ The actuarially determined contribution rate for employers for the year ending June 30, 2016 is 13.92%. This consists of an employer normal cost rate of 4.39%, which is net of the 14.5% contribution rate for members, and a UAAL amortization rate of 9.53%. Based on these percentages, the actuarial determined contribution amount for employers consists of \$202,834,253 for normal cost and \$440,321,283 for UAAL amortization.

⁴ Excludes \$840,362 of employer contributions for reciprocity and RSMo 169.655 transfers.

SECTION III - ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #67 AND #68

J. Schedule of Money-Weighted Returns under GASB #67 and #68¹

1. Year Ending	2. Money-Weighted Rate of Return
6/30/2014	16.7%
6/30/2015	4.3%
6/30/2016	1.6%

¹ As allowable under GASB #67 and GASB #68, information was prepared prospectively from June 30, 2013.

SECTION IV - CENSUS DATA

CENSUS DATA

	<u>Page</u>
A. Reconciliation of Member Counts	33
B. Member Census Statistics as of June 30, 2016	34
C. History of Active Member Average Pay, Age, and Service	35
D. Distribution of Active Members by Salary	36
E. Distribution of Active Members by Age and Service	37
F. Distribution of Inactive Members by Age and Service	38
G. Distribution of Retired Members, Beneficiaries, and Disabled Members by Age and Number of Years Retired	39
H. History of Retirees, Beneficiaries, and Disabled Members	40
I. History of Cost of Living Increases to Retired Members	41
J. Distribution of Retired Members by Type and Monthly Amount	42
K. Distribution of Retired Members by Type of Benefit	43

SECTION IV - CENSUS DATA

A. Reconciliation of Member Counts

	Actives ¹	Former Members ²	Inactive Members ³	Disabled Retirements	Service Retirements ⁴	Beneficiary ⁵	Total
Total as of June 30, 2015	78,314	4,184	12,079	896	51,345	3,884	150,702
New Memberships	4,745	3	604	0	0	0	5,352
Terminated Members Reinstated	810	(1)	(809)	0	0	0	0
Refunds	(697)	(913)	(614)	0	0	0	(2,224)
Other Terminations	(2,531)	562	1,969	0	0	0	0
Service Retirements	(2,357)	0	(246)	0	2,603	0	0
Disabled Retirements	(71)	0	(12)	83	0	0	0
Death with Beneficiary	(29)	(7)	(3)	(8)	(264)	311	0
Death without Beneficiary ⁵	(17)	(62)	(2)	(15)	(619)	(190)	(905)
Voided memberships	(24)	(1)	(11)	0	0	0	(36)
Refund Pending	(16)	41	(21)	0	0	0	4
Data Adjustments ⁶	2	(363)	(1)	1	4	(11)	(368)
Total as of June 30, 2016	78,129	3,443	12,933	957	53,069	3,994	152,525

¹ The number of active members as of June 30, 2016 includes 2,108 members who retired in July 2016.

² Terminated and deceased former members whose contributions had yet to be distributed as of the valuation date.

³ The number of inactive members as of June 30, 2016 includes 24 members who retired in July 2016.

⁴ Includes members with benefits on hold that will be re-started at a future date.

⁵ As of June 30, 2015, the beneficiaries include 200 dependent children whose payment accounts were consolidated with a spouse survivor. As of June 30, 2016, the beneficiaries include 130 dependent children whose payment accounts were consolidated with a spouse survivor.

⁶ The data adjustment for Former Members reflects the removal of 365 duplicate records that were included in the June 30, 2015 census data.

SECTION IV - CENSUS DATA

B. Member Census Statistics as of June 30, 2016

	<u>Male</u>	<u>Female</u>	<u>Total</u>
1. Active			
Number ¹	18,065	60,064	78,129
Average Age	42.1	42.0	42.0
Average Years of Service	11.6	11.6	11.6
Anticipated Payroll of Actives ²	\$ 1,171,715,072	\$ 3,384,422,210	\$ 4,556,137,282
2. Inactive			
Vested			
Number ³	1,459	6,653	8,112
Annual Deferred Annuities	\$ 19,210,051	\$ 68,966,695	\$ 88,176,746
Non Vested			
Number	962	3,859	4,821
Account Balance	\$ 9,810,306	\$ 40,430,448	\$ 50,240,754
Former Members Entitled to a Deferred Annuity			
Number ⁴	23	57	80
Annual Deferred Annuities	\$ 403,524	\$ 725,601	\$ 1,129,125
Former Members Entitled to a Refund of Contributions			
Number	669	2,694	3,363
Account Balance	\$ 5,252,660	\$ 22,030,991	\$ 27,283,651
4. Retiree/Beneficiary/Disabled			
Number ⁵	15,888	42,132	58,020
Average Age	70.5	69.4	69.7
Annual Benefits Payable ⁵	\$ 730,326,555	\$ 1,628,446,502	\$ 2,358,773,057

¹ Includes 2,108 members who retired in July 2016.

² Figures shown are the anticipated pay for the one-year period following the valuation date; excludes 2,108 members who retired or became disabled in July 2016.

Reflects two-thirds of the anticipated payroll for members covered by Social Security and expected to contribute two-thirds of the contribution rate.

³ Includes 24 members who retired in July 2016.

⁴ Four former members entitled to a deferred annuity without gender are assumed to be female.

⁵ Does not include 2,132 members who retired in July 2016.

SECTION IV - CENSUS DATA

C. History of Active Member Average Pay, Age, and Service¹

1. Valuation Date	2. Active Members	3. Covered Payroll (\$ in Thousands)	4. Average Pay (3) / (2)	5. Annual Percent Change	6. Average Attained Age	7. Average Years of Service
6/30/1997	66,456	2,427,429	36,527	3.3%	42.5	12.1
6/30/1998	68,709	2,577,594	37,515	2.7%	42.5	11.9
6/30/1999	70,092	2,690,353	38,383	2.3%	42.5	11.7
6/30/2000	71,706	2,836,062	39,551	3.1%	42.5	11.6
6/30/2001	72,688	2,982,051	41,025	3.7%	42.4	11.3
6/30/2002	73,673	3,213,461	43,618	6.3%	42.3	11.2
6/30/2003	74,347	3,373,058	45,369	4.0%	42.4	11.3
6/30/2004	73,797	3,408,230	46,184	1.8%	42.5	11.4
6/30/2005	73,850	3,540,649	47,944	3.8%	42.5	11.4
6/30/2006	75,540	3,775,752	49,983	4.3%	42.4	11.2
6/30/2007	77,121	3,980,698	51,616	3.3%	42.3	11.1
6/30/2008	78,436	4,209,417	53,667	4.0%	42.2	11.1
6/30/2009	79,335	4,439,381	55,957	4.3%	42.2	11.1
6/30/2010	79,256	4,493,865	56,701	1.3%	42.3	11.3
6/30/2011	77,708	4,338,976	55,837	-1.5%	42.3	11.5
6/30/2012	77,529	4,379,060	56,483	1.2%	42.2	11.4
6/30/2013	78,076	4,460,872	57,135	1.2%	42.1	11.4
6/30/2014	75,168	4,425,568	58,876	3.0%	42.2	11.8
6/30/2015	78,314	4,508,242	59,177	0.5%	42.0	11.5
6/30/2016	78,129 ²	4,556,137 ³	59,933 ³	1.3%	42.0	11.6

¹ Valuation results prior to June 30, 2009 were calculated by the prior actuary.

² Includes 2,108 members who retired in July 2016.

³ Excludes pay for 2,108 members who retired in July 2016. Reflects two-thirds of the anticipated payroll for members covered by Social Security and expected to contribute two-thirds of the contribution rate.

SECTION IV - CENSUS DATA

D. Distribution of Active Members by Salary¹

Annual Salary	Number	Percent
Under \$20,000	1,144	1.51%
\$20,000 - 24,999	755	0.99%
\$25,000 - 29,999	1,011	1.33%
\$30,000 - 34,999	1,559	2.05%
\$35,000 - 39,999	4,389	5.77%
\$40,000 - 44,999	8,344	10.98%
\$45,000 - 49,999	10,860	14.29%
\$50,000 - 54,999	10,061	13.23%
\$55,000 - 59,999	8,476	11.15%
\$60,000 - 64,999	6,832	8.99%
\$65,000 - 69,999	5,305	6.98%
\$70,000 - 74,999	4,123	5.42%
\$75,000 - 79,999	3,122	4.11%
\$80,000 - 84,999	2,565	3.37%
\$85,000 - 89,999	2,037	2.68%
\$90,000 - 94,999	1,452	1.91%
\$95,000 - 99,999	1,210	1.59%
\$100,000 & Over	2,776	3.65%
Total	76,021	100.00%

¹ Excludes 2,108 members who retired in July 2016.

SECTION IV - CENSUS DATA

E. Distribution of Active Members by Age and Service ¹

Attained Age	Distribution of Active Members by Age and Service as of June 30, 2016							Total
	0 to 4 years	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	Over 30	
<25	1,396	2						1,398
25-29	7,602	1,686						9,288
30-34	3,418	6,301	1,649			1		11,369
35-39	2,234	2,941	5,798	1,484				12,457
40-44	1,651	1,897	2,602	4,683	1,006	1		11,840
45-49	1,358	1,577	1,924	2,611	3,504	735	5	11,714
50-54	805	1,073	1,416	1,744	1,598	2,008	383	9,027
55-59	595	703	1,068	1,396	1,355	749	478	6,344
60-64	321	417	584	895	614	376	210	3,417
>=65	153	155	224	250	224	142	127	1,275
Total	19,533	16,752	15,265	13,063	8,301	4,012	1,203	78,129

¹Includes 2,108 members who retired in July 2016.

SECTION IV - CENSUS DATA

F. Distribution of Inactive Members by Age and Service ¹

Attained Age	Distribution of Inactive Members by Age and Service as of June 30, 2016							Total
	0 to 4 years	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	Over 30	
<25	173							173
25-29	1,578	46						1,624
30-34	1,166	876	21					2,063
35-39	590	1,205	283	8				2,086
40-44	344	1,015	391	115	2			1,867
45-49	322	830	355	178	32			1,717
50-54	267	698	359	158	60	1		1,543
55-59	202	597	358	175	41	2		1,375
60-64	112	151	70	32	9	1		375
>=65	67	28	11	3	1			110
Total	4,821	5,446	1,848	669	145	4		12,933

¹ Includes 24 members who retired in July 2016.

SECTION IV - CENSUS DATA

G. Distribution of Retired Members, Beneficiaries, and Disabled Members by Age and Number of Years Retired

Attained Age	Distribution of Retired Members, Beneficiaries, and Disabled Members by Age and Number of Years Retired as of June 30, 2016							
	0 to 4 years	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	Over 30	Total
<50	227	126	55	28	8	7	6	457
50-54	908	159	18	14	8	5	6	1,118
55-59	3,048	1,366	165	22	10	5	5	4,621
60-64	4,175	4,498	1,716	211	30	19	18	10,667
65-69	2,445	5,354	4,954	2,269	172	25	30	15,249
70-74	474	1,959	3,556	3,776	886	39	22	10,712
75-79	90	316	1,039	2,706	1,859	354	52	6,416
80-84	12	50	187	938	1,764	1,043	242	4,236
85-89	6	12	22	153	697	1,319	616	2,825
>90		7	7	19	111	427	1,148	1,719
Total	11,385	13,847	11,719	10,136	5,545	3,243	2,145	58,020

¹ Does not include 2,132 members who retired in July 2016.

SECTION IV - CENSUS DATA

H. History of Retirees, Beneficiaries, and Disabled Members^{1,2}

Valuation Date	Service Retirees			Disability Retirees			Beneficiaries		
	Added	Removed	End of Year	Added	Removed	End of Year	Added	Removed	End of Year
6/30/1996	1,344	693	20,075	44	35	567	150	72	1,490
6/30/1997	1,797	732	21,140	30	31	566	170	74	1,586
6/30/1998	1,757	728	22,169	27	32	561	187	82	1,691
6/30/1999	1,965	748	22,386	41	33	569	182	82	1,791
6/30/2000	2,136	763	24,759	43	32	580	187	79	1,899
6/30/2001	2,639	759	26,639	45	29	596	189	89	1,999
6/30/2002	2,262	773	28,128	42	41	597	248	107	2,140
6/30/2003	2,078	783	29,423	37	30	604	197	115	2,222
6/30/2004	2,458	829	31,052	54	28	630	482	156	2,548
6/30/2005	2,639	690	33,001	59	25	664	236	128	2,656
6/30/2006	2,441	811	34,631	41	34	671	279	127	2,808
6/30/2007	2,396	770	36,257	41	29	683	241	161	2,888
6/30/2008	2,596	808	38,045	45	37	691	289	175	3,002
6/30/2009	2,711	797	39,959	39	32	698	382	139	3,245
6/30/2010	2,443	873	41,529	49	25	722	297	161	3,381
6/30/2011	3,141	891	43,779	77	36	763	336	194	3,523
6/30/2012	2,926	810	45,895	70	30	803	304	181	3,646
6/30/2013	2,642	891	47,646	68	28	843	332	161	3,817
6/30/2014	2,868	807	49,707	52	36	859	276	173	3,920
6/30/2015	2,565	927	51,345	66	29	896	333	369	3,884
6/30/2016	2,607	883	53,069	84	23	957	311	201 ³	3,994

¹ Valuation results prior to June 30, 2009 were calculated by the prior actuary.

² Does not include 2,132 members who retired or became disabled in July 2016.

³ Includes 130 dependent children whose payment accounts were consolidated with a spouse survivor.

SECTION IV - CENSUS DATA

I. History of Cost of Living Increases to Retired Members

Retirement In	Effective Date of First COLA	First COLA Percentage Increase	Total Increases Through January 2016 ¹	January 2017 Increase Based on Proposal	Total Increases Through January 2017 ¹	Number of Retired Members at 6/30/2016 ²
1988 & Earlier	Various	Various	80.00%	0.00%	80.00%	2359
1989	Jan. 1993	3.10%	77.82%	0.00%	77.82%	465
1990	Jan. 1994	3.00%	72.49%	0.00%	72.49%	601
1991	Jan. 1995	2.50%	67.46%	0.00%	67.46%	653
1992	Jan. 1996	3.00%	63.37%	0.00%	63.37%	800
1993	Jan. 1997	2.80%	58.61%	0.00%	58.61%	711
1994	Jan. 1998	2.30%	54.28%	0.00%	54.28%	846
1995	Jan. 1999	1.70%	50.81%	0.00%	50.81%	1028
1996	Jan. 2000	2.00%	48.28%	0.00%	48.28%	1487
1997	Jan. 2001	3.70%	45.38%	0.00%	45.38%	1430
1998	Jan. 2002	3.30%	40.20%	0.00%	40.20%	1674
1999-2001 ³	Jan. 2003	1.10%	35.73%	0.00%	35.73%	6146
2000-2002 ⁴	Jan. 2004	2.10%	34.24%	0.00%	34.24%	2130
2003	Jan. 2005	3.30%	31.48%	0.00%	31.48%	2212
2004	Jan. 2006	2.50%	27.30%	0.00%	27.30%	2504
2005	Jan. 2007	4.30%	24.19%	0.00%	24.19%	2319
2006	Jan. 2008	2.70%	19.06%	0.00%	19.06%	2273
2007	Jan. 2009	5.00%	15.92%	0.00%	15.92%	2434
2008	Jan. 2010	0.00%	10.40%	0.00%	10.40%	2641
2009	Jan. 2011	0.00%	10.40%	0.00%	10.40%	2198
2010	Jan. 2012	2.00%	10.40%	0.00%	10.40%	3090
2011	Jan. 2013	2.00%	8.24%	0.00%	8.24%	2967
2012	Jan. 2014	2.00%	6.12%	0.00%	6.12%	2668
2013	Jan. 2015	2.00%	4.04%	0.00%	4.04%	2882
2014	Jan. 2016	2.00%	2.00%	0.00%	2.00%	2608
2015	Jan. 2017	0.00%		0.00%	0.00%	2665
2016						235
Total						54,026

¹ Cumulative lifetime COLA increases are limited to 80%.

² Includes Service Retirees and Disabled Retirees as of June 30, 2016; Does not include 2,132 members who retired during July 2016.

³ Includes all retirements in 1999, and, because of legislation in 2000 and 2001, all persons retiring between July 1, 2000 and December 31, 2000, and between July 1, 2001 and December 31, 2001.

⁴ Includes all retirements in 2002, and, because of legislation in 2000 and 2001, all persons retiring between January 1, 2000 and June 30, 2000, and between January 1, 2001 and June 30, 2001.

SECTION IV - CENSUS DATA

J. Distribution of Retired Members by Type and Monthly Amount

<u>Monthly</u>	<u>Service</u>	<u>Disability</u>	<u>Retirement Based Survivor</u>	<u>Dependent Based Survivor</u>	<u>Total</u>
Less than \$500	1,415	1	164	15	1,595
\$500-999	3,090	29	336	436	3,891
\$1,000 - 1,499	2,988	108	456	6	3,558
\$1,500 - 1,999	3,170	256	419	3	3,848
\$2,000 - 2,499	4,441	250	413	1	5,105
\$2,500 - 2,999	5,868	158	421	0	6,447
\$3,000 - 3,499	6,438	90	347	0	6,875
\$3,500 - 3,999	6,414	46	259	0	6,719
\$4,000 - 4,499	5,567	12	243	0	5,822
\$4,500 - 4,999	4,432	5	159	0	4,596
\$5,000 -5,499	3,309	1	111	0	3,421
\$5,500 - 5,999	2,269	0	81	0	2,350
\$6,000 & Over	3,668	1	124	0	3,793
Total	53,069	957	3,533	461	58,020

¹ Does not include 2,132 members who retired in July 2016.

SECTION IV - CENSUS DATA

K. Distribution of Retired Members by Type of Benefit^{1,2}

<u>Type of Benefit</u>	<u>Number</u>	<u>Annual Benefit</u>
Service Retirees		
Options 1 & 10 (Life Only)	28,188	\$ 1,130,867,631
Options 2 & 21 (100% J&S with Pop-Up)	13,815	585,521,482
Options 3 & 31 (75% J&S with Pop-Up)	3,157	146,016,513
Options 4 & 41 (50% J&S with Pop-Up)	5,359	244,684,130
Option 5 (10 Years Certain & Life)	1,602	64,730,493
Option 6 (5 Years Certain & Life)	341	14,850,346
Options 20 (100% J&S)	456	19,448,244
Options 30 (75% J&S)	18	1,108,026
Options 40 (50% J&S)	133	5,952,024
Total	53,069	\$ 2,213,178,889
Disability Retirees	957	\$ 25,851,900
Beneficiaries	3,994	\$ 117,850,131

¹ Does not include 2,132 members who retired in July 2016.

² Excludes \$5,000 death benefits and tax sheltered annuities

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

ACTUARIAL ASSUMPTIONS AND METHODS

	<u>Page</u>
A. Actuarial Assumptions	44
B. Assumptions Rationale	51
C. Actuarial Methods	52

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

The assumptions used in the valuation were selected and approved by the PSRS Board of Trustees. The demographic assumptions are reviewed every five years through a study of actual experience. The last study was completed in June 2016. In this way, the actuary provides guidance to the Board in selecting the assumptions. The actuary and other economic and investment professionals also provide advice for selecting the economic assumptions. In our opinion, the assumptions are reasonable for purposes of this valuation.

Inflation 2.25% per annum

Payroll Growth 2.75% per annum, consisting of 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.

Salary and Payroll Increases

Service	Inflation	Health Care Cost	Productivity	Merit, Promotion, Seniority	Individual Salary Growth
0	2.25%	0.25%	0.25%	6.75%	9.50%
1	2.25%	0.25%	0.25%	3.25%	6.00%
2	2.25%	0.25%	0.25%	3.10%	5.85%
3	2.25%	0.25%	0.25%	2.95%	5.70%
4	2.25%	0.25%	0.25%	2.80%	5.55%
5	2.25%	0.25%	0.25%	2.65%	5.40%
6	2.25%	0.25%	0.25%	2.50%	5.25%
7	2.25%	0.25%	0.25%	2.35%	5.10%
8	2.25%	0.25%	0.25%	2.20%	4.95%
9	2.25%	0.25%	0.25%	2.05%	4.80%
10	2.25%	0.25%	0.25%	1.90%	4.65%
11	2.25%	0.25%	0.25%	1.75%	4.50%
12	2.25%	0.25%	0.25%	1.60%	4.35%
13	2.25%	0.25%	0.25%	1.45%	4.20%
14	2.25%	0.25%	0.25%	1.30%	4.05%
15	2.25%	0.25%	0.25%	1.23%	3.98%
16	2.25%	0.25%	0.25%	1.16%	3.91%
17	2.25%	0.25%	0.25%	1.09%	3.84%
18	2.25%	0.25%	0.25%	1.02%	3.77%
19	2.25%	0.25%	0.25%	0.95%	3.70%
20	2.25%	0.25%	0.25%	0.88%	3.63%
21	2.25%	0.25%	0.25%	0.81%	3.56%
22	2.25%	0.25%	0.25%	0.74%	3.49%
23	2.25%	0.25%	0.25%	0.67%	3.42%
24	2.25%	0.25%	0.25%	0.60%	3.35%
25	2.25%	0.25%	0.25%	0.53%	3.28%
26	2.25%	0.25%	0.25%	0.46%	3.21%
27	2.25%	0.25%	0.25%	0.39%	3.14%
28	2.25%	0.25%	0.25%	0.32%	3.07%
29	2.25%	0.25%	0.25%	0.25%	3.00%
30+	2.25%	0.25%	0.25%	0.25%	3.00%

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions (Continued)

Investment Returns

Funding: 7.75% per annum (net of investment and administrative expenses).

Accounting: 7.75% per annum (net of investment expenses).

Cost of Living Adjustments

The cost of living adjustment (COLA) assumed in the valuation increases from 1.00% to 1.50% over ten years, beginning January 1, 2018. The COLA reflected for July 1, 2017 is 0%, in accordance with the actual COLA approved by the Board. This COLA assumption is based on the current policy of the Board to grant a 0% COLA whenever annual inflation, as measured by the CPI-U index for a fiscal year, is less than 2%, 2% COLA whenever annual inflation is between 2% and 5%, and 5% whenever the annual inflation exceeds 5%. The COLA is effective each January 1 and is compounded, though total lifetime increases cannot exceed 80%.

The COLA assumption applies to service retirements and beneficiary annuities. The COLA does not apply to the dependent-based survivor benefits payable to a qualified spouse, a qualified spouse with children, dependent children, or dependent parents. Members begin receiving COLAs on the second January after benefit commencement. Total lifetime COLA cannot exceed 80% of the original benefit. Future COLAs for current benefit recipients reflect actual cumulative adjustments granted at the time of the valuation.

Mortality Rates

Pre-Retirement: 75% of the RP-2006 White Collar Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale to 2028. Illustrative rates per 1,000 members at various ages are as follows:

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.196	0.097
30	0.228	0.123
40	0.280	0.224
50	0.851	0.666
60	1.929	1.205
70	6.434	3.579

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions (Continued)

Mortality Rates (Continued):

Post-Retirement: RP-2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale. The plan-specific experience adjustments are as follows:

<u>Age</u>	<u>Males</u>	<u>Females</u>
<60	1.00	1.00
60-74	0.89	0.67
75-89	1.05	0.91
>=90	1.05	1.16

Illustrative rates per 1,000 members at various ages are as follows:

<u>Age</u>	<u>Male</u>	<u>Female</u>
40	0.373	0.298
50	2.655	1.982
60	3.639	2.034
70	9.212	6.211
80	34.813	25.742
90	126.672	118.203
100	314.507	310.679
110	465.570	493.661

Disabled Retirees: RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale to 2028. Illustrative rates per 1,000 members at various ages are as follows:

<u>Age</u>	<u>Male</u>	<u>Female</u>
40	9.317	4.862
50	19.588	11.367
60	20.817	13.263
70	33.674	24.771
80	68.090	56.760
90	168.008	134.892
100	311.674	275.075
110	443.401	425.570

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions (Continued)

Withdrawal Rates

Termination of membership prior to eligibility for retirement from all causes other than death, disability or retirement, whether resulting in a refund or a deferred benefit, is assumed in accordance with the following illustrative rates per 1,000 members:

<u>Years of Service</u>	<u>Rate</u>
0	240
1	115
2	100
3	80
4	70
5	60
10	28
15	15
20	10
25+	0

Disability Rates

Retirement for disability prior to age 60 is assumed in accordance with the following illustrative rates per 1,000 eligible members:

<u>Age</u>	<u>Male and Female Rates</u>
25	0.017
30	0.080
35	0.220
40	0.480
45	0.780
50	1.110
55	1.460

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions (Continued)

Retirement Rates Retirement is assumed in accordance with the following rates per 1,000 eligible members:

<u>Age</u>	<u>Service</u>										
	<u><=20</u>	<u>21</u>	<u>22</u>	<u>23</u>	<u>24</u>	<u>25</u>	<u>26</u>	<u>27</u>	<u>28</u>	<u>29</u>	<u>>=30</u>
<50	0	0	0	0	0	50	30	30	30	30	450
50	0	0	0	0	0	50	30	30	30	30	450
51	0	0	0	0	0	50	30	30	30	200	450
52	0	0	0	0	0	50	30	30	200	200	450
53	0	0	0	0	0	50	30	300	200	200	450
54	0	0	0	0	0	50	300	200	200	200	450
55	50	50	50	50	50	400	200	200	200	200	450
56	30	30	30	30	400	200	200	200	200	200	450
57	30	30	30	400	200	200	200	200	200	200	450
58	30	30	400	200	200	200	200	200	200	200	450
59	30	400	200	200	200	200	200	200	200	200	450
60	150	150	150	150	150	200	200	200	200	200	450
61	150	150	150	150	150	200	200	200	200	200	450
62	150	150	150	150	150	200	200	200	200	200	450
63	150	150	150	150	150	200	200	200	200	200	450
64	150	150	150	150	150	200	200	200	200	200	450
65	250	250	250	250	250	400	400	400	400	400	450
66	250	250	250	250	250	300	300	300	300	300	450
67	250	250	250	250	250	300	300	300	300	300	450
68	250	250	250	250	250	300	300	300	300	300	450
69	250	250	250	250	250	300	300	300	300	300	450
>=70	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions (Continued)

Refund of Contributions	<p>For active members assumed to terminate employment with less than five years of service, regardless of age, 100% take an immediate refund of their contributions.</p> <p>For active members assumed to terminate employment with five or more years of service, but prior to satisfying the age and service requirements for service retirement, the member will select the option that has the greater present value between an immediate refund and a deferred annuity.</p> <p>For active members assumed to terminate employment with five or more years of service and satisfy the age and service requirements for service retirement upon termination, 100% are assumed to elect a lifetime annuity benefit.</p> <p>For inactive members, the member will select the option that has the greater present value between an immediate refund and a deferred annuity.</p>
Interest on Member Accounts	1.00% per annum.
Service Purchases	A 1.00% load is added to the Normal Cost to account for anticipated losses resulting from service purchases and reinstatements.
Provisions for Expenses	There is no specific provision for expenses. The implicit assumption for funding purposes is that investment and administrative expenses are paid from investment income in excess of 7.75% per annum. For accounting purposes the expected return is assumed to be net of investment expenses. Administrative expenses are included in the current year expense.
Dependent Assumptions (Pre-Retirement)	<p>70% of male and female members are assumed to be married.</p> <p>Beneficiaries are assumed to be of the opposite sex from the member.</p> <p>Male spouses are assumed to be 2 years older than females spouses.</p>
Beneficiary Age (Post-Retirement)	Members are assumed to be 3 years older than their joint annuitant.
Dependent/Survivor Benefits (Pre-Retirement)	All active members under age 50 are assumed to receive a dependent-based survivor benefit for a spouse and 2 dependent children. The spouse is assumed to receive payments of \$860 per month for life, and each child is assumed to receive payments of \$860 per month for 18 years if the member is under age 32, and grading down to 0 years if the member is age 50. All active members age 50 or older are assumed to receive a retirement-based survivor benefit for life.
Return of Unused Member Account Balance	The cash refund is explicitly valued.

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions (Continued)

Form of Payment	For active members, benefits are assumed to be paid in the form of a single life annuity since all optional forms are actuarially equivalent using the same interest and mortality assumptions used in the valuation.
Data Assumptions	Members without a date of birth provided are assumed to be 30 years old. Pensionable pay for members who did not earn service during the past year is assumed to be the greater of the current year's salary, the previous year's salary and \$10,000. Pensionable pay for other active members is assumed to be the greater of annualized pay and \$10,000.
Social Security Coverage	It is assumed that members who are currently employed in positions covered by Social Security will continue to be employed in Social Security covered positions for the remainder of their PSRS tenure and receive 2/3 PSRS membership credit for each year of future service. All others are assumed to continue to be employed in a position that is not covered by Social Security and receive full PSRS membership credit for future service.
Assumption Changes Since the Prior Valuation	<p>An assumption study was completed in June 2016 resulting in an update to the following assumptions:</p> <p>The inflation assumption decreased from 2.50% to 2.25% per year.</p> <p>The payroll growth assumption decreased from 3.50% to 2.75% per year.</p> <p>The future salary increase assumption decreased from 4.00%-10.00%, depending on service to 3.00%-9.50%, depending on service.</p> <p>The investment return assumption decreased from 8.00% to 7.75% per year.</p> <p>The active mortality assumption changed from the RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA to 75% of the RP-2006 White Collar Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.</p> <p>The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA to the RP-2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.</p> <p>The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.</p>

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions (Continued)

Assumption Changes
Since the Prior Valuation
(Continued)

An experience study was completed in June 2016 resulting in an update to the following assumptions (continued):

The withdrawal assumption is a service-based table of rates. The rates at most years of service were increased to reflect recent experience.

The disability assumption is an age-based table of rates. The rates at most ages were increased to reflect recent experience.

The retirement assumption is an age and service based table of rates. The rates at certain age and service combinations were decreased to reflect recent experience.

The refund of contributions assumption was adjusted to reflect that active and inactive members who terminate with 5 or more years of service, but prior to satisfying the age and service requirements for service retirement, will select the option that has the greater present value between an immediate refund and a deferred annuity.

The service purchase load assumption was decreased from 2.00% to 1.00%.

The dependent assumptions for active members (pre-retirement) were adjusted to reflect recent experience.

The beneficiary age assumption for retired members (post-retirement) was adjusted to reflect recent experience.

The return of unused member account balance assumption was changed to explicitly value the cash refund.

In addition, the Board adopted a new COLA policy during fiscal 2016 resulting in a decrease in the future COLA assumption from 2.00% per year to a variable, increasing assumption of 1.00%-1.50% over ten years beginning January 1, 2018.

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

B. Assumptions Rationale

Investment Return	The investment return assumption is based on analysis completed by the PSRS investment advisor and an independent, high-level analysis completed by PwC using a "building block" approach that considered the target asset allocation from the Board's investment policy and capital market forecasts from various investment professionals.
Cost of Living Adjustments	The cost of living adjustment (COLA) assumed in the valuation increases from 1.00% to 1.50% over ten years beginning January 1, 2018. This COLA assumption reflects an assumption that general inflation will increase from 1.75% to a normative inflation assumption of 2.25% over 10 years. It is also based on the current policy of the Board to grant a 0% COLA whenever annual inflation, as measured by the CPI-U index for a fiscal year, is less than 2%, 2% COLA whenever annual inflation is between 2% and 5%, and 5% whenever the annual inflation exceeds 5%.
Other Assumptions	The Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience under the System, derived from experience studies conducted every fifth year. The most recent comprehensive experience study was completed in June 2016. The economic and demographic assumptions listed previously in the report were reviewed and updated, where appropriate, based on the historical experience observed during the study and expectations for the future.

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

C. Actuarial Methods

The actuarial methods used in the valuation for funding purposes and noted below were selected and approved by the PSRS Board of Trustees. The actuarial methods are generally reviewed in conjunction with experience studies of the assumptions. In this way, the actuary provides guidance to the Board in selecting the methods. The actuarial methods used for financial reporting purposes and noted below are prescribed by GASB 67 and 68.

Actuarial Cost Method

The actuarial cost method is Entry Age Normal - Level Percent of Payroll.

The Normal Cost is calculated separately for each active member and is equal to the level percentage of payroll needed as an annual contribution from entry age to retirement age to fund projected benefits. The Actuarial Accrued Liability on any valuation date is the accumulated value of such Normal Costs from entry age to the valuation date.

Amortization of Unfunded Actuarial Accrued Liability

For funding, gains and losses occurring from census experience different than assumed and assumption changes are amortized over a 30-year period as a level percent of payroll. A new gain or loss base is established each year based on the additional gain or loss during that year and that base is amortized over a new 30-year period. The purpose of the method is to give a smooth progression of the costs from year to year and, at the same time, provide for an orderly funding of the unfunded liabilities.

Increases in the Actuarial Accrued Liability caused by changes in the benefit provisions are amortized over 20 years, as determined in the 2007 session of the Legislature.

For accounting, gains and losses occurring from census experience different than assumed and assumption changes are amortized into expense over the average expected future service of all plan participants (actives and inactive). Gains and losses occurring from investment experience different than assumed are amortized into expense over a 5-year period. The effect of plan changes on the plan liability are fully recognized in expense in the year in which they occur.

Asset Valuation Method

The Actuarial Value of Assets is a smoothed value of assets. The actuarial value at June 30 of the prior year is projected by increasing the amount by 8% interest, adding contributions with 8% interest for half the year, and subtracting benefit payments with 8% interest for half the year. 20% of the difference between the actual returns on market value for the year and the expected return from the projection of the prior year actuarial value, along with corresponding amounts from each of the prior four years, is added to the actuarial value.

For accounting purposes, market value was used.

Changes Since the Prior Valuation

There have been no changes in the actuarial methods since the June 30, 2015 valuation.

SECTION VI - SUMMARY OF PLAN PROVISIONS

SUMMARY OF BENEFIT PROVISIONS

Page

A. Summary of Benefit Provisions

53

SECTION VI - SUMMARY OF PLAN PROVISIONS

A. Summary of Benefit Provisions

Below is a summary of the plan provisions that are pertinent to the valuation herein and may exclude certain provision that are not deemed relevant to our calculations. This summary is based on our understanding of the plan provisions set forth in the applicable statutes of the State of Missouri. If there is a discrepancy between the summary below and the applicable statutes, the applicable statutes shall govern.

Member Contributions	Half the total PSRS contribution rate. For fiscal year 2016, the total PSRS contribution rate is 29.00%.
Normal (Unreduced) Retirement	
Eligibility	Attainment of age 60 with at least five years of Creditable Service, or Completion of 30 years of Creditable Service at any age, or Age plus Creditable Service is at least 80.
Benefit	2.50% of Final Average Salary for each year of Membership Service. A minimum benefit applies for Members with at least 15 years of Creditable Service and varies from \$600/month at 15 years of Creditable Service to \$1,200/month at 30 years of Creditable Service. Benefits are also subject to a maximum equal to 100% of the Member's Final Average Salary at the time of retirement.
Compensation	All regular earnings as an employee of a PSRS-covered employer. Compensation or salary includes, but is not limited to, payments for extra duties, overtime payments, career ladder payments, payments for overloads (e.g. extra hours taught) and additional courses, and employer-paid medical, dental and vision insurance premiums for the member.
Final Average Salary	Average monthly salary over the Member's three highest consecutive years of service. Effective August 28, 2007, the maximum increase in the annual compensation used for the final average salary shall not exceed ten percent.
Membership Service	Service while a participating member of PSRS. Service is measured each year in relation to full contract salary for that year. Members employed in position that are covered by Social Security receives two-thirds for each year of Membership Service earned in those positions.
Prior Service	Service in a covered position prior to July 1, 1946. A year of Prior Service is the equivalent of 0.6 years of Membership Service.
Creditable Service	Membership Service plus any service rendered prior to PSRS inception.

SECTION VI - SUMMARY OF PLAN PROVISIONS

A. Summary of Benefit Provisions (Continued)

Normal Form of Benefit Single Life Annuity

Options available include joint and survivor (50%, 75%, or 100%), term certain (60 or 120 months) and life thereafter, and partial lump sum option (PLSO).

Early (Age Reduced) Retirement

Eligibility Attainment of age 55 and under age 60 with at least five years of creditable service.

Benefit Normal retirement benefit accrued to the date of early retirement, actuarially reduced from age 60.

Special Early Retirement Under Modified Formula

Eligibility Retirement at an age under 55 and with at least 25 years of creditable service but not eligible for the Rule of 80.

Benefit Based on a percentage of final average salary per year of creditable service. Percentages are as follows:

<u>Years of Service</u>	<u>Benefit Percentage</u>
25-25.9	2.20%
26-26.9	2.25%
27-27.9	2.30%
28-28.9	2.35%
29-29.9	2.40%

Post-Retirement Death Benefit Regardless of the form of benefit selected, a lump sum benefit of \$5,000 is paid at the death of the retiree.

COLA Adjustments The Board has established a policy of providing a 0% COLA whenever annual inflation, as measured by the CPI-U index for a fiscal year, is less than 2%, 2% COLA whenever annual inflation is between 2% and 5%, and 5% whenever the annual inflation exceeds 5%.

For any member retiring on or after July 1, 2001, such adjustments commence in the second January after commencement of benefits. The total of such increases may not exceed 80% of the original benefit for any member.

SECTION VI - SUMMARY OF PLAN PROVISIONS

A. Summary of Benefit Provisions (Continued)

Disability Benefits

Definition of Disability	Incapacity for performance of gainful employment after completion of five years of creditable service and before age 60.
Benefit	Lifetime benefit equal to 90% of accrued normal retirement benefit. This benefit level is subject to a minimum of 50% salary in the last full year of membership but not greater than the member's accrued normal retirement benefit assuming continuous employment to age 60 at current pay. COLA adjustments similar to those provided to retirees are provided on this benefit.
Form of Benefit	If eligible, surviving designated spouse or dependent child or parent may elect a monthly survivor benefit.

Vesting

Eligibility	Accrual of five years of creditable service.
Benefit	Accrued normal retirement benefit payable at earliest retirement age based on service at date of termination. Benefit is based on formula in effect at commencement of benefit.

Death/Survivor Benefits

Refund	Refund of accumulated member contributions with interest.
Dependent-Based Survivor Benefits	<p>In lieu of the refund, survivors of a member with at least 2 years of service at death may elect the following survivor benefit package:</p> <ol style="list-style-type: none">1. Spouse who was married to the deceased member for at least three years and with no dependent children - up to \$860 per month payable after spouse age 60 (immediately if spouse is disabled) and prior to remarriage.2. Spouse with dependent children<ol style="list-style-type: none">a. Up to \$860 per month payable to spouse with at least one dependent child under age 18.b. Up to an additional \$430 per month payable for each child under age 18. Benefits continue to the spouse after the child reaches age 18, up to age 24, if the child is a full-time student.c. Family maximum - \$2,160 per month.

SECTION VI - SUMMARY OF PLAN PROVISIONS

A. Summary of Benefit Provisions (Continued)

Death/Survivor Benefits
(continued)

- Dependent-Based Survivor Benefits (continued)
3. If no surviving spouse, each eligible child receives up to \$720 per month payable as in 2.b. above, subject to a family maximum of \$2,160.
 4. If no surviving spouse or children, a benefit of up to \$720 per month is payable to a dependent parent over age 65, subject to a maximum of \$1,440.

No COLA adjustments apply to this benefit.

Retirement-Based Survivor Benefits

In lieu of the benefits described above, if the member has at least 5 years of membership service at date of death, the designated spouse may receive a survivor benefit based on 100% J&S equivalent of the benefit accrued to date of death. The benefit may commence:

1. immediately if member is eligible to retire at date of death, or
2. at a future retirement date of the deceased member.

The benefit may be reduced for early commencement if the deceased member would not have been eligible for unreduced retirement at that date based on service to date of death.

COLA adjustments similar to those provided to retirees are provided on these benefits.

Changes in Benefit Provisions

There have been no changes since the June 30, 2015 valuation.