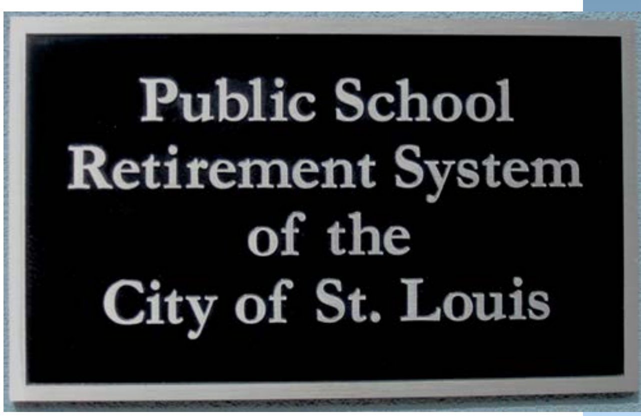
Public School Retirement System of the City of St. Louis, Missouri

A Pension Trust Fund for Public School Employees



Comprehensive Annual Financial Report

For the Fiscal Year Ended

December 31, 2013

(includes comparative financials for 2012)

Public School Retirement System of the City of St. Louis

A Pension Trust Fund for
Public School Employees

3641 Olive Street, Suite 300
St. Louis, Missouri 63108-3601
(314) 534-7444
www.psrsstl.org

Comprehensive Annual Financial Report

For the Fiscal Year Ended

December 31, 2013

(includes comparative financials for 2012)

Prepared by:

Andrew Clark
Executive Director

Mission Statement

The mission of the Public School Retirement System of the City of St. Louis is to enhance the well-being and financial security of its members, retirees and beneficiaries through benefit programs and services which are soundly financed and prudently administered in an effective and efficient manner.

Mission Statement Principles

The Retirement System adopts the following principles advocated by the National Council on Teacher Retirement, and with respect to such principles hereby pledges as follows:

1. ***Courteous Service.*** To give members prompt and courteous service and provide complete and accurate information.
2. ***Member Statements.*** To provide each active member with an annual statement that includes the member's accrued service credit, employee contributions, and other related information.
3. ***Information.*** To provide new participants in the system a summary plan description that clearly and simply summarizes the benefit provisions of the plan. The System will make available information on changes made in benefits.
4. ***Annual Reports.*** Full disclosure of financial, actuarial, and investment information in a detailed annual report that will be available for members, elected officials, and the public.
5. ***Financial Audits.*** To prepare or cause to be prepared an annual financial statement in accordance with generally accepted accounting principles and have an annual audit of the System's financial statement in accordance with generally accepted auditing standards.
6. ***Actuarial Studies.*** To have an annual or biennial actuarial valuation performed by an enrolled actuary in accordance with actuarial standards and an actuarial experience study at least every five years.
7. ***Adequate Funding.*** To work or obtain adequate funding of all promised benefits and to ensure the financial integrity of this System.
8. ***Independence of Retirement Systems.*** To work for a retirement system which functions as an independent trust, separate from state and local government. Such independence includes the power of trustees to set actuarial assumptions, appoint professionals such as actuaries and attorneys on whom they must rely to carry out their responsibilities, and to establish a budget for the System which ensures the delivery of high quality, cost-effective service to their members.
9. ***Exclusive Benefit.*** To act for the exclusive benefit of the members as fiduciaries entrusted with the management and payment of retirement benefits.
10. ***Prudent Investments.*** To adopt comprehensive objectives, methods for evaluation of performance, and policies which ensure both the prudent investment of plan assets and the achievement of the highest possible investment return.
11. ***Ethical Conduct.*** To adhere to the highest standards of conduct set out in the terms of the trust, state statute or other law.
12. ***State and Local Government Authority.*** To support the continuation of state and local pension plan oversight by the respective state or local government to ensure that decisions are made at the appropriate level of government.

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

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

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

Board of Trustees

An eleven-member Board of Trustees is responsible for general administration of the Retirement System as well as the investment of the System's assets. Active Retirement System members elect five trustees: one administrator, two teachers, and two non-teachers. Retired members elect two trustees: one retired teacher and one retired non-teacher. The St. Louis Public Schools ("SLPS") Board of Education appoints four trustees. Length of term of office is four years. The following individuals serve on the Public School Retirement System of the City of St. Louis Board of Trustees.

Public School Retirement System
of the City of St. Louis
3641 Olive Street, Suite 300
St. Louis, MO 63108-3601

Office of the Executive Director
Phone: (314) 534-7444
Fax: (314) 533-0531

May 29, 2014

To the Board of Trustees and Members of the Retirement System:

I am pleased to present the *Comprehensive Annual Financial Report (CAFR)* for the Public School Retirement System of the City of St. Louis ("the System" or "the plan") for the fiscal year ended December 31, 2013. Management of the System is responsible for the contents and presentation of material in this report. To the best of my knowledge, I believe the information in this report is accurate in all material respects and presented in a manner that is a fair portrayal of the financial position and operations of the plan for fiscal year 2013.

Overview of the Retirement System

The Public School Retirement System of the City of St. Louis was established January 1, 1944. Through acts of the Missouri Legislature, the System provides retirement benefits to employees of the St. Louis Public Schools District, the System, a number of Charter Schools located in the St. Louis Public Schools District, and certain past employees of Harris-Stowe State College. The System's members are covered by Social Security and eligible for Social Security benefits in addition to retirement benefits provided by the plan.

Financial Information

An independent certified accounting firm performs a financial audit each year. The financial statements of the System are prepared in conformity with accounting principles generally accepted in the U.S.A. (GAAP) within guidelines established by the Governmental Accounting Standards Board (GASB). A system of internal controls is in place to help management with safeguarding and monitoring assets while promoting efficient operations. These internal controls are designed to protect the System's assets from loss due to unauthorized use or disposition and provide a reasonable assurance that the System executes its financial transactions in accordance with proper authorization.

Please refer to the Management Discussion and Analysis in the Financial Section for an overview of additions and deductions from the plan during 2013.

Investment Activities

The overall investment return for the plan during 2013 was 15.8%. This investment return was above both the asset allocation policy objective of 8.6% and the actuarial assumed rate of return of 8.0%. Thus, the investment managers added much needed value to the fund for the year. In comparison to other public plans in the Investor Force Universe (IFU), the System's investment return for 2013 ranked in the top 41% of the IFU while maintaining similar risk as the peer group.

The Board of Trustees governs investments of the System through the adoption of investment policies and guidelines, amended as needed, that define the plan's objectives, monitoring procedures and performance measures. The Investment Policies and Operating Guidelines lay out specific parameters for performance expectations, eligible investments and portfolio characteristics. Key to the success of this governance is the determination of an Asset Allocation Policy. The policy is reviewed by the Board of Trustees at least annually and modified as needed to maximize returns while minimizing risk within the accepted investment guidelines of the System. Through advice from the Investment Consultant, management and staff are primarily responsible for implementing and monitoring the Asset Allocation Policy adopted by the Board of Trustees.

Detailed information regarding investments can be found in the Investment Section.

Funding Status and Valuation Results

The System is a defined benefit plan, which means that certain benefit provisions are used in a formula to determine each member's retirement benefit. The formula to calculate retirement benefits is credited service (years of service) multiplied by average compensation (final average salary for three consecutive years) multiplied by 2% (pension multiplier).

Each year, the System has an actuarial valuation conducted by an independent Actuary. The actuarial valuation has two main purposes: (1) to measure the relative financial health of the System and (2) to determine the annual required contribution (ARC), the portion of covered payroll, that employers must pay during a given year to ensure assets are available for benefit obligations into the future.

To determine the relative financial health of the System, the Actuary calculates the plan's actuarial accrued liability using the System's benefit provisions and actuarial assumptions in effect at the time of the calculation. The actuarial accrued liability is then compared to the actuarial value of assets to arrive at a percentage or Funded Ratio. The Funded Ratio measures the ability of the System to pay retirement benefits over the course of the next 30 years. For plan year 2013, the Funded Ratio was 84.3%, which falls between the highest and lowest Funded Ratio's for the System over the last couple of decades.

The Actuary calculates an ARC that is adequate to fund the normal costs of the plan plus the unfunded actuarial accrued liability amortized over a 30-year period. The Actuary presents the annual Actuarial Valuation Report to the Board of Trustees for consideration. Once the Board of Trustees accepts the actuarial valuation for the year, the employers are notified of the ARC as governed by state statute.

The historic ARC percentage rates of covered compensation and corresponding dollar amounts determined by the Actuary, and accepted by the Board of Trustees, for the past three fiscal years are summarized as follows:

Fiscal Year	ARC (%)	ARC ($)
2011	10.03%	$24,264,182
2012	11.88%	$25,928,658
2013	15.07%	$35,367,598

Detailed actuarial information can be found in the Actuarial Section.

Legislative Information

There were no major legislative changes in 2013 that directly affected the System. The last change to the System's plan provisions occurred in 2002.

A complete summary of the System's legislative history can be found in the Statistical Section.

Professional Services

Certain professional services are provided to the System by retained consultants. The required opinion letters from the Actuary, Buck Consultants, and independent Certified Public Accountants, Anders, Minkler, Huber & Helm, LLC, are contained in the appropriate sections of this report.

The firms that provide professional services to the System appear at the end of this section.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its comprehensive annual financial report for the fiscal year ended December 31, 2012. This was the second year the System has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the System must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The System believes the current comprehensive annual financial report will again meet the Certificate of Achievement Program's requirements and it is being submitted to the GFOA to determine its eligibility for another certificate.

Acknowledgements

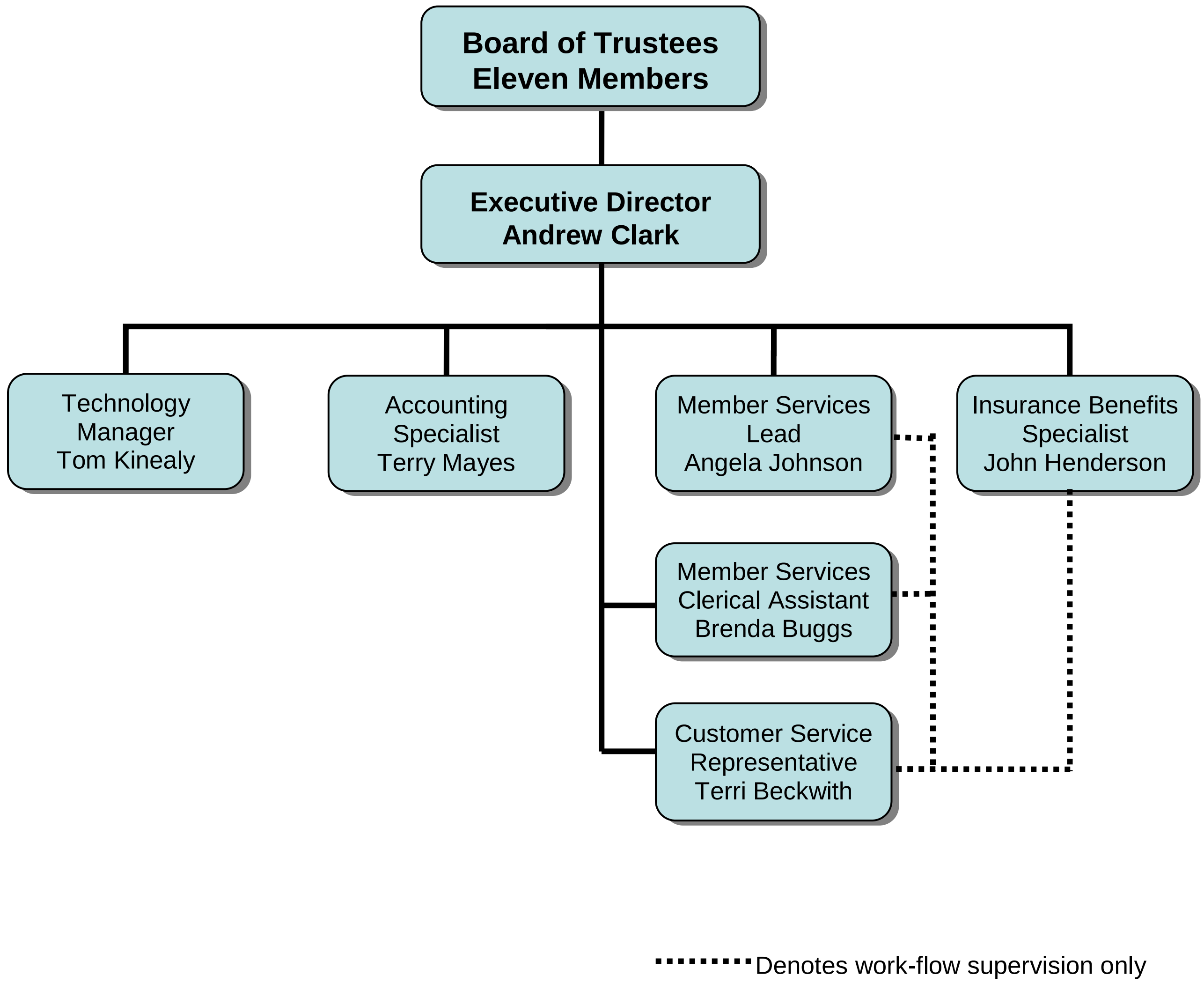
The System turned 70 years old on January 1st and as we celebrate this milestone, I would like to thank the Board of Trustees, staff and consultants for their help in making this report become a reality. The dedication of these individuals also helps guarantee that the System will continue to be successful in the years to come.

Sincerely,

Andrew Clark

Andrew Clark
Executive Director

Organizational Chart



Providers of Professional Services

Actuarial Services

Buck Consultants
Stephen Siepman
St. Louis, MO

Auditor

Anders Minkler Huber & Helm LLP
Thomas S. Helm, CPA
St. Louis, MO

Insurance Consultant

Longfellow Benefits
Patrick Haraden
Boston, MA

Investment Consultant

NEPC, LLC
Kristin Finney-Cooke
Chicago, IL

Legal Council

Hartnett Gladney Hetterman LLC
Jeffrey E. Hartnett
St. Louis, MO

Property Management

CB Richard Ellis
St. Louis, MO

Technology Consulting

Jupiter Consulting
St. Louis, MO

Blade Technologies
St. Louis, MO

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ANDERS
CPAs + ADVISORS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Public School Retirement System of the City of St. Louis (the "System"), which comprise the statements of plan net assets as of December 31, 2013 and 2012, and the related statements of changes in plan net assets for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Anders Minkler Huber & Helm LLP | 800 Market Street-Suite 500 | St. Louis, MO 63101-2501 | p (314) 655-5500 | f (314) 655-5501 | www.anderscpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of Public School Retirement System of the City of St. Louis as of December 31, 2013 and 2012, and the changes in plan net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United Statements of America require that the management's discussion and analysis on pages 12 through 15 and the schedules of employer contributions and funding progress on pages 35 and 36 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information:

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

The other supplementary information in the financial section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information in the financial section is fairly stated in all material respects, in relation to the financial statements as a whole. The introductory, investments, actuarial, and statistical sections of the System's Comprehensive Annual Financial Report (CAFR) are not subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them. However, we do acknowledge the relevance of these sections to the financial status of the System as reported in the CAFR.

Anders Minkler Huber & Helm LLP

April 17, 2014

The Management Discussion and Analysis ("MD&A") for the Public School Retirement System of the City of St. Louis ("PSRSSTL") is provided to comply with Governmental Accounting Standard No. 34. The purpose of the MD&A is to provide an overview of PSRSSTL financial activities for the fiscal year ended December 31, 2013. This MD&A should be read in conjunction with the PSRSSTL financial statements and supplementary information.

The system's net assets were $962,717,365 on December 31, 2013, which represents an increase of $66,175,192 from December 31, 2012. This increase is due to appreciation in the fair market value of investments and is indicative that the financial markets have stabilized during the last two fiscal years ended December 31, 2013 and December 31, 2012.

The overall investment return for system's investments was 15.8% for fiscal year 2013 and 12.4% for fiscal year 2012. The investment returns in fiscal years 2013 and 2012 represent positive growth seen throughout the financial markets during the two-year time period and a continuing economic recovery from what some have phrased as "the Great Recession." Predicting conditions in the marketplace is always challenging but the Board of Trustees stands behind a sound Asset Allocation Policy by remaining focused on active monitoring of its money managers and long-term investment objective. The actuarially assumed rate of return remained at 8% for fiscal year 2013.

Additions to net assets were $178.1 million and $139.3 million for the fiscal years 2013 and 2012, respectively. The primary addition to net assets was investment income of $129 million in fiscal year 2013 compared to $98 million in fiscal year 2012. The secondary addition to net assets came from employer contributions of $37 million in fiscal year 2013 and $29.6 million in 2012, followed by member contributions of $11.8 million in fiscal year 2013 and $12.1 in fiscal year 2012.

Deductions from net assets were $112 million and $111 million in fiscal years 2013 and 2012, respectively. The $1 million increase in deductions from net assets between fiscal years 2013 and 2012 is mostly due to the increase in benefit payments to new retirees in fiscal year 2013.

During 2013, the Board of Trustees modified the system's Asset Allocation Policy for the first time since 2010. The Board of Trustees is expected to begin fulfilling the new policy in fiscal year 2014 by re-allocating funds to the System's various investments going forward.

Financial Statements

The PSRSSTL financial report consists of two financial statements, (1) the Statement of Plan Net Assets, and (2) the Statement of Changes in Plan Net Assets. The Statement of Plan Net Assets provides details concerning PSRSSTL assets and related liabilities other than benefit obligations. PSRSSTL net assets reflect the resources available for future benefit payments. The Statement of Changes in Plan Net Assets provides details concerning PSRSSTL financial activity during fiscal year 2013 that lead to the change in Plan Net Assets from fiscal year 2012 to fiscal year 2013.

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

Financial Analysis

On December 31, 2013, total assets for the system were $963,584,935 and comprised of cash, an office building, receivables and investments. Total assets in fiscal year 2013 increased by 7.4%, or $66,204,090, over fiscal year 2012, which is primarily due to an increase in the market value of the system's investments.

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

On December 31, 2013, net assets held in trust by the system to pay pension benefits were $962,717,365, an increase of 7.4%, or $66,175,192, over fiscal year 2012.

Condensed Statements of Plan Net Assets

	FY 2013	FY 2012	FY 2011	FY 2013 % Change	FY 2012 % Change
Assets					
Cash	$ 10,357,563	$ 9,931,619	$ 10,605,614	4.3%	(6.4)%
Receivables	1,660,691	1,999,802	2,095,857	(17.0)%	(4.6)%
Investments	949,549,223	883,364,528	854,074,641	7.5%	3.4%
Property and equipment	2,017,457	2,084,895	2,152,334	(3.2)%	(3.1)%
Total assets	963,584,934	897,380,844	868,928,446	7.4%	3.3%
Liabilities					
Accounts payable and accrued expenses	867,569	838,671	842,428	3.4%	(0.4)%
Net assets	$ 962,717,365	$ 896,542,173	$ 868,086,018	7.4%	3.3%

Revenues – Additions to Plan Net Assets

The assets that are required to finance PSRSSTL retirement benefits are accumulated through receipt of employer and member contributions as well as through earnings on investments. For fiscal year 2013, employer contributions were $37 million; member contributions were approximately $12 million; and net investment income was $129 million.

Employer and member contributions combined increased by $7.1 million in fiscal year 2013 as compared to the fiscal year 2012 increase of $1.1 million, due to the increase in the required employer contribution rate from 11.8% of covered compensation in fiscal year 2012 to 15.07% in fiscal year 2013. The PSRSSTL Actuary determines the amount of employer contributions as part of the Annual Actuarial Valuation Report. The active member contribution rate of 5% of normal compensation has been in effect since July 1, 1999.

Net investment income was $30 million more in fiscal year 2013 than in fiscal year 2012 because investment earnings were 15.8% for fiscal year 2013 as compared to 12.4% for fiscal year 2012.

Net investment income of $128,888,406 and $98,065,562 in fiscal years 2013 and 2012, respectively, reflect gross investment income less investment related expenses, such as investment manager and custodial fees.

Expenses – Deductions from Plan Net Assets

The primary deductions from plan net assets were payments of retirement benefits, survivor benefits, disability benefits, retiree healthcare subsidies and refunds to members who retired or terminated employment. PSRSSTL administrative expenses in fiscal year 2013 were approximately 0.15% of assets.

Condensed Statements of Changes in Plan Net Assets

	FY 2013	FY 2012	FY 2011	FY 2013 % Change	FY 2012 % Change
Additions					
Employer Contributions	$ 37,034,907	$ 29,551,964	$ 28,720,193	25.3%	2.9%
Member Contributions	11,814,124	12,147,663	11,879,052	(2.7)%	2.3%
Net investment income (loss)	128,888,406	98,065,562	(5,550,568)	31.4%	1,866.8%
Rental income	138,506	134,813	131,119	2.7%	2.8%
Total additions	177,875,943	139,900,002	35,179,796	27.1%	297.7%
Deductions					
Retirement benefits	98,000,369	96,073,968	96,303,329	2.0%	(0.2)%
Survivor benefits	2,654,895	2,595,094	2,540,407	2.3%	2.2%
Disability benefits	3,402,037	3,246,805	3,149,322	4.8%	3.1%
Health care subsidies	2,726,158	2,752,751	2,825,430	(1.0)%	(2.6)%
Administrative expenses	1,441,183	1,450,265	1,432,914	(0.6)%	1.2%
Refunds to members	3,690,639	4,773,609	3,242,200	(22.7)%	47.2%
Total deductions	111,915,281	110,892,492	109,493,602	0.9%	1.3%
Other income (expenses)	214,530	(551,355)	230,717	138.9%	(339.0)%
Change in net assets	$ 66,175,192	$ 28,456,155	$(74,083,089)	132.6%	138.4%

Financial Summary

For more than 15 years, the PSRSSTL Investment Consultant has consistently calculated the System's investment performance; thereby, providing a valid basis on which performance can be compared with other public pension funds. For instance, PSRSSTL investment returns have performed consistently when compared to other public pension funds with the cumulative PSRSSTL returns ranking in the top 6% of public plans since 1997 for the period ended December 31, 2013.

Net plan assets over this same timeframe have fluctuated from a low of $780 million in fiscal year 1997 to a high of $1.15 billion in fiscal year 2007. At the end of fiscal year 2013, net plan assets were $963 million, ending up in the middle between the system's 2007 high and 1997 low. This fluctuation in the value of net plan assets from year-to-year can be attributed to financial market conditions that have caused several large spikes followed by big losses of investment returns since 1997.

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

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

Requests for Information

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

Public School Retirement System of the City of St. Louis
Statements of Plan Net Assets
Years Ended December 31, 2013 and 2012

Assets

	2013	2012
Cash	$ 10,357,563	$ 9,931,619
Receivables		
Accrued interest and dividends	1,660,691	1,999,802
Investments, at fair value		
Cash equivalents	42,470,241	33,492,721
Bonds		
U.S. Government and agency issues	55,038,301	43,778,548
Corporate	48,769,735	56,771,927
Foreign investments (bonds and stocks)	97,267,831	106,939,798
Common and preferred stocks	275,848,250	233,243,085
Mutual funds	348,698,374	322,018,950
Real estate partnerships	49,057,339	45,034,321
Credit opportunity investments	9,530,937	16,877,460
Limited partnerships	21,148,713	23,352,373
Venture capital partnerships	1,719,502	1,855,345
Total Investments	949,549,223	883,364,528
Property and Building, net	2,017,457	2,084,895
Total Assets	963,584,934	897,380,844

Liabilities

	2013	2012
Accounts Payable and Accrued Expenses	867,569	838,671
Net Assets (Held in Trust for Pension Benefits)	$ 962,717,365	$ 896,542,173

See notes to financial statements.

Public School Retirement System of the City of St. Louis
Statements of Changes in Plan Net Assets
Years Ended December 31, 2013 and 2012

	2013	2012
Additions		
Employer contributions		
St. Louis Public Schools	$ 27,962,472	$ 20,786,075
Sick leave conversion	2,215,167	3,158,506
Charter Schools	6,765,907	5,533,481
Retirement System	91,361	73,902
Employee contributions		
St. Louis Public Schools	9,511,125	9,623,366
Charter Schools	2,277,677	2,499,279
Retirement System	25,322	25,018
	48,849,031	41,699,627
Net appreciation (depreciation) in fair value of investments		
Cash equivalents	148,625	195,643
Bonds		
U.S. Government and agency issues	(1,104,790)	2,282,446
Corporate	3,830,831	9,198,965
Foreign investments	10,881,060	13,497,532
Common and preferred stock	76,026,111	33,226,079
Mutual funds	34,486,791	36,144,028
Limited partnerships	3,171,204	334,087
Real estate partnerships	4,479,603	4,777,693
Venture capital partnerships	(70,898)	(50,411)
Credit opportunity investments	1,579,408	2,751,590
	133,427,945	102,357,652
Less investment expense	4,539,539	4,292,090
Net investment income	128,888,406	98,065,562
Rental income	138,506	134,813
Other miscellaneous income (expense)	214,530	(551,355)
Net Additions	178,090,473	139,348,647
Deductions		
Benefits paid		
Retirement benefits	98,000,369	96,073,968
Survivor benefits	2,654,895	2,595,094
Disability benefits	3,402,037	3,246,805
Health care subsidies	2,726,158	2,752,751
	106,783,459	104,668,618
Operating expenses	1,441,183	1,450,265
Contribution refunds due to death or resignation	3,690,639	4,773,609
Total Deductions	111,915,281	110,892,492
Net Increase in Plan Net Assets	66,175,192	28,456,155
Net Assets Held in Trust for Pension Benefits Beginning of Year	896,542,173	868,086,018
Net Assets Held in Trust for Pension Benefits End of Year	$ 962,717,365	$ 896,542,173

See notes to financial statements.

Public School Retirement System of the City of St. Louis
Notes to Financial Statements
Years Ended December 31, 2013 and 2012

1. Description of System

General

The Public School Retirement System of the City of St. Louis (the "System") is a funding agency existing under provisions of the Revised Statutes of the State of Missouri (the "Statutes") to provide retirement benefits for all employees of the Board of Education of the City of St. Louis, of the Charter Schools located within the St. Louis School District, and of all employees of the Public School Retirement System of the City of St. Louis. The System is administering a single defined benefit pension plan.

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

Membership and Eligibility

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

	January 1, 2013	January 1, 2012
Active members	4,786	4,784
Inactive members	1,643	1,958
Total members not retired	6,429	6,742
Retired members		
Service and survivors	4,250	4,265
Disability	266	299
	4,516	4,564
Total membership	10,945	11,306

Vesting

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

Funding Policy

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

1. Description of System (continued)

Benefits

Upon retirement at age 65, or at any age if age plus years of credited service equals or exceeds 85 (Rule of 85), members receive monthly payments for life of yearly benefits equal to years of credited service multiplied by 2% of average final compensation, but not to exceed 60% of average final compensation. Early retirement can occur at age 60 with 5 years of service. The service retirement allowance is reduced five ninths of one percent for each month of commencement prior to age 65 or the age at which the Rule of 85 would have been satisfied had the employee continued working until that age, if earlier.

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

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

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

Benefits are recorded when paid.

Return of Contributions Upon Death

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

Contributions by Participants

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

Contributions by Employers

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

Expenses

Administrative expenses are paid out of investment income.

2. Summary of Significant Accounting Policies

Basis of Presentation and Accounting

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

Use of Estimates

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

Receivables

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

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the latest reported sales price at current exchange rates.

Limited partnerships

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

Alternative investments

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

2. Summary of Significant Accounting Policies (continued)

Net Appreciation (Depreciation) in Fair Value of Investments

Net appreciation (depreciation) in fair value of investments includes: realized gains (losses), unrealized appreciation (depreciation), dividends, interest, and other investment income. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Fair Value Measurements

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

Furniture and Equipment

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

Property and Building

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

Long-Lived Asset Impairment

The System evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2013 and 2012.

Reclassifications

Certain amounts in the 2012 financial statements have been reclassified to conform to the current year presentation.

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

The System has evaluated subsequent events through April 17, 2014, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," was established to provide a framework that specifies where deferred outflows of resources and deferred inflows of resources, assets, liabilities and net position should be displayed on the financial statements. PSRSSTL implemented this Statement for the year ended December 31, 2012. The categories of Deferred Outflow and Deferred Inflow were not applicable for the financial statements of the System for the years ended December 31, 2013 and 2012.

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," was established to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. PSRSSTL is required to implement this statement for the year ending December 31, 2014.

GASB Statement No. 67, "Financial Reporting for Pension Plans," established standards for defined benefit pension plan's financial reports and specifies the required approach to measuring the pension liability of employer and non-employer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. PSRSSTL is required to implement this statement for the year ending December 31, 2014.

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

Management has not fully determined what impact, if any, these Statements may have on its financial statements; however, GASB Statements 67 and 68 are expected to have a material impact.

3. Investments

At December 31, 2013 and 2012, investments consisted of the following:

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

	2012	
	Fair Value	Cost
Cash equivalents	$ 33,492,721	$ 33,492,721
Bonds		
U.S. Government and agency issues	43,778,548	42,524,621
Corporate	56,771,927	51,118,928
Foreign investments (bonds and stocks)	106,939,798	101,925,873
Common and preferred stocks	233,243,085	207,134,202
Mutual funds	322,018,950	261,654,366
Real estate partnerships	45,034,321	41,551,122
Credit opportunity investments	16,877,460	12,085,692
Limited partnerships	23,352,373	22,115,266
Venture capital partnerships	1,855,345	642,352
	$ 883,364,528	$ 774,245,143

4. Fair Value Measurements

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

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical instruments in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, inputs other than quoted prices that are observable for the instrument, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Carrying amounts of certain financial instruments such as cash and cash equivalents, receivables, accounts payable, and accrued expenses approximate fair value due to their short maturities. There have been no changes in the methodologies used at December 31, 2013 and 2012.

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

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

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

4. Fair Value Measurements (continued)

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

The following table presents the fair value measurements of instruments recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements are categorized at December 31, 2013 and 2012:

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

	2012			
		Fair Value Measurements		
	Total	Level 1	Level 2	Level 3
Credit opportunity investments	$ 16,877,460	$ 16,877,460	$ -	$ -
U.S. Government and agency issues	43,778,548	-	43,778,548	-
Corporate bonds	56,771,927	-	56,771,927	-
Foreign investments	106,939,798	-	106,939,798	-
Common stocks	233,243,085	233,243,085	-	-
Mutual funds	322,018,950	322,018,950	-	-
Money market accounts	33,492,721	-	33,492,721	-
Real estate partnerships	45,034,321	-	-	45,034,321
Limited partnerships	23,352,373	-	-	23,352,373
Venture capital partnerships	1,855,345	-	-	1,855,345
	$ 883,364,528	$ 572,139,495	$ 240,982,994	$ 70,242,039

4. Fair Value Measurements (continued)

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

	Venture Capital Partnerships	Limited Partnerships	Real Estate Partnerships	Total
Balance, December 31, 2011	$ 1,905,756	$ 24,660,720	$ 46,725,649	$ 73,292,125
Realized gains (losses)	(1,475)	1,546,463	16,718	1,561,706
Unrealized gains (losses)	(139,023)	(1,275,056)	2,509,939	1,095,860
Purchases, sales, issuances, and settlements (net)	-	(1,579,754)	(6,000,000)	(7,579,754)
Investment income (net)	90,087	-	2,251,036	2,341,123
Management fees	-	-	(469,021)	(469,021)
Balance, December 31, 2012	1,855,345	23,352,373	45,034,321	70,242,039
Realized gains (losses)	-	1,815,916	17,370	1,833,286
Unrealized gains (losses)	(62,771)	1,294,540	2,328,852	3,560,621
Purchases, sales, issuance and settlements, (net)	(64,944)	(5,314,116)	-	(5,379,060)
Investment income (net)	(8,128)	-	2,133,382	2,125,254
Management fees	-	-	(456,586)	(456,586)
Balance, December 31, 2013	$ 1,719,502	$ 21,148,713	$ 49,057,339	$ 71,925,554

4. Fair Value Measurements (continued)

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

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

December 31, 2012	Fair Value	Valuation Technique(s)	Unobservable Inputs
Limited Partnerships	$23,352,373	Basis in LLC	Undistributed Income
Real Estate Partnerships	$45,034,321	Basis in LLC	Undistributed Income
Venture Capital Partnerships	$1,855,345	Basis in LLC	Undistributed Income

The significant unobservable inputs used in the fair value measurement of the System's investments in limited partnerships are the original cost of the investment in the partnership plus the cumulative net income of the partnership through the end of the most recent fiscal year. Significant increases or decreases in the partnership's cumulative net income through December 31, 2013 and 2012 could result in a significantly higher or lower fair value measurement.

5. Occupancy

The System occupies offices in a building it owns. Occupancy expenses for the years ended December 31, 2013 and 2012 were $27,946 and $27,005, respectively.

On May 7, 2009, the System entered into an agreement to lease a portion of its building to an unrelated party. The initial lease term is five years with annual rent ranging from $125,579 to $140,353. There are also five one-year renewal options. Rental income received for the years ended December 31, 2013 and 2012 totaled $138,506 and $134,813, respectively.

6. Property and Building

Property and building as of December 31, 2013 and 2012 consists of:

	2013	2012
Land	$ 229,451	$ 229,451
Building	2,065,061	2,065,061
Tenant improvements	158,120	158,120
	2,452,632	2,452,632
Less accumulated depreciation	435,175	367,737
Total Property and Building	$ 2,017,457	$ 2,084,895

Depreciation expenses were $67,438 and $67,438 for the years ended December 31, 2013 and 2012, respectively.

7. Pension

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

	2013	2012
Actuarial value of assets	$ 914,494,335	$ 925,389,359
Actuarial accrual liability (AAL)	$ 1,085,124,658	$ 1,090,318,706
Unfunded AAL (UAAL)	$ 170,630,323	$ 164,929,347
Funded ratio	84.3%	84.9%
Annual covered payroll	$ 225,893,514	$ 234,760,091
UAAL as a percentage of payroll	75.5%	70.2%

The funded ratio decreased 0.6% from the previous year. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents similar information but uses a multi-year format to show trend information. These trends indicate whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The trend information was obtained from the annual valuation report of the independent actuary retained by the System.

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

	January 1, 2013	January 1, 2012
Actuarial cost method	Frozen entry age	Frozen entry age
Amortization method	Level dollar, closed period	Level dollar, closed period
Amortization period	23 years	24 years
Inflation rate	3.5%	3.5%
Asset valuation method	Assumed Yield Method	Assumed Yield Method
Investment return	8.0% per annum	8.0% per annum
Projected salary increase	Based on actual experience of the System, at a rate of 4.5% per annum	Based on actual experience of the System, at a rate of 4.5% per annum
Mortality or death benefits	Mortality tables mandated by the Pension Protection Act as specified in IRS Regulation 1.430(h)(3)-1	Mortality tables mandated by the Pension Protection Act as specified in IRS Regulation 1.430(h)(3)-1
Disability Rates	RP-2000 Disability Mortality Table	RP-2000 Disability Mortality Table

8. Annual Required Contribution

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

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

As determined by the actuary, the annual required contribution is as follows at January 1, 2012:

	Board of Education	Retirement System	Charter Schools	Total
Normal Cost contribution	$ 15,577,622	$ 50,896	$ 4,074,427	$ 19,702,945
Actuarial accrued liability contribution	12,384,850	40,465	3,239,338	15,664,653
Annual required contribution (ARC)	$ 27,962,472	$ 91,361	$ 7,313,765	$ 35,367,598
Covered compensation	$ 185,606,968	$ 606,427	$ 48,546,696	$ 234,760,091
ARC as % of covered compensation	15.07%	15.07%	15.07%	15.07%

9. Tax Status of Plan

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

10. Risks and Uncertainties

Financial instruments that potentially subject the System to concentrations of credit and market risk consist principally of cash and investments. The System places its temporary cash investments with major financial institutions. At December 31, 2013 and 2012, the System had approximately $10,773,000 and $10,453,000, respectively, in cash on deposit at US Bank. These balances were insured by the Federal Deposit Insurance Corporation (“FDIC”) for $250,000 per account. The remaining balances are collateralized by US Bank’s assets held jointly in the name of US Bank, N.A. and the System, held by the Federal Home Loan Bank of Cleveland as Trustee. Regulations require that government entities, in case of bank failure, have collateral to cover losses that could exceed the FDIC limit of $250,000. The market value of the collateralized securities at December 31, 2013 and 2012 was $11,000,000. A significant portion of the System’s investments are held in trust by US Bank of St. Louis, N.A.

On December 31, 2013 and December 28, 2012, the System received $30,126,350 and $23,893,293, respectively from the St. Louis Board of Education for the 2013 and 2012 St. Louis Public Schools’ annual regular pension contribution and sick leave conversion contribution and held it in a cash equivalents account until investment allocations were implemented.

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

Concentration of Credit Risk

At December 31, 2013, the System had the following concentrations, defined as investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represent 5% or more of net assets held in trust for pension benefits.

Mutual Funds	Fair Value	Percentage of Total Net Assets
The Bank of New York Mellon	$ 50,061,980	5.2%
Real Estate Investments		
UBS Global Asset Management	$ 49,057,339	5.1%

10. Risks and Uncertainties (continued)

Credit Risk of Debt Securities

The System's rated debt investments as of December 31, 2013 were rated by Moody's Investor Services (Moody's) and the ratings are presented using the Moody's rating scale. The System's policy to limit credit risk is that the overall average quality of each high-grade domestic fixed income portfolio shall be AA or better and the average quality rating of securities held in a domestic high-yield portfolio shall be B or better. The overall average quality of each global fixed income portfolio shall be A or better. Non-rated issues are allowed as long as the quality is sufficient to maintain the overall average rating noted.

As of December 31, 2013, the System held the following fixed income investments with respective Moody's quality ratings or equivalent rating. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

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

10. Risks and Uncertainties (continued)

As of December 31, 2012, the System held the following fixed income investments with respective Moody's quality ratings or equivalent rating.

Fair Quality Rating	Corporate debt and debentures	Foreign government and corporate obligations	US Government and agency issues	Total
Aaa	$ 3,488,115	$ 15,665,645	$ 10,039,456	$ 29,193,216
Aa1	657,016	-	-	657,016
Aa2	729,465	1,565,275	-	2,294,740
Aa3	782,013	17,357,661	-	18,139,674
A1	1,522,677	49,490	36,549	1,608,716
A2	2,558,281	4,127,733	-	6,686,014
A3	1,412,670	552,436	-	1,965,106
Baa1	1,785,203	5,643,406	-	7,428,609
Baa2	4,781,597	1,666,393	-	6,447,990
Baa3	5,643,752	878,738	-	6,522,490
Ba1	2,555,678	1,240,489	-	3,796,167
Ba2	1,747,204	839,622	-	2,586,826
Ba3	2,254,117	2,574,776	-	4,828,893
B1	3,573,605	847,675	-	4,421,280
B2	1,842,517	120,175	-	1,962,692
B3	7,389,146	111,700	-	7,500,846
Caa1	3,327,750	-	-	3,327,750
Caa2	1,161,270	203,645	-	1,364,915
Caa3	494,665	549,900	-	1,044,565
Ca	279,750	116,600	-	396,350
C	4,851	-	-	4,851
Not rated	8,780,585	1,062,417	33,702,543	43,545,545
Total	$ 56,771,927	$ 55,173,776	$ 43,778,548	$ 155,724,251

10. Risks and Uncertainties (continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The System does not have a formal policy to limit foreign currency risk. The System's exposure to foreign currency risk in U.S. dollars as of December 31, 2013 is as follows:

Currency	Foreign Currency	Fixed Income	Equities	Total
Australian Dollar	$ 2,991	$ 4,329,852	$ -	$ 4,332,843
British Pound Sterling	-	-	9,491,650	9,491,650
Canadian Dollar	-	110,463	912,023	1,022,486
Euros	-	6,011,686	20,705,432	26,717,118
Hong Kong Dollar	-	-	2,673,437	2,673,437
Japanese Yen	24,772	7,044,423	5,153,927	12,223,122
Korean Won	-	-	1,636,286	1,636,286
Malaysian Ringgit	21,183	-	-	21,183
Mexico Peso	68,709	3,493,506	-	3,562,215
New Zealand Dollar	19	-	-	19
Polish Zloty	-	3,389,392	-	3,389,392
Singapore Dollar	-	-	734,952	734,952
South African Rand	9	-	-	9
Swedish Krona	-	4,172,309	-	4,172,309
Swiss Franc	-	-	3,580,268	3,580,268
	$ 117,683	$ 28,551,631	$ 44,887,975	$ 73,557,289
Foreign investment denominated in US Dollars				23,710,542
				$ 97,267,831

The System's exposure to foreign currency risk in U.S. dollars as of December 31, 2012 is as follows:

Currency	Foreign Currency	Fixed Income	Equities	Total
Australian Dollar	$ 16,274	$ 5,115,519	$ -	$ 5,131,793
British Pound Sterling	-	1,435,450	6,375,625	7,811,075
Canadian Dollar	-	193,320	-	193,320
Euros	-	7,227,539	20,984,089	28,211,628
Hong Kong Dollar	-	-	2,530,057	2,530,057
Japanese Yen	62,719	19,372,360	5,900,573	25,335,652
Korean Won	-	-	1,119,272	1,119,272
Mexico Peso	79,750	3,407,032	-	3,486,782
New Zealand Dollar	17	-	-	17
Polish Zloty	-	3,919,287	-	3,919,287
Singapore Dollar	-	-	772,166	772,166
South African Rand	14,851	1,449,334	-	1,464,185
Swedish Krona	-	1,445,259	-	1,445,259
Swiss Franc	-	-	2,752,911	2,752,911
	$ 173,611	$ 43,565,100	$ 40,434,693	$ 84,173,404
Foreign investment denominated in US Dollars				22,766,394
				$ 106,939,798

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10. Risks and Uncertainties (continued)

Interest Rate Risk

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

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

Type	2013 Fair Value	Less than 1 year	1 to 5 years	6 to 10 years	More than 10 years
Corporate bonds and debentures	$ 48,769,735	$ 330,815	$ 12,054,536	$ 16,792,640	$ 19,591,744
Foreign government and corporate obligations	37,825,128	2,663,259	13,835,849	15,448,421	5,877,599
US government and corporate obligations	55,038,301	700,574	14,987,431	12,248,794	27,101,502
Total	$141,633,164	$ 3,694,648	$ 40,877,816	$ 44,489,855	$ 52,570,845

The segmented time distribution of the various investment types of the System's debt securities at December 31, 2012 is as follows:

Type	2013 Fair Value	Less than 1 year	1 to 5 years	6 to 10 years	More than 10 years
Corporate bonds and debentures	$ 56,771,927	$ 508,080	$ 15,659,466	$ 17,357,659	$ 23,246,722
Foreign government and corporate obligations	55,173,776	1,637,514	25,981,485	19,564,934	7,989,843
US government and corporate obligations	43,778,548	-	3,236,989	7,744,413	32,797,146
Total	$155,724,251	$ 2,145,594	$ 44,877,940	$ 44,667,006	$ 64,033,711

Public School Retirement System of the City of St. Louis
Schedule of Employer Contributions
Years Ended December 31, 1997 - 2013

Year Ended December 31,	Annual Required Contribution	Percent Contributed
1997	$16,876,759	100.2%
1998	15,328,067	111.1
1999	13,906,270	124.5
2000	15,543,984	112.3
2001	18,168,580	100.2
2002	19,076,442	100.6
2003	19,517,288	101.2
2004	19,210,506	132.0
2005	19,364,705	121.4
2006	14,414,133	114.9
2007	17,311,658	129.7
2008	21,021,316	132.5
2009	21,406,949	133.6
2010	19,407,722	134.4
2011	24,264,182	118.4
2012	25,928,658	114.0
2013	35,367,598	*

* To be determined at the end of the year

The information presented in the required supplemental schedules was determined as part of the actuarial valuation prepared by Buck Consultants at January 1, 2013.

Additional information related to the above actuarial valuation follows:

Actuarial cost method:	Frozen entry age
Rate of investment return	8.00% for 2013 and 2012, net of expenses
Turnover or withdrawal rates:	Various by age and year of membership based on actual
Mortality and death rates:	Mortality tables mandated by the Pension Protection Act as specified in IRS Regulation 1.430(h)(3)-1
Disability rates	RP-2000 Disability Mortality Table
Rates of retirement between the ages of 55 and 70	Various based on actual experience of the System
Rate of salary increases	Based on actual experience of the System, at the rate of 4.5% per year
Asset valuation method:	The assumed yield method of valuing assets

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

See independent auditors' report

Public School Retirement System of the City of St. Louis
Schedule of Funding Progress
(in millions)
Years Ended December 31, 1997 - 2013

Actuarial Valuation Date January 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Frozen Entry Age (b)	Unfunded AAL (UAAL) (b - a)
1997	$ 598.6	$ 716.7	$ 118.1
1998	644.4	759.7	115.3
1999	694.3	846.9	152.6
2000	770.1	937.7	167.6
2001	828.1	1,022.0	193.9
2002	861.1	1,069.8	208.7
2003	873.3	1,063.2	189.9
2004	902.0	1,074.3	172.3
2005	935.3	1,084.4	149.1
2006	983.8	1,122.6	138.8
2007	1,003.4	1,150.2	146.8
2008	1,014.9	1,158.9	144.0
2009	963.9	1,099.9	136.0
2010	950.7	1,076.0	125.3
2011	944.4	1,066.3	121.9
2012	925.4	1,090.3	164.9
2013	914.5	1,085.1	170.6

Actuarial Valuation Date January 1,	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
1997	83.5 %	$ 210.2	56.2 %
1998	84.8	210.8	54.7
1999	82.0	215.6	70.8
2000	82.1	216.7	77.3
2001	81.0	235.1	82.5
2002	80.5	243.9	85.6
2003	82.1	283.9	66.9
2004	84.0	255.3	67.5
2005	86.3	240.2	62.1
2006	87.6	227.0	61.1
2007	87.2	222.4	66.0
2008	87.6	225.2	63.9
2009	87.6	234.5	58.0
2010	88.4	242.0	51.8
2011	88.6	218.3	55.8
2012	84.9	234.8	70.2
2013	84.3	225.9	75.5

See independent auditors’ report

Public School Retirement System of the City of St. Louis
Schedules of Operating Expenses
Years Ended December 31, 2013 and 2012

	2013	2012
Actuarial services	$ 177,146	$ 146,077
Accounting and auditing fees	51,139	55,552
Computer programming and consultation	87,881	125,590
Conventions, conferences, seminars		
Executive Director	1,156	1,790
Trustees (see below)	26,928	18,979
Depreciation expense	67,438	67,438
Dues and subscriptions	4,618	-
Employee benefits	3,184	3,455
Furniture and equipment	11,311	566
Health insurance consultation	39,843	39,843
Insurance - group health	59,824	62,069
Insurance - casualty and bonding	84,707	80,875
Legal fees and expenses	22,173	47,342
Medical fees	2,300	1,300
Miscellaneous expense	7,347	7,815
Occupancy expense	27,946	27,005
Office repairs and maintenance	47,969	40,271
Office supplies and expenses	14,931	10,330
Payroll taxes	34,164	33,653
Pension contribution	91,361	73,902
Postage	60,298	89,933
Printing and publishing	29,140	23,749
Salaries - administrative and clerical	446,591	446,297
Telephone	10,682	16,780
Utilities	31,106	29,654
	$ 1,441,183	$ 1,450,265

Trustees' Expenses

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

	2013	2012
Lodging, meals, and miscellaneous	$ 17,650	$ 10,842
Transportation and registration	9,278	8,137
Total	$ 26,928	$ 18,979

See independent auditors' report

Public School Retirement System
of the City of St. Louis

Summary of Investment Fees & Expenses
Years Ended December 31, 2013 and 2012

	2013	2012
Investment management fees	$ 4,307,303	$ 4,069,465
Consultant fees	192,519	188,999
Banking services	39,717	33,626
Total investment fees	$ 4,539,539	$ 4,292,090

Public School Retirement System
of the City of St. Louis

Schedule of Professional/Consultant Fees
Years Ended December 31, 2013 and 2012

	2013	2012
Actuarial services	$ 177,146	$ 146,077
Accounting and auditing fees	51,139	55,552
Building property management	27,946	27,005
Health insurance consulting	39,843	39,843
Legal expenses	22,173	47,342
Technology consulting	87,881	125,590
Total professional/consultant fees	$ 406,128	$ 441,409

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Investment Section

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NEPC, LLC

KRISTIN FINNEY-COOKE, CAIA
SENIOR CONSULTANT

May 19, 2014

The Board of Trustees
Public School Retirement System of the City of St. Louis
3641 Olive Street, Suite 300
St. Louis, MO 63108

Dear Board Members,

NEPC, LLC currently serves as the pension consultant for the Public School Retirement System of the City of St. Louis. In our role as the pension consultant, we assist the Board in several manners. We guide the overall asset allocation strategy of the Plan; draft the investment policy of the Plan (and amendment of when necessary); conduct investment manager searches (both traditional and alternative asset classes); provide ongoing performance evaluation for each individual investment manager, each asset class composite, and the overall investment portfolio as a whole; and on an ongoing basis we provide pertinent education to the Board.

The overall objective of the Public School Retirement System of the City of St. Louis is to provide service, disability, death and vested retirement benefits, and other postemployment benefits to members and their beneficiaries. To ensure a solid foundation for the future of the System, the Public School Retirement System of the City of St. Louis has implemented an investment program designed to achieve the actuarial assumed rate of return in the long term, while prudently managing the risk of the portfolio.

Although investment manager performance is key in the future “success” of the Plan, the overall asset allocation policy will be the primary determinant of such “success”. Modern portfolio theory maintains that long term investors, who assume prudent levels of risk, will be rewarded with incremental returns above lower returning and risk free assets (i.e. T-Bills). The pension fund, in its asset allocation policy, is required to satisfy the need to pay accumulated/earned retirement benefits today, while at the same time be prepared for “uncertain” future benefits. As such, the asset allocation policy looks to meet this objective. It takes into consideration the diversification of asset classes, but more importantly, the diversification of the risk contribution of each asset class to the investment program which in turn reduces the overall volatility of the portfolio while garnering the highest expected risk adjusted returns.

Over the last year the Board continued to work diligently on expanding the alternative investment program, which will further assist in the diversification of the portfolio. Asset classes such as hedge funds and global asset allocation are designed to lower the overall volatility of the program, while private equity is designed to provide higher long term performance above what is expected from traditional equity markets. As the allocation strategy evolves year after year, diversification and risk mitigation will continue to be the pillars of the asset allocation structure.

Return data for the Fund was reconciled from manager provided time-weighted returns that were calculated in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Valuations, where available, are based on published national securities exchange prices, as provided by PSRS's custodian, US Bank.

255 State Street | Boston, MA 02109 | TEL: 617.374.1300 | www.nepc.com
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This letter summarizes the structure and performance of the Public School Retirement System of the City of St. Louis Fund through the Fiscal Year ending December 31, 2013.

Asset Allocation and Investment Performance

During the year ending December 31, 2013, the Fund earned 15.8%, which ranked it in the 41st percentile of public funds with assets between $250 million and $1.0 billion within the InvestorForce Public Fund Defined Benefit Universe. Over the 12 month period ending December 31, 2013, PSRS performance surpassed its assumed actuarial return target of 8.0%. Assets increased from $897.4 million at the end of fiscal year 2012 to approximately $949.5 million as of year-end 2013. The investment earnings for the year more than covered the outflow for benefit payments. Over the trailing 5 year period ending December 31, 2013, the Fund earned an annualized rate of return of 12.6%, ranking in the 49th percentile of the comparative universe. Over the trailing 10 year period ending December 31, 2013, the Fund earned an annualized rate of return of 7.3%, ranking in the 16th percentile.

During late 2013, the Trustees reviewed the asset allocation of the Fund and established new target allocation weights. As of 2013 year end, the Fund had not yet started to reallocate assets to the newly established targets. The fiscal year end allocation was 48.4% equities, 17.5% fixed income and credit opportunities, 11.8% global asset allocation strategies, 8.9% hedge fund of funds and market neutral, 5.2% real estate, 2.4% private equity, 2.3% real assets, and 3.5% cash

Market Commentary

Global Stock markets rebounded in 2013 despite the headline risks related to the European debt crisis, the U.S. fiscal cliff, reports of slowing economic growth in China and emerging markets and trepidation regarding the eventual tapering of the Federal Reserve’s quantitative easing program.

In particular, the U.S. Stock market posted a strong 2013. During the year, large company stocks surged more than 30% and small company shares soared close to 39%. In December, the Federal Reserve (The Fed) initiated the much anticipated reduction of monetary stimulus by cutting its monthly bond buying program by $10 billion. With a new target of $75 billion, the Fed has a commitment to lower short-term rates through 2014. The Fed was encouraged to act in December by strong economic reports of a revised third quarter GDP growth that was upwards of 4.1%, and reports of unemployment falling to 7%. In this environment, investors favored stocks over bonds and U.S. markets over non-U.S. markets. Although somewhat overshadowed by U.S. stock market results, international equities in developed markets rose for the month of December, led higher by European shares. Rising interest rates in the U.S. brought concerns of capital flight and balance of payments in emerging countries, putting pressure on developing country stock and bond markets, which continued a pattern of underperformance that was consistent of 2013. Oil prices rose during the month of December in commodities markets. Gold continued its descent, posting its first negative year in more than a decade.

Global Equity Markets

In general, global equities had a strong year, even with modest global growth, lack of gains in unemployment and high unemployment in key areas.

U.S. equity markets registered their strongest year since 1997, with the S&P 500 finishing the year 32% higher than it was 12 months earlier. After two years of robust results, (since the start of 2012, the S&P 500 is up over 50%), U.S. equities are less likely to be the strongest-performing investment category going forward. Valuation is becoming stretched, while corporate earnings remain at secular high levels. The U.S. economy appears to be ahead of other developed markets in recovering from the challenges of the great financial crisis, which may drive stocks higher in the upcoming year. Credit markets enjoyed a strong run and currently appear fairly valued, with opportunities remaining in emerging markets and less liquid strategies such as direct lending and real estate debt.

European stock markets also experienced their strongest annual performance since 2009, rebounding after a weak start in the first half of the year as fears of a Eurozone breakup abated, manufacturing re-engaged in that region after a two year slump, and the single currency area emerged from a long-term recession.

In Asia, equities lagged those of North America and Europe, with gains mainly attributable to the region's developed markets. In Japan, earnings and shares generally benefited from Prime Minister Shinzo Abe's overhaul of the country's monetary and fiscal policy, with anticipation of a sales tax increase, the third piece of the fiscal, structural reform to be implemented in 2014. Japan is the world's third largest economy and the overhaul was designed to pull it out of its two decade-long deflationary stagnation.

Equity Index Returns as of 12/31/2013				
Global Equity	**Quarter**	**1 Year**	**3 Years**	**5 Years**
MSCI World	8.0%	26.7%	11.5%	15.0%
US Equity	**Quarter**	**1 Year**	**3 Years**	**5 Years**
S&P 500	10.5%	32.4%	16.2%	17.9%
Dow Jones Industrial Average	10.2%	29.7%	15.7%	16.7%
NASDAQ Composite	11.1%	39.8%	17.7%	22.9%
Russell 1000 Growth	10.4%	33.5%	16.5%	20.4%
Russell 1000 Value	10.0%	32.5%	16.1%	16.7%
Russell 2000	8.7%	38.8%	15.7%	20.1%
Russell 2000 Growth	8.2%	43.3%	16.8%	22.6%
Russell 2000 Value	9.3%	34.5%	14.5%	17.6%
International Equity	**Quarter**	**1 Year**	**3 Years**	**5 Years**
MSCI EAFE	5.7%	22.8%	8.2%	12.4%
MSCI Emerging Markets	1.8%	-2.6%	-2.1%	14.8%
MSCI Europe	7.9%	25.2%	9.9%	13.4%
MSCI UK	7.4%	20.7%	10.7%	16.1%
MSCI Japan	2.3%	27.2%	5.6%	7.7%
MSCI Far East	2.3%	23.3%	5.5%	9.0%

Global Fixed Income Markets

Speculation that The Fed was looking to reduce stimulus efforts increased volatility in the market and triggered reactions to shift out of emerging markets and other assets that have historically tended to have higher volatility. The speculation caused a massive summer sell-off in emerging market stocks, bonds and currencies as investors feared loss of liquidity. While many of those assets managed to recoup some losses later in the year, few managed to return to positive territory by the end of 2013.

A number of emerging market countries were also hindered by country-specific drivers such as slowing growth, decreasing productivity, twin deficits, and exposure to a slowing Chinese economy. Supporting the Asia-Pacific region, China's moderate and slowed growth has more broadly supported emerging markets. Reduced worries about the Eurozone debt crisis and signs of a global economic recovery also reduced interest in fixed income strategies in general. The European Central Bank and Bank of Japan continued to stand by their monetary policies to boost global liquidity, which helped limit declines in select fixed income markets in 2013.

Fixed Income Index Returns as of 12/31/2013				
Global Fixed Income	**Quarter**	**1 Year**	**3 Years**	**5 Years**
Citi WGBI	-1.1%	-4.0%	1.2%	2.3%
JPM EMBI Plus	0.9%	-6.6%	6.3%	11.5%
Domestic Fixed Income	**Quarter**	**1 Year**	**3 Years**	**5 Years**
BC Aggregate	-0.1%	-2.0%	3.3%	4.4%
BC US Agg. Treasury	-0.7%	-2.7%	2.8%	2.1%
BC US Credit	0.9 %	-2.0%	5.1%	7.8%
BC Mortgage Backed	-0.4%	-1.4%	2.4%	3.7%
BC Interim Gov't/Credit	-0.0%	-0.9%	2.9%	4.0%
BC 1-10 Yr TIPS	-1.3%	-5.6%	2.6%	5.0%
BC High Yield	3.6%	7.4%	9.3%	18.9%
S&P LSTA Lev. Loan	1.7%	5.2%	5.4%	14.3%
3 Month T-Bills	0.0%	0.0%	0.1%	0.1%
10-Year Bond Yields	**Dec 2013**	**Sep 2013**	**Jun 2013**	**Dec 2012**
US	3.0%	2.6%	2.3%	1.8%
Germany	1.9%	1.7%	1.7%	1.3%
UK	3.0%	2.7%	2.4%	1.8%
Japan	0.7%	0.6%	0.8%	0.7%

2013 Summary

During the fiscal year, there were no new managers added to the investment program. With the movement to slightly different asset allocation targets, we anticipate an enhancement to the manager line up during 2014.

2013 saw an equity market rally, which the Public School Retirement System of the City of St. Louis participated in earning a strong 15.8% absolute return, well above the stated actuarial rate of return (8%). The Fund is well diversified and positioned for the future. Longer term performance continues to uphold our goals and objectives, outperforming the Fund's investment policy and comparative Public Fund peer group.

Sincerely,

Public School Retirement System
of the City of St. Louis

Investment Policies

Pursuant to the Rules & Regulations established by the PSRSSTL Board of Trustees, the System's assets are invested according to *Rule XIV. – Investment Policies*. The following is a summary of the System's Investment Goals under Rule XIV., Section 3:

> *Assets of the System shall be invested in a manner designed to preserve and enhance principal over the long term, both in real and nominal terms. Total return, consistent with prudent investment management, is the primary goal of the System. Total return, as used herein, includes income less expenses plus realized and unrealized gains and losses in the System's assets. The Trustees will establish, in the Investment and Operating Guidelines, both real and nominal long-term target rates of return for the Fund that are projected to provide a high probability of achieving the System's long-term investment objectives within acceptable risk levels. The Trustees shall establish, in the Investment and Operating Guidelines, additional performance expectations for the Fund as a whole and for each asset classification within the Fund. Total Fund risk exposure and risk adjusted returns will be regularly evaluated and compared to such peer group or groups that the Trustees and investment consultant may from time to time select.*

Investment and Operating Guidelines

PSRSSTL has issued Investment and Operating Guidelines to steer the System's fiduciaries, including staff, investment consultants, investment professionals and investment managers, in the course of investing and administering the Fund's assets, and to measure the performance of the Fund and its investment managers. The guidelines contain specific directives for the following:

Performance Objectives by Asset Class	Asset Allocation Policy
Operating Guidelines by Asset Class	Liquidity Assumption for Benefit Payments
Standards of Investment Performance	Watch List / Probation Process
Reporting Requirements	Use of Guidelines by Investment Managers

Code of Ethics Policy

The Board of Trustees has adopted a Code of Ethics Policy that prohibits conflicts of interest and requires representatives of the Fund to act with the highest level of ethical responsibility in the performance of their duties. All Trustees, employees, professionals and vendors are required to acknowledge their understanding of the policy on an annual basis.

Investment Policies and Operating Guidelines Review

The Investment Policies and Operating Guidelines may be amended or modified from time to time by the Trustees, in the manner provided in the PSRSSTL Rules and Regulations, upon consideration of the advice and recommendations from the System's retained professionals, including the actuary, accountant, investment managers, investment consultant, and attorney. The Investment Policies and Operating Guidelines are regularly reviewed by the Board of Trustees to ensure their relevance to the current needs of the Fund and to communicate any material changes thereto to the investment managers.

To view or print the PSRSSTL Investment Policies and Guidelines, please visit
http://www.psrsstl.org/about-us/rules-regulations-statutes.aspx

Public School Retirement System of the City of St. Louis

Schedule of Investments
Year Ended December 31, 2013

Investment Category	% of MV	Market Value (MV)	Cost	MV Over (Under) Cost
Cash Equivalents	4.5%	$42,470,241	$42,470,241	$0
U.S. Government and Agency Issues	5.8%	55,038,301	55,812,525	(774,224)
Corporate Bonds	5.1%	48,769,735	44,523,846	4,245,889
Foreign Investments (bonds & stocks)	10.2%	97,267,831	87,472,364	9,795,467
Common and Preferred Stocks	29.1%	275,848,250	211,119,325	64,728,925
Mutual Funds	36.7%	348,698,374	248,541,498	100,156,876
Real Estate Partnerships	5.2%	49,057,339	43,245,288	5,812,051
Credit Opportunity Investments	1.0%	9,530,937	6,526,109	3,004,828
Alternative Investments	2.4%	22,868,215	20,307,891	2,560,324
Total	**100.0%**	**$949,549,223**	**$760,019,087**	**$189,530,136**

Market Value of All Assets
Years Ended December 31, 2011 – 2013

Investment Category	December 31, 2011 Market Value	December 31, 2011 % of Total	December 31, 2012 Market Value	December 31, 2012 % of Total	December 31, 2013 Market Value	December 31, 2013 % of Total
Cash, Receivables, Cash Equivalents	$50,329,093	5.8%	$45,424,142	5.1%	$54,488,495	5.7%
Property and Building	2,152,334	0.2%	2,084,895	0.2%	2,017,457	0.2%
U.S. Government & Agency Issued Bonds	50,200,578	5.8%	43,778,548	4.9%	55,038,301	5.7%
Corporate Bonds	51,286,089	5.9%	56,771,927	6.3%	48,769,735	5.1%
Foreign Investments (bonds and stocks)	95,408,493	11.0%	106,939,798	11.9%	97,267,831	10.1%
Common and Preferred Stocks	224,917,277	25.9%	233,243,085	26.0%	275,848,250	28.6%
Mutual Funds	301,124,937	34.7%	322,018,950	35.9%	348,698,374	36.2%
Real Estate Partnerships	46,725,649	5.4%	45,034,321	5.0%	49,057,339	5.1%
Credit Opportunity Investments	20,217,520	2.3%	16,877,460	1.9%	9,530,937	1.0%
Alternative Investments	26,566,476	3.1%	25,207,718	2.8%	22,868,215	2.4%
Total	**$868,928,446**	**100.0%**	**$897,380,844**	**100.0%**	**$963,584,934**	**100.0%**

Public School Retirement System of the City of St. Louis

For the fiscal year ended December 31, 2013, the PSRSSTL portfolio posted a gain of 15.8%, ranking 41st within the Investor Force Universe (IFU) of Public Funds. For the three-year and five-year periods ending December 31, 2013, the PSRSSTL portfolio ranked 55th and 49th with 9.2% and 12.6% returns, respectively.

Investment returns for the retirement system's portfolio, stocks and bonds for the one-year, three-year and five-year periods ending December 31, 2013 are set forth below.

	Annualized Returns for Periods Ended[1] December 31, 2013, net of fees		
Investment Category	**One Year**	**Three Years**	**Five Years**
PSRS Total Portfolio	15.8%	9.2%	12.6%
Allocation Index[2]	16.8%	9.6%	12.2%
PSRS Domestic Equities	35.7%	16.5%	19.9%
Russell 3000 Index	33.6%	16.2%	18.7%
PSRS Domestic Bonds	1.8%	6.2%	10.9%
Barclays Aggregate	-2.0%	3.3%	4.4%
Barclays High Yield	7.4%	9.3%	18.9%
PSRS International Equities	26.7%	11.4%	15.6%
MSCI EAFE Index	22.8%	8.2%	12.4%
PSRS Emerging Market Equities	-4.8%	-5.5%	13.1%
MSCI Emerging Markets Index	-2.6%	-2.1%	14.8%
PSRS Global Bonds	-6.3%	0.3%	3.5%
Citi World Gov Bond Index	-4.0%	1.2%	2.3%

[1]The investment returns in the schedule are annualized by calculating the average market rate of return for the time period.

[2]The Allocation Index is comprised of various equity, fixed income, hedge fund, real estate and Treasury bill indices in proportion to the asset weights within the pension fund.

Asset Allocation and Investment Managers
As of December 31, 2013 (in thousands)

ASSET CLASS / Money Manager	RELATIVE TO: Management Style	TOTAL PORTFOLIO MARKET VALUES $	MARKET VALUES %	TARGET VALUES $	TARGET VALUES %	VARIANCE Value	VARIANCE %	ASSET CLASS MARKET VALUE Value	MARKET VALUE %
LARGE CAP GROWTH DOMESTIC EQUITIES		99,892	10.4%	52,886	5.5%	47,006	4.9%		
Holland Capital Management	Large Cap Growth							36,277	36.3%
Intech	Large Cap Growth							27,178	27.2%
TCW Asset Management	Large Cap Growth							36,437	36.5%
LARGE CAP CORE DOMESTIC EQUITIES		30,017	3.1%	19,231	2.0%	10,786	1.1%		
Batterymarch Financial	Large Cap Core							18,178	60.6%
Mellon Stock Index Fund	Large Cap Core							11,839	39.4%
LARGE CAP VALUE DOMESTIC EQUITIES		92,452	9.6%	52,886	5.5%	39,566	4.1%		
Chicago Equity Partners	Large Cap Value							55,184	59.7%
The Edgar Lomax Company	Large Cap Value							37,268	40.3%
MID CAP GROWTH DOMESTIC EQUITIES		29,511	3.1%	28,847	3.0%	664	0.1%		
New Amsterdam Partners	Mid Cap Growth							29,511	100.0%
SMALL/MICRO CAP DOMESTIC EQUITIES		77,681	8.1%	57,694	6.0%	19,987	2.1%		
Westfield Capital Management	Small Cap Growth							25,604	33.0%
Systematic Financial Management	Small Cap Value							28,058	36.1%
Dimensional Fund Advisors (DFA)	Micro Cap							24,019	30.9%
GLOBAL TACTICAL ASSET ALLOCATION		111,990	11.6%	115,388	12.0%	(3,398)	-0.4%		
GMO	Balanced Fund							37,869	33.8%
Mellon Global Alpha	Balanced Fund							37,594	33.6%
PIMCO	Balanced Fund							36,527	32.6%
GLOBAL EQUITIES [1]		0	0.0%	48,079	5.0%	(48,079)	-5.0%		
To Be Determined	Global Equities							0	0.0%
INTERNATIONAL EQUITIES		130,888	13.6%	182,698	19.0%	(51,810)	-5.4%		
Batterymarch Global Emerging Markets	Emerging Markets							23,567	18.0%
Dimensional Fund Advisors (DFA)	Emerging Markets							14,543	11.1%
Pyramis Global Advisors	International Equities							46,595	35.6%
Causeway	International Equities							46,183	35.3%
CORE DOMESTIC BONDS		70,211	7.3%	67,310	7.0%	2,901	0.3%		
EARNEST Partners	Core Domestic Bonds							20,688	29.5%
Mellon Bond Index Fund	Core Domestic Bonds							629	0.9%
Manulife Asset Management (formerly MFC)	Core Domestic Bonds							48,894	69.6%
HIGH YIELD DOMESTIC BONDS		45,770	4.8%	48,079	5.0%	(2,309)	-0.2%		
Loomis Sayles	High Yield Bonds							45,770	100.0%
EMERGING MARKETS DEBT [1]		0	0.0%	38,463	4.0%	(38,463)	-4.0%		
To Be Determined	Emerging Markets							0	0.0%
GLOBAL BONDS		41,111	4.3%	28,847	3.0%	12,264	1.3%		
Mondrian	Global Bonds							41,111	100.0%
CREDIT OPPORTUNITIES		9,531	1.0%	9,616	1.0%	(85)	0.0%		
Loomis Sayles	Credit Asset Fund							9,531	100.0%
MARKET NEUTRAL STRATEGY		36,309	3.8%	38,463	4.0%	(2,154)	-0.2%		
Blue Rock Advisors	Market Neutral							36,309	100.0%
HEDGED STRATEGIES		48,133	5.0%	48,079	5.0%	55	0.0%		
Mariner Investment Group	Cash (10% Holdback)							77	0.2%
EnTrust	Fund of Funds							22,913	47.6%
Permal Asset Management	Fund of Funds							25,143	52.2%
REAL ESTATE		49,057	5.1%	48,079	5.0%	979	0.1%		
UBS Trumbull Property & Income Funds	Commercial Real Estate							49,057	100.0%
PRIVATE EQUITY & PRIVATE DEBT [1]		22,868	2.4%	48,079	5.0%	(25,211)	-2.6%		
Secondary, Distressed, Mezzanine, Fund of Funds, Debt	Limited Partnerships							22,868	100.0%
REAL ASSETS		22,004	2.3%	28,847	3.0%	(6,843)	-0.7%		
Wellington Management Co.	Commodities							22,004	100.0%
CASH *(Does Not Include Managers' Residual Cash)*		44,145	4.6%	0	0.0%	44,145	4.6%		
U.S. Bank (checking & operating accounts)	Cash Accounts							44,145	
TOTAL (000's Omitted)		**$961,570**	**100.0%**	**$961,570**	**100.0%**			**$961,570**	

[1] New Asset Class as of 10/21/13

The target values shown above represent the Asset Allocation Policy adopted by the Board of Trustees on October 21, 2013. The Board of Trustees added global equities, emerging markets debt and private debt to the system's asset allocation mix. The Board of Trustees is expected to pursue these new investments over the next year or so. In 2013, the Board of Trustees added a $5 million commitment to the system's private equity asset class with Vista Foundation Fund II. Funding of this commitment is made with cash as called.

Domestic Equity Investments

Domestic Equity Performance & Characteristics	
2013 Return	35.7%
Average Market Capitalization	$61.6 Billion
P/E Ratio	23.1
Price/Book Ratio	4.3
Five-Year Annualized Return	19.9%

PSRSSTL Ten Largest Domestic Equity Holdings

Company	% of Holdings	Company	% of Holdings
Exxon Mobil	1.3%	Qualcomm	1.1%
Google 'A"	1.2%	Wells Fargo & Co.	1.1%
Pfizer Pharmaceutical	1.2%	General Electric	1.0%
Visa 'A'	1.2%	Chevron	1.0%
Amazon.com	1.1%	AT&T	0.9%

Top Ten Contributors to the PSRSSTL Domestic Equity Portfolio Relative to the Russell 3000 Stock Index

Company	Contribution %	Return	Company	Contribution %	Return
Gentium	0.1%	110.5%	Amazon.com	0.1%	27.6%
United Therapeutics	0.1%	43.4%	Waddell & Reed Fin	0.1%	27.2%
AOL	0.1%	34.8%	Tyson Foods 'A'	0.1%	18.6%
Hewlett Packard	0.1%	34.0%	Visa 'A'	0.1%	16.8%
Adv. Auto Parts	0.1%	33.9%	Priceline.com	0.1%	15.0%

Bottom Ten Contributors to the PSRSSTL Domestic Equity Portfolio Relative to the Russell 3000 Stock Index

Company	Contribution %	Return	Company	Contribution %	Return
Apple	-0.3%	18.4%	Microsoft	-0.1%	13.3%
Exxon Mobil	-0.2%	18.4%	Oracle	-0.1%	15.8%
Proctor & Gamble	-0.1%	8.5%	Boeing	-0.1%	16.6%
Coca Cola	-0.1%	9.8%	3M	-0.1%	18.0%
Bank of America	-0.1%	12.9%	Mastercard	-0.1%	24.3%

A complete list of portfolio holdings is available for a fee based on preparation time and the cost of materials. The information shown reflects securities held for the fiscal year ended December 31, 2013, excluding pooled or mutual funds.

PSRSSTL Domestic Bond Portfolio Performance & Characteristics	
2013 Return	1.8%
Average Yield to Maturity	4.1%
Average Maturity	10 Years
Average Duration	5.9 Years
Average Quality Rating	BBB
Five-Year Annualized Return	10.9%

The PSRSSTL Investment & Operating Guidelines require the average duration (interest rate sensitivity) of the PSRSSTL domestic bond portfolio to remain seven years or less. Since the average duration of the PSRSSTL domestic bond portfolio was 5.9 years at the end of fiscal year 2013, the System's domestic bond money managers met this requirement in 2013.

PSRSSTL Domestic Bond Portfolio Quality Ratings	Percentage of PSRSSTL Domestic Bond Portfolio
AAA	1.4%
AA	43.6%
A	8.3%
BBB	17.0%
BB and Below	29.1%
Not Rated	0.6%

The PSRSSTL Board of Trustees requires the overall average quality rating of high-grade fixed income investments to be “AA” or better and the average quality rating of securities held in high-yield fixed income investments to be "B" or better. Since more than 70% of the PSRSSTL domestic bond portfolio was rated “BBB” or better at the end of fiscal year 2013, the System's domestic bond money managers exceeded the plan's requirements for the year.

A complete list of portfolio holdings is available for a fee based on preparation time and the cost of materials. The information shown reflects securities held for the fiscal year ended December 31, 2013, excluding pooled or mutual funds.

Public School Retirement System of the City of St. Louis

Brokerage Commissions Paid
Year Ended December 31, 2013

Company	Commissions	Company	Commissions	Company	Commissions
Abel Noser	$4,429.53	First Clearing	$5,459.80	Mizuho Securities USA	$647.25
Aqua Securities	1,860.60	GETCO Execution Services	63.25	MKM Partners	74.40
Baird & Company	1,743.70	Goldman Sachs	4,652.90	Morgan Stanley	11,421.64
Barclays Capital	8,551.62	Goodbody	432.74	Needham & Company	872.00
BB&T Securities	542.60	Guggenheim Securities	155.00	Oppenheimer & Co.	579.00
Bear Stearns Securities	233.46	Guzman & Company	3,921.77	Pacific Crest Securities	125.20
Blaylock & Co.	732.00	Instinet	14,356.50	Parel	177.07
Bloomberg Tradebook	5,694.00	ITG	28,137.95	Pershing Securities	84.93
BMO Capital Markets	664.42	ISI Group Inc.	907.80	Pickering Energy Partners	264.25
BNY Convergex	1,977.84	Ivy Securities Inc.	940.92	Piper Jaffray	780.65
Broadcort Cap Corp	9,246.63	J P Morgan	5,506.03	Raymond James	786.25
BTIG, LLC	30.00	Janney Montgomery Scott	140.80	RBC Capital Markets	3,260.76
Cabrera Capital Markets	2,555.75	Jeffries & Co.	6,592.81	Redburn Partners	843.82
Canaccord Genuity Inc.	105.60	JMP Securities	288.80	Rosenblatt Securities	1,917.96
Cantor Fitzgerald	574.90	Jones Trading	695.45	Royal Bank of Canada	52.70
Cap Institutional Services	14,403.24	Keefe Bruyette & Woods	624.14	Sandler O'Neill & Partners	141.00
Cheevers & Co., Inc.	1,135.80	Kepler Paris	1,986.12	Sanford C. Bernstein & Co	5,217.04
Citation Group	409.43	Keybanc Capital Markets	599.20	Segainter Zurich	194.58
Citigroup	8,679.30	King CL & Associates	226.88	Societe General	2,063.05
Convergex Execution Solutions	41,721.17	Knight Capital	1,251.05	State Street	26,181.58
Cowen & Co.	1,169.20	Lazard Capital	241.60	Stephens Inc.	160.80
CR Argricole	976.70	Leerink Swann & Co.	16.80	Sterne Agee Leach Inc	356.80
Craig Hallum	656.95	Liquidnet Inc.	22,317.75	Stifel Nicolaus & Co.	788.95
Credit Suisse Securities	10,543.87	Longbow Securities LLc	1,077.00	Sungard Brokerage	389.50
Cuttone & Co.	10.00	Loop Capital Markets	1,156.05	Suntrust Capital	83.20
Daiwa	372.06	M. Ramsey King Securities	205.25	UBS	16,155.97
Davy Stockbrokers	97.83	Macquarie Securites	1,073.71	Wedbush Morgan Securities	492.40
Deutsche Bank Securities	4,803.24	Merrill Lynch	8,887.44	Weeden & Co.	2,578.55
Exane SA	599.83	Mischler Financial Group	290.80	Wells Fargo Securities	2,426.80
FBR Capital Markets	334.05	Mitsubishi	63.68	William Blair & Co.	548.25
				Williams Capital Group	2,086.95
				2013 Total Commissions	**$318,878.61**

Public School Retirement System
of the City of St. Louis

Schedule of Investment Fees and Expenses
Years Ended December 31, 2013 and 2012

Investment management fees	2013	2012
Batterymarch	$ 117,545	$ 108,819
BDH	-	54,823
Causeway	294,235	260,649
Chicago Equity	188,266	172,437
Earnest Partners	52,052	52,936
Entrust	295,594	270,759
Fidelity	274,160	239,138
GMO	718	2,002
Holland Capital	193,757	77,258
Intech	121,972	124,978
John Hancock	153,711	155,372
Lomax	172,499	161,912
Loomis Sayles	229,523	217,197
Loomis Credit Asset	78,121	91,650
Mellon	299,900	298,281
Mondrian	191,534	209,408
Monetary	-	148,365
New Amsterdam	99,928	92,548
SW Pelham	60,748	-
Systematic	256,604	225,856
TCW Asset	192,509	77,477
UBS	456,585	469,021
US Bank	147,831	143,714
Wellington	200,263	204,464
Westfield	229,248	210,401
Total investment management fees	4,307,303	4,069,465
Consultant fees	192,519	188,999
Banking services	39,717	33,626
Total investment expenses	$ 4,539,539	$ 4,292,090

“to enhance the well-being and financial security of its members, retirees and beneficiaries….

Actuarial Section

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July 2013

Mr. Andrew Clark
Executive Director
PSRS of the City of St. Louis
3641 Olive Street, Suite 300
St. Louis, MO 63108-3601

Dear Members of The Public School Retirement System of the City of St. Louis Board:

Actuarial Certification

The annual actuarial valuation required for the Public School Retirement System of the City of St. Louis has been prepared as of January 1, 2013 by Buck Consultants. The purposes of the report are to:

(1) determine the required annual contributions from the board of education, the retirement system, and the charter schools;

(2) present the valuation results of the System as of January 1, 2013;

(3) develop information used for reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

This report is submitted in accordance with Section 169.450-16 Revised Statutes of Missouri (R.S. Mo.). The required contribution to the System from the board of education, the retirement system, and the charter schools is computed in accordance with Section 169.490 R.S. Mo. The amount of the required contribution is stated on page 58.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data and financial information provided to us by the System, to determine a sound value for the System liability. The employee data has not been audited, but it has been reviewed and found to be consistent, both internally and with prior years' data.

This actuarial valuation is based on the same actuarial assumptions and methods as those used in the prior actuarial valuation, except for those noted under Changes from the Prior Valuation. A summary of all assumptions and methods is presented beginning on page 70. All assumptions used in this valuation are as adopted by the Board. The assumptions fairly represent past and anticipated future experience of the System. The assumptions used are individually reasonable and reasonable in the aggregate.

231 South Bemiston, Suite 400 • St. Louis, MO 63105
314.725.0114 • 314.725.2724 fax

Mr. Andrew Clark
PSRS of the City of St. Louis

July 2013
Page 2

Future contribution requirements may differ from those determined in the valuation because of:

(1) differences between actual experience and anticipated experience based on the assumptions;

(2) changes in actuarial assumptions or methods;

(3) changes in statutory provisions;

(4) differences between actuarially required contributions and actual contributions.

Buck Consultants prepared the Annual Required Contribution schedule, Schedule of Employer Contributions, and Schedule of Funding Progress found in the Financial Section of this report. Buck Consultants prepared all schedules and provided all information found in this Actuarial Section.

The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein, and are available to answer questions regarding this report.

We believe that the assumptions and methods used for funding purposes and for the disclosures presented in this report satisfy the parameter requirements set forth in the Government Accounting Standards Board (GASB) Statement No. 25. We believe that this report conforms with the requirements of the Missouri statutes, and where applicable, other federal and accounting laws, regulations and rules, as well as generally accepted actuarial principles and practices.

Sincerely,

Stephen B. Siepman

Stephen B. Siepman, FSA, EA, MAAA
Principal, Consulting Actuary

Troy Jaros

Troy Jaros, FSA, EA, MAAA
Consultant, Retirement Actuary

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Report Highlights

This report has been prepared by Buck Consultants to:

- Present the results of a valuation of the Public School Retirement System of the City of St. Louis as of January 1, 2013;
- Determine the required contribution rate for 2014;
- Provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

After the summary and analysis of the valuation results, this report is divided into sections. One section contains the results of the valuation and includes the experience of the System during the 2012 plan year and information on funded levels.

Another section contains information on retirement system assets, including the market value of assets, the actuarial value of assets, the contingency reserve and asset returns.

The final section of this report describes the basis of the valuation. It summarizes the System provisions, provides information relating to the System members, and describes the funding methods and actuarial assumptions used in determining liabilities and costs.

Experience Gains and losses

Under the actuarial funding method used to determine the contribution, actuarial gains (or losses) result in a decrease (or increase) in the normal cost rate. Actuarial gains (or losses) result from differences between the actual experience of the System and the expected experience based upon the actuarial assumptions. Annual gains (or losses) should be expected because short-term deviations from expected long-term average experience are common.

For 2013, actuarial losses due to plan experience were $18.0 million. Roughly $17.4 million of the loss is attributable to the System's actuarial rate of return on assets which was 6.5%, 1.5 percentage points less than the assumed rate of return of 8.00%. By comparison, the rate of return on the market value of assets was 11.7%. The difference in these returns is because the actuarial value of assets has not yet fully recognized the asset losses that occurred during recent years. At January 1, 2013, the actuarial value of assets at $914 million remains above market value of assets (excluding the expense and contingency reserve) by approximately $47 million. About $0.6 million of the loss is attributable to demographic changes.

Assumption Changes

For the 2013 valuation, the mortality assumption was changed. A detailed description of the change can be found in the basis of the valuation section under the summary of methods and assumptions. In total, the assumption change increased actuarial liability by almost $1.6 million.

Normal cost rate

The normal cost is determined annually and equals the product of the normal cost rate times covered payroll. For 2013, the annual normal cost due December 31, 2013 is $20,814,732, as compared to $19,702,945 for 2012, an increase primarily due to the aforementioned actuarial loss and change of assumptions. The annual normal cost rate increased from 8.07% to 8.86% due to the experience losses and the changes in the actuarial assumptions. Covered payroll decreased from $234.8 million to $225.9 million.

Accrued liability amortization

The actuarial accrued liability contribution is determined as the amount necessary to amortize the remaining Unfunded Frozen Actuarial Accrued Liability (UFAAL) over a period of 30 years from January 1, 2006, when the Board of Trustees acted to re-determine the UFAAL. This portion of the contribution only changes to reflect changes in benefits, changes in actuarial assumptions and methods, and variations in the remaining UFAAL due to deviations between actual and expected contributions. Employer contributions for 2012 were $3.6 million more than the annual required contribution, which reduced the UFAAL more than expected. However, the changes in actuarial assumptions from the previous valuation increased the UFAAL by $1.6 million. As a result, the amortization payment is increased from $15,664,653 to $16,452,546. The amortization payment component of the contribution rate increased from 6.7% to 7.3% of covered payroll.

Required contribution and timing

In 2001, the Board of Education agreed to institute a one-year lag for future years. Therefore, this actuarial valuation is used to determine the actual contribution rate for 2014. The dollar amount of the actual contribution increased to $37,267,278 for 2014 from $35,367,598 for 2013. As a percentage of covered payroll, the contribution rate for 2014 increased to 16.50% from 15.07% for 2013.

Annual Required Contribution

	Board of Education	Retirement System	Charter Schools	Total
2013				
Normal cost contribution	$ 17,624,667	$ 47,804	$ 3,142,261	$ 20,814,732
Actuarial accrued liability contribution	13,931,029	37,786	2,483,731	$ 16,452,546
Annual required contribution (ARC)	31,555,696	85,590	5,625,992	$ 37,267,278
Covered payroll	191,273,081	518,799	34,101,634	$ 225,893,514
ARC as % of covered payroll	16.50%	16.50%	16.50%	16.50%
2012				
Normal cost contribution	$ 15,577,622	$ 50,896	$ 4,07,427	$ 19,702,945
Actuarial accrued liability contribution	12,384,850	40,465	3,239,338	$ 15,664,653
Annual required contribution	27,962,472	91,361	7,313,765	$ 35,367,598
Covered payroll	185,606,968	606,427	48,546,696	$ 234,760,091
ARC as % of covered payroll	15.07%	15.07%	15.07%	15.07%

	January 1, 2013	January 1, 2012
System Assets		
Expense and contingency reserve	$ 29,181,897	$ 29,564,563
Market value, excluding expense & contingency reserve	867,360,276	838,521,455
Actuarial value	914,494,335	925,389,359
System liabilities		
Unfunded actuarial accrued liability	$ 170,630,323	$ 164,929,347
Projected benefit obligation	$1,160,322,263	$1,155,851,532
PBO Funding Ratio		
Actuarial value funding ratio	78.8%	80.1%
Market value funding ratio	74.8%	72.5%

(1) Investment Experience

Our actuarial calculations were based upon the assumption that the System's assets earn 8.00%. The approximate market value rate of return during 2012 was 11.7%. The approximate actuarial value rate of return was 6.5%.

(2) Demographic Experience

The number of active members increased from 4,784 to 4,786 for the period. The average age of active members increased by 0.03 years, the average service increased by 0.02 years, and the average annual salary decreased $1,861. There were small changes in the inactive statistics as well. The membership statistics can be found under Member Census Information.

(3) Salary Increases

The average annual salary decreased 3.8% between January 1, 2012 and January 1, 2013. Total annual covered payroll decreased 3.8% between January 1, 2012 and January 1, 2013.

(4) Changes in Methods from the Prior Valuation

There have been no changes in methods since the prior valuation.

(5) Changes in Assumptions from the Prior Valuation

Assumptions that were changed were the mortality tables. Details of these assumption changes can be found in the Summary of Methods and Assumptions. The net effect of changes was to increase the actuarially required employer contribution by 0.07% of covered payroll.

(6) Changes in Benefit Provisions from the Prior Valuation

There have been no changes in benefit provisions since the prior valuation.

(7) Other Changes

There have been no other changes since the prior valuation.

(8) Summary

The overall effect of experience during the period, along with the changes in assumptions, resulted in a decrease in the funding ratio from 80.1% to 78.8%. The total contribution rate increased from 15.07% to 16.50% of covered payroll.

Actuarial Balance Sheet as of January 1, 2013

Actuarial assets		
Actuarial value of present assets		$ 914,494,335
Actuarial present value of future participant contributions		82,391,181
Actuarial present value of future employer contributions for:		
Normal costs		145,979,833
Unfunded actuarial accrued liability		170,630,323
Total present and future assets		$ 1,313,495,672
Actuarial liabilities		
Actuarial present value of benefits now payable		$ 828,656,539
Actuarial present value of benefits payable in the future:		
Active participants	$ 464,083,107	
Terminated vested participants	16,791,553	
Terminated non-vested participants	3,964,473	
Total payable in the future		484,839,133
Total liabilities for benefits		$ 1,313,495,672
Surplus / (deficit)		0

Projected Benefit Obligation Funding Ratios

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

Funding ratios provide a measure of how much progress has been made towards achieving this objective. For this purpose, the System's liabilities are determined using the projected benefit obligation cost method. Under this method, liabilities are determined for each participant using only service already performed, but anticipating the impact of future salary growth on the benefits attributable to current active participants.

Here is a comparison of this liability measure to the value of assets to produce a snapshot measure of the System's funding status.

Projected Benefit Obligation Funding Status

As of January 1, 2013 the projected benefit obligation was:

1.	Retired members and beneficiaries currently receiving benefits and terminated members not yet receiving benefits	$ 849,412,565
a.	Current active participants	
i.	Accumulated member contributions, including interest	120,355,959
ii.	Employer-financed benefits	190,553,739
	Total projected benefit obligation	$ 1,160,322,263

As of January 1, 2013 the projected benefit obligation was funded as follows:

2.	Net assets available for benefits at actuarial value	$ 914,494,335
3.	Unfunded projected benefit obligation	245,827,928
4.	Actuarial value funding ratio, (2) / (1)	78.8%
5.	Net assets available for benefits at market value	$ 867,360,276
6.	Unfunded projected benefit obligation	292,961,987
7.	Market value funding ratio, (5) / (1)	74.8%

Prioritized Solvency Test

Another way to check the funding progress of the System is through a prioritized solvency test. In a prioritized solvency test, the plan's present assets (cash and investments) are sequentially allocated and compared three priorities of liabilities as follows:

- Liability 1: Active participant contributions, accumulated with interest;
- Liability 2: The liabilities for future benefits to current inactive participants and beneficiaries; and
- Liability 3: The liabilities for future benefits to current active participants for prior service.

Ideally, progress in funding of these liability groups will normally be exhibited with Liability 1 attaining 100% coverage first, then Liability 2, and finally Liability 3. Note that 100% funding of Liability 3 does not mean that the System has completed its funding of benefits since additional benefits typically are expected to be earned in the future. Here is a history of the System's funding progress under this test.

Prioritized Solvency Test Results
(1997 – 2013)

Valuation date January 1	Active participants' accumulated contributions	Retirees, beneficiaries and inactive participants	Active participants (employer-financed)	Valuation assets	Percent covered by valuation assets		
	(1)	(2)	(3)		(1)	(2)	(3)
1997	118,041,749	272,393,748	251,827,653	598,638,356	100%	100%	83%
1998	122,227,173	296,455,647	252,445,749	644,429,672	100%	100%	89%
1999	130,705,014	276,290,128	303,953,494	694,250,672	100%	100%	95%
2000	129,398,364	353,852,977	288,213,016	770,090,498	100%	100%	100%
2001	127,086,325	414,052,293	269,590,438	828,097,298	100%	100%	100%
2002	116,506,785	476,104,516	372,221,726	861,128,076	100%	100%	72%
2003	115,570,837	492,633,382	361,818,972	873,260,102	100%	100%	73%
2004	106,021,476	528,287,121	364,459,284	901,996,455	100%	100%	73%
2005	89,710,662	518,880,414	368,306,240	935,328,638	100%	100%	89%
2006	90,001,111	661,353,685	319,920,373	983,828,243	100%	100%	73%
2007	96,223,413	712,467,372	305,409,824	1,003,428,983	100%	100%	64%
2008	98,112,123	781,006,957	249,244,208	1,014,923,381	100%	100%	54%
2009	104,576,264	801,995,237	187,035,147	963,851,408	100%	100%	31%
2010	110,054,510	805,831,292	195,185,151	950,709,944	100%	100%	18%
2011	103,178,297	842,643,351	169,510,764	944,356,735	100%	100%	0%
2012	116,268,566	850,498,527	189,084,439	925,389,359	100%	95%	0%
2013	120,355,959	849,412,565	190,553,739	914,494,335	100%	93%	0%

Actuarial Value of Assets

The amount of assets used in the actuarial valuation is known as the "actuarial value of assets." The method is discussed under the Summary of Methods and Assumptions. The development of the actuarial value of assets is shown here.

Development of the Actuarial Value of Assets

1.	Actuarial value of assets as of January 1, 2012	$ 925,389,359
2.	Participant contributions	12,147,663
3.	Employer contributions	29,551,964
4.	Benefit payments and expenses	110,892,492
5.	Investment increment at 8.0%, 8% x {(1) + .5 x [(2) – (4)]}	70,081,356
6.	Expected actuarial value on January 1, 2013, (1) + (2) + (3) – (4) + (5)	926,277,850
7.	Market value of assets on January 1, 2013	896,542,173
8.	Expense and contingency reserve on January 1, 2013, prior to adjustment	29,181,897
9.	Adjustment to the investment contingency reserve	0
10.	Excess of market value over expected actuarial value, (7) – (6) – (8) – (9)	(58,917,574)
11.	Market value adjustment, 20% x (10)	(11,783,515)
12.	Actuarial value of assets as of January 1, 2013, (6) + (11)	914,494,335

Expense and Contingency Reserve

An important element in the development of the actuarial value of assets is the expense and contingency reserve. The amount of the reserve is determined pursuant to a policy adopted by the Board of Trustees.

Effective January 1, 1996, the Board of Trustees revised Rule X, which governs the determination of the amount of the expense and contingency reserve. The expense portion of the reserve is the sum of:

1. The estimated annual operating expenses for the ensuing year:
2. An amount equal to the liability for non-insurance supplements;
3. An amount equal to the liability for insurance supplements for those participants participating in the program on January 1; and
4. The estimated amount of insurance supplements to be paid for participants expected to retire and participate in the program during the ensuing year.

The investment contingency portion of the reserve is intended to help cover significant shortfalls in the actuarial rate of return. When a shortfall of more than 1% occurs, a portion of the reserve is released equal to one half of the amount of the shortfall up to 2% plus any remaining shortfall. When the rate of return exceeds the assumed rate of return by more than 1%, the reserve is increased subject to a maximum reserve of 5% of the market value of the Retirement Fund. The addition equals one half of the amount of the excess up to 2% plus any remaining excess.

Since the actuarial return on assets was less than 7% during 2012, a portion of the reserve would normally be released. However, since the entire contingency reserve was released in 2009, nothing further is available to be released. Here is the history of the expense and contingency reserve:

History of the Expense and Contingency Reserve
(1996 – 2013)

January 1	Expense reserve	Investment contingency reserve	Total expense and contingency reserve
1996	$33,702,346	$ 0	$33,702,346
1997	25,403,190	5,220,821	30,624,011
1998	30,891,555	24,100,041	54,991,596
1999	22,142,759	45,972,067	68,114,826
2000	27,992,032	50,003,862	77,995,894
2001	29,837,776	50,003,743	79,841,519
2002	23,527,529	50,003,743	73,531,272
2003	24,952,255	37,759,976	62,712,231
2004	26,028,780	37,759,976	63,788,756
2005	27,170,188	45,115,876	72,286,064
2006	32,534,770	45,115,876	77,650,646
2007	29,864,946	50,732,410	80,597,356
2008	31,987,370	57,234,574	89,221,944
2009	30,555,388	0	30,555,388
2010	29,903,107	0	29,903,107
2011	29,480,465	0	29,480,465
2012	29,564,563	0	29,564,563
2013	29,181,897	0	29,181,897

Investment Performance

The fund had a rate of return of 6.54% on an actuarial value basis, which is 1.46% below the assumed rate of return of 8.00%. Normally, in accordance with Rule X, amounts would have been transferred from the investment contingency portion of the reserve, because the preliminary actuarial rate of return would have been less than the assumed rate of return by more than 1%. However, the contingency reserve was exhausted at January 1, 2009, so no additional amounts are available.

The rate of return on an actuarial value basis is intended to be a more stable rate of return and fluctuate less than rates of return on a market value basis. Thus, the rate of return on an actuarial basis is not always a fair measure of the annual investment performance of the fund. Another indicator of actual performance during the year is the rate of return on a market value basis.

There are several different methods of approximating the rates of return on investments of the trust fund. Here is a brief comparison of the actuarial assumed rate of return as compared with rates of return on market and actuarial value bases:

Market Value Basis

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

i.	A = Market value of assets as of January 1, 2012	$ 868,086,018
ii.	B = Market value of assets as of January 1, 2013	896,542,173
iii.	C = Contributions during the period	41,699,627
iv.	D = Disbursements during the period	110,892,492
v.	Rate of return: $\frac{B - A + D - C}{A + \frac{1}{2}(C - D)}$	11.72%
vi.	Actuarial assumed rate of return for 2012	8.00%
vii.	Difference between actual and assumed rates of return, (v) – (vi)	3.72%

Actuarial Value Basis

The rate of return on an actuarial value basis is approximated using the same method:

i.	A = Actuarial value of assets as of January 1, 2012	$ 925,389,359
ii.	B = Actuarial value of assets as of January 1, 2013	914,494,335
iii.	C = Contributions during the period	41,699,627
iv.	D = Disbursements during the period	110,892,492
v.	Rate of return: $\frac{B - A + D - C}{A + \frac{1}{2}(C - D)}$	6.54%
vi.	Actuarial assumed rate of return for 2012	8.00%
vii.	Difference between actual and assumed rates of return, (v) – (vi)	-1.46%

Plan Provisions and Members Census

The plan provisions of the System and the census of members are the foundation of the valuation, since these are the present facts upon which benefit payments will depend.

Summary of Plan Provisions

Participants

All persons regularly employed by the board of education, charter schools, and employees of the board of trustees are in the System.

Retirement age

Normal
Age 65 or any age if age plus the years of credited service equals or exceeds 85 (Rule of 85)

Early
Age 60 with 5 years of service

Service retirement allowance

a. 2% (1-1/4% if terminated prior to July 1, 1999) times years of credited service, subject to a maximum of 60%
b. Times average final compensation (AFC)
c. Subject to a maximum of 60% of AFC.
   i. AFC is the highest average compensation for any three consecutive years of the last 10 years of service.
   ii. Compensation is the regular wages plus what your employer pays towards your health and welfare benefits.
   iii. Minimum monthly benefit is $10.00 for each year of credited service, up to 15 years, retirement age 65 and over.
   iv. Unused sick leave is added to a participant's credited service and age.

Early retirement benefit

Service retirement allowance reduced five-ninths of one percent for each month of commencement prior to age 65 or the age at which the Rule of 85 would have been satisfied had the employee continued working until that age, if earlier.

Disability benefit

Service retirement allowance using actual service, or 25% of AFC if larger, provided that in no case will the benefit exceed that payable if service had continued to age 65.

a. Disability must be incurred while an employee as determined by the medical board and approved by the board of trustees.
b. The participant must have a minimum of five years of credited service and not be eligible for normal retirement.

Continued disability is subject to routine verification.

Withdrawal benefit

Accumulated contributions of participant with interest credited to the participant's account.

Summary of Plan Provisions (continued)

Vested benefit

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

Retirement options

In lieu of the benefit paid only over the lifetime of the participant, a reduced benefit payable for life of participant with:

Option 1	Same retirement allowance continued after death to the beneficiary.
Option 2	One-half of the retirement allowance continued after death to the beneficiary.
Option 3	Same retirement allowance continued after death to the beneficiary. If the beneficiary predeceases the participant, the retirement allowance is adjusted back to the unreduced allowance.
Option 4	One-half of retirement allowance continued after death to the beneficiary. If the beneficiary predeceases the participant, the retirement allowance is adjusted back to the unreduced allowance.
Option 5	Increased retirement allowance is provided up to age 62, such that benefit provided prior to age 62 is approximately equal to the sum of the reduced retirement allowance paid after age 62 and Social Security.
Option 6	Options 1 and 5 combined.
Option 7	Options 2 and 5 combined.

Survivor benefits

If an active participant dies after completing 18 months of service, leaving a surviving spouse or other dependent beneficiaries, survivor benefits are payable. The widow or dependent beneficiary may elect to receive either a refund of accumulated contributions, or:

a. A survivor who is the widow at least age 62 and married to a participant for at least one year receives $60 a month.
b. A widow with dependent, unmarried children under age 22 receives $60 a month plus $60 per dependent child, not to exceed $180 per month. The benefit ceases when youngest child is age 22 and resumes again under (a) at age 62.
c. If no benefits are payable under (a) or (b), minor children may receive a benefit of $60 per child or $180 divided among them if more than three children.
d. If no benefits are payable under (a), (b) or (c), a dependent parent or parents may receive or share $60 per month upon attaining age 62.

If an active participant dies after completing 5 years of service, the widow or dependent beneficiary may elect to receive either a refund of accumulated contributions or:

a. If the survivor is the widow, a survivor benefit calculated as if the participant had been age 60 at death and elected Option 1, plus $60 per dependent child not to exceed $180 per month.
b. If there is no widow, a survivor benefit calculated as if the participant had been age 60 at death and elected Option 1.

Summary of Plan Provisions (continued)

Return of contributions upon death

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

DROP

Effective July 1, 2001, active participants may elect to enter the deferred retirement option plan (DROP) for up to four years. Upon entering the DROP, the participant's retirement benefit is frozen and credited to the participant's DROP account. At the end of the DROP, or upon earlier termination of employment, the DROP account is paid in a lump sum or installments, at the participant's option. During the DROP, the participant continues as an active participant, but does not pay contributions. To enter the DROP the participant must be age 65 or meet the Rule of 85. The DROP program is no longer available, ending June 30, 2008.

Contributions by participants

Participants contribute 5% of compensation. Accumulated contributions are credited at the rate of interest established by the board of trustees. The current crediting rate is 5%.

Contributions by employers

As needed to keep the System actuarially sound.

Expenses

Administrative expenses paid out of investment income.

Member Census (Last Two Years)

As of January 1	2012	2013
Active Members		
Number	4,784	4,786
Average Age	44.61	44.69
Average Service	8.90	8.92
Average Annual Base Pay	$ 49,060	$ 47,199
Vested Terminated Members		
Number	438	380
Average Account Balance	$ 27,287	$ 29,459
Non-vested Terminated Members		
Number	1,520	1,263
Average Account Balance	$ 3,267	$ 3,139
Benefit Recipients		
Number	4,540	4,516
Average Age	72.82	73.10
Average Monthly Benefit	$ 1,813	$ 1,838

Note: Please see the Statistical Section for a ten year history of the System's membership census.

Schedule of Active Member Valuation Data (Last Six Years)

Plan Year	Number of Active Members	Annual Payroll	Average Annual Pay	% Increase in Average Pay
2008	5,021	$225,190,968	$44,850	1.04%
2009	5,085	234,582,326	46,132	2.86%
2010	4,825	241,959,275	50,147	8.70%
2011	4,336	218,308,928	50,348	0.40%
2012	4,784	234,703,040	49,060	-2.56%
2013	4,786	225,894,414	47,199	-3.79%

Schedule of Retirees & Beneficiaries Added or Removed from Rolls (Last Six Years)

	Added to Rolls		Removed from Rolls		Rolls – End of Year		% Increase	Average
Plan Year	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	in Annual Allowances	Annual Allowance
2008	N/A		N/A		N/A		N/A	N/A
2009	N/A		N/A		N/A		N/A	N/A
2010	N/A		N/A		4,370		N/A	N/A
2011	373		156		4,587	$98,927,501	N/A	$21,567
2012	135	$2,606,505	182	$2,793,752	4,540	98,768,933	-0.16%	21,755
2013	164	3,544,756	188	2,699,920	4,516	99,629,314	0.87%	22,061

Note: The retirement system began tracking changes to Retiree Payroll in Fiscal Year 2013. The changes will appear in the schedule above as they occur with each new fiscal year.

Summary of Methods and Assumptions

The valuation is based upon the premise that the System will continue in existence, so that future events must also be considered. These future events are assumed to occur in accordance with the actuarial assumptions and concern such events as the earnings of the fund; the number of members who will retire, die or terminate their services; their ages at such termination and their expected benefits.

Interest

8.0% per annum.

Participant account interest crediting rate

5.0% per annum.

Expenses

The rate of interest assumed is net of expenses.

Mortality

Mortality tables mandated by the Pension Protection Act as specified in IRS Regulation 1.430(h) (3)-1, applied on a static basis, projected 7 years from the valuation date for annuitants and 15 years for non-annuitants.

Disability Mortality

The RP-2000 Disability Mortality Table is used for disabled participants.

Withdrawal

Withdrawals are assumed to occur at rates based on actual experience of the retirement system. During the first five years of membership, withdrawals are assumed to occur at the following rates:

Year of Membership	Non-charter school employees	Charter school employees
1st	25.0%	30.0%
2nd	20.0%	25.0%
3rd	15.0%	20.0%
4th	12.5%	15.0%
5th	10.0%	10.0%

Salary scale

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

Disability

Disabilities are assumed to occur at rates based on the actual experience of the retirement system.

Retirement

Retirements occur at rates based on the actual experience of the retirement system. Unless the age-related rate is greater, for those eligible to retire under the Rule of 85, it is assumed that 25% will retire when first eligible for unreduced benefits with at least 30 years of credited service.

Summary of Methods and Assumptions (continued)

Family Structure

The probability of a participant being married and the probable number of children are based on a table constructed by the Social Security Administration, modified to reflect the experience of the retirement system. For married participants, husbands are assumed to be 3 years older than their wives.

Usage of Cash-out Option

Participants terminating in vested status are given the option of taking a refund of their accumulated participant contributions instead of a deferred retirement benefit. Active members who terminate in the future with a vested benefit are assumed to take a deferred vested annuity, unless a refund of contributions and interest is greater than the actuarial present value of their vested deferred benefit.

Future Benefit Increases or Additional Benefits

When funding is adequate, the Board may authorize cost of living adjustments (COLAs), as noted in the summary of plan provisions. In the past, the Board has also sometimes granted an additional monthly payment to retirees (13^{th} check.) This valuation assumes that no future COLAs and no future 13^{th} checks will be awarded.

Actuarial Method – Frozen Entry Age

The actuarial cost method used by the System is the "frozen entry age actuarial cost method." Under this method, on the initial actuarial valuation date for which the cost method is used, the annual cost accruals (individual normal costs for each participant) are determined as a level percentage of pay for each year from entry age until retirement or termination. The UFAAL was originally determined as of January 1, 1981. Entry age is determined at the date each participant would have entered the System. The sum of these individual normal costs for all active participants whose attained ages are under the assumed retirement age is the normal cost for the initial plan year. The excess of all normal costs falling due prior to the initial actuarial valuation date, accumulated with interest, over the plan assets establishes the initial Unfunded Frozen Actuarial Accrued Liability (UFAAL).

The UFAAL is only frozen in that it is not adjusted due to experience gains and losses. Instead, gains and losses are reflected through changes in the normal cost accrual rate. The UFAAL does change, increasing due to interest and additional normal costs, and decreasing due to contributions. Any changes to plan provisions or actuarial assumptions result in a change to the UFAAL. The amount of the change is determined by computing the impact in the actuarial accrued liability as of the valuation date coincident with or next following the change.

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

Effective January 1, 2006, UFAAL was reestablished to better reflect an appropriate relationship between the normal cost and the actuarial accrued liability.

The funding requirement for each plan year is the sum of the "normal cost contribution" (equal to the normal cost for that year), plus the "actuarial accrued liability contribution." The "actuarial accrued liability contribution" is the payment required to amortize the UFAAL over 30 years, from January 1, 2006, the date that it was reestablished.

Summary of Methods and Assumptions (continued)

Valuation of Assets

The actuarial value of assets is determined using the assumed yield method of valuing assets. Under the assumed yield asset valuation method, the prior year's actuarial value is increased at the assumed rate of return with appropriate adjustments for contributions and disbursements to produce an expected actuarial value of assets at the end of the year. The expected actuarial value is compared to the market value of assets less the expense and contingency reserve, and 20% of the difference is added to the expected actuarial value. The actuarial value of assets was "fresh-started" as of January 1, 2006 and set equal to the market value of assets as of that date.

Changes from the Prior Valuation

The mortality tables for non-disabled members were updated to the IRS Static Mortality Tables mandated for use by private pension plans for the 2013 plan year. The tables are projected for 7 years of improvement from the valuation date for annuitants and 15 years for non-annuitants.

Non Annuitant Rates of Withdrawal, Disability and Retirement

Attained	Withdrawal Rates		Disability Rates		Retirement
Age	Males	Females	Males	Females	Rate*
20	18.50%	18.50%	.000%	.000%	0.00%
25	15.50%	15.50%	.000%	.000%	0.00%
30	11.00%	11.00%	.040%	.040%	0.00%
35	9.00%	9.00%	.040%	.040%	0.00%
40	7.50%	7.50%	.080%	.075%	0.00%
45	4.00%	4.00%	.150%	.100%	0.00%
50	2.50%	2.50%	.200%	.150%	0.00%
55	2.00%	2.00%	.450%	.250%	0.00%
60	1.50%	1.50%	.550%	.325%	15.00%
65	0.00%	0.00%	.000%	.000%	35.00%
70	0.00%	0.00%	.000%	.000%	30.00%
72	0.00%	0.00%	.000%	.000%	100.00%

*The retirement rate for all members less than 60 years old is 20% under the "Rule of 85."

Summary of Methods and Assumptions (continued)

Non-Annuitant Mortality Rates

Death Rates Male	Age	Death Rates Female	Death Rates Male	Age	Death Rates Female
.000386	30	.000199	.019084	75	.015685
.000672	35	.000348	.052647	80	.039866
.000862	40	.000462	.096240	85	.068664
.001045	45	.000716	.169280	90	.124002
.001286	50	.001037	.256992	95	.186875
.001770	55	.002017	.272762	96	.197318
.003105	60	.003416	.288083	97	.210976
.005103	65	.005059	.309050	98	.219510
.006499	70	.006616	.323665	99	.226803

Annuitant Mortality Rates

Death Rates Male	Age	Death Rates Female	Death Rates Male	Age	Death Rates Female
.000386	30	.000199	.028538	75	.023935
.000672	35	.000348	.052647	80	.039866
.000862	40	.000462	.096240	85	.068664
.001642	45	.000721	.169280	90	.124002
.003718	50	.001664	.256992	95	.186875
.004023	55	.003007	.272762	96	.197318
.005936	60	.005609	.288083	97	.210976
.010122	65	.009375	.309050	98	.219510
.016413	70	.015145	.323665	99	.226803

Disability Mortality Rates

Death Rates Male	Age	Death Rates Female	Death Rates Male	Age	Death Rates Female
.022571	30	.007450	.082067	75	.052230
.022571	35	.007450	.109372	80	.072312
.022571	40	.007450	.141603	85	.100203
.022571	45	.007450	.183408	90	.140049
.028975	50	.011535	.267491	95	.194509
.035442	55	.016544	.283905	96	.205379
.042042	60	.021839	.299852	97	.215240
.050174	65	.028026	.315296	98	.223941
.062583	70	.037635	.330207	99	.231387

"through benefit programs and services which are….

Statistical Section

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Public School Retirement System
of the City of St. Louis

Schedule of Changes in Net Plan Assets
Last 10 Fiscal Years Ended December 31st

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Additions by source							(as restated)			
Employer contributions	$ 26,406,806	$ 23,514,266	$ 19,887,885	$ 22,445,608	$ 27,853,996	$ 28,598,502	$ 26,075,146	$ 28,720,193	$ 29,551,964	$ 37,034,907
Employee contributions	10,825,664	10,515,674	10,511,284	10,791,580	11,537,258	12,131,979	11,188,919	11,879,052	12,147,663	11,814,124
Investment income (loss)	119,511,676	63,349,054	128,774,730	103,030,906	(259,438,857)	146,071,959	115,925,274	(5,319,851)	97,514,207	129,102,935
Other income						71,391	127,426	131,119	134,813	138,506
Total additions(depreciation)	156,744,146	97,378,994	159,173,899	136,268,094	(220,047,603)	186,873,831	153,316,765	35,410,513	139,348,647	178,090,472
Deductions by type*										
Retirement benefits	68,008,801	73,994,518	80,638,120	86,928,394	93,852,021	97,129,242	99,277,919	96,303,329	96,073,967	98,000,369
Survivor benefits								2,540,407	2,595,094	2,654,895
Disability benefits								3,149,322	3,246,806	3,402,037
Health care subsidies	2,593,142	2,658,573	2,712,541	2,726,258	2,781,111	2,794,544	2,808,370	2,825,430	2,752,751	2,726,158
Operating expenses	1,391,243	1,756,223	1,583,964	1,558,874	1,576,882	1,415,026	1,499,302	1,432,914	1,450,265	1,441,183
Contribution refunds	13,274,756	18,067,968	11,252,780	18,559,040	22,910,310	3,765,085	3,203,714	3,242,200	4,773,609	3,690,639
Total deductions by type	85,267,942	96,477,282	96,187,405	109,772,566	121,120,324	105,103,897	106,789,305	109,493,602	110,892,492	111,915,281
Changes in plan net assets	$ 71,476,204	$ 901,712	$ 62,986,494	$ 26,495,528	$(341,167,927)	$ 81,769,934	$ 46,527,460	$ (74,083,089)	$ 28,456,155	$ 66,175,191

*Note: The retirement system began providing dollar breakouts of retirement, survivor and disability benefits back to fiscal year 2011 with the annual report for the fiscal year ended December 31, 2013. Prior to fiscal year 2011, this detail is combined in the retirement benefits line item. This detailed information will appear in the schedule of changes in plan net assets as it occurs.

Public School Retirement System
of the City of St. Louis

Retired Members and Beneficiaries By Payment Option & Type
On January 1, 2013

Option	Service Benefit	Disability Benefit	Survivor Benefit	Total
0	3,335	216	295	3,846
1	150	14	-	164
2	85	5	-	90
3	179	13	-	192
4	177	8	-	185
5	18	4	-	22
6	10	6	-	16
7	1	-	-	1
Total	3,955	266	295	4,516

Amount of Annual Benefits By Payment Option & Type
On January 1, 2013

Option	Service Benefit	Disability Benefit	Survivor Benefit	Total
0	$ 79,443,989	$ 2,741,985	$ 3,130,339	$ 85,316,313
1	2,699,981	188,364	-	2,888,345
2	1,967,724	124,270	-	2,091,994
3	3,664,770	168,756	-	3,833,526
4	4,574,499	155,353	-	4,729,852
5	434,729	42,869	-	477,598
6	210,093	50,744	-	260,837
7	30,849	-	-	30,849
Total	$ 93,026,634	$ 3,472,341	$ 3,130,339	$ 99,629,314

Option 1 Same retirement allowance continued after death to the beneficiary.
Option 2 One-half of the retirement allowance continued after death to the beneficiary.
Option 3 Same retirement allowance continued after death to the beneficiary. If the beneficiary predeceases the participant, the retirement allowance is adjusted back to the unreduced allowance.
Option 4 One-half of retirement allowance continued after death to the beneficiary. If the beneficiary predeceases the participant, the retirement allowance is adjusted back to the unreduced allowance.
Option 5 Increased retirement allowance is provided up to age 62, such that benefit provided prior to age 62 is approximately equal to the sum of the reduced retirement allowance paid after age 62 and Social Security.
Option 6 Options 1 and 5 combined.
Option 7 Options 2 and 5 combined.

Public School Retirement System
of the City of St. Louis

Average Annual Benefit Payments By Payment Option & Type
On January 1, 2013

Option	Service Benefit	Disability Benefit	Survivor Benefit	All
0	$ 23,821	$ 12,694	$ 10,611	$ 22,183
1	18,000	13,455	-	17,612
2	23,150	24,854	-	23,244
3	20,474	12,981	-	19,966
4	25,845	19,419	-	25,567
5	24,152	10,717	-	21,709
6	21,009	8,457	-	16,302
7	30,849	-	-	30,849
All	$ 23,521	$ 13,054	$ 10,611	$ 22,061

Average Monthly Benefit Payments By Payment Option & Type
On January 1, 2013

Option	Service Benefit	Disability Benefit	Survivor Benefit	All
0	$ 1,985	$ 1,058	$ 884	$ 1,849
1	1,500	1,121	-	1,468
2	1,929	2,071	-	1,937
3	1,706	1,082	-	1,664
4	2,154	1,596	-	2,131
5	2,013	893	-	1,809
6	1,751	705	-	1,359
7	2,571	-	-	2,571
All	$ 1,960	$ 1,088	$ 884	$ 1,838

Option 1 Same retirement allowance continued after death to the beneficiary.
Option 2 One-half of the retirement allowance continued after death to the beneficiary.
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Option 7 Options 2 and 5 combined.

Public School Retirement System of the City of St. Louis

Schedule of Average Benefit Payments
Last Five Fiscal Years Ended December 31st

	Years of Service						
Retirement Year(s)	**0 - 5**	**6 - 10**	**11 - 15**	**16 - 20**	**21 - 25**	**26 - 30**	**31+**
2009							
Average Monthly Benefit	$275	$469	$725	$1,001	$2,286	$2,545	$3,303
Number of Retirees	5	23	14	14	25	24	22
2010							
Average Monthly Benefit	$569	$724	$919	$1,522	$2,415	$3,039	$3,189
Number of Retirees	8	36	40	31	55	59	84
2011							
Average Monthly Benefit	$694	$647	$1,029	$1,613	$2,292	$2,855	$2,881
Number of Retirees	6	25	18	17	20	15	13
2012							
Average Monthly Benefit	$399	$620	$1,143	$1,457	$2,171	$3,234	$3,767
Average Monthly Salary *	$3,809	$4,025	$4,642	$4,856	$4,977	$5,901	$6,162
Number of Retirees	5	32	23	19	25	34	15
2013							
Average Monthly Benefit	$414	$617	$985	$1,655	$2,438	$3,105	$3,564
Average Monthly Salary *	$3,920	$4,043	$4,170	$4,771	$5,351	$5,527	$5,888
Number of Retirees	7	36	50	27	58	73	33
2009 - 2013							
Average Monthly Benefit	**$484**	**$625**	**$972**	**$1,491**	**$2,358**	**$3,024**	**$3,306**
Average Monthly Salary *	**$3,865**	**$4,034**	**$4,406**	**$4,814**	**$5,164**	**$5,714**	**$6,025**
Number of Retirees	**31**	**152**	**145**	**108**	**183**	**205**	**167**

*Note: The retirement system began tracking average monthly salary during the fiscal year ended December 31, 2012. The average monthly salary will appear in the schedule of average benefit payments as it occurs.

Public School Retirement System
of the City of St. Louis

Schedule of Covered Members
Last Ten Fiscal Years Ended December 31st

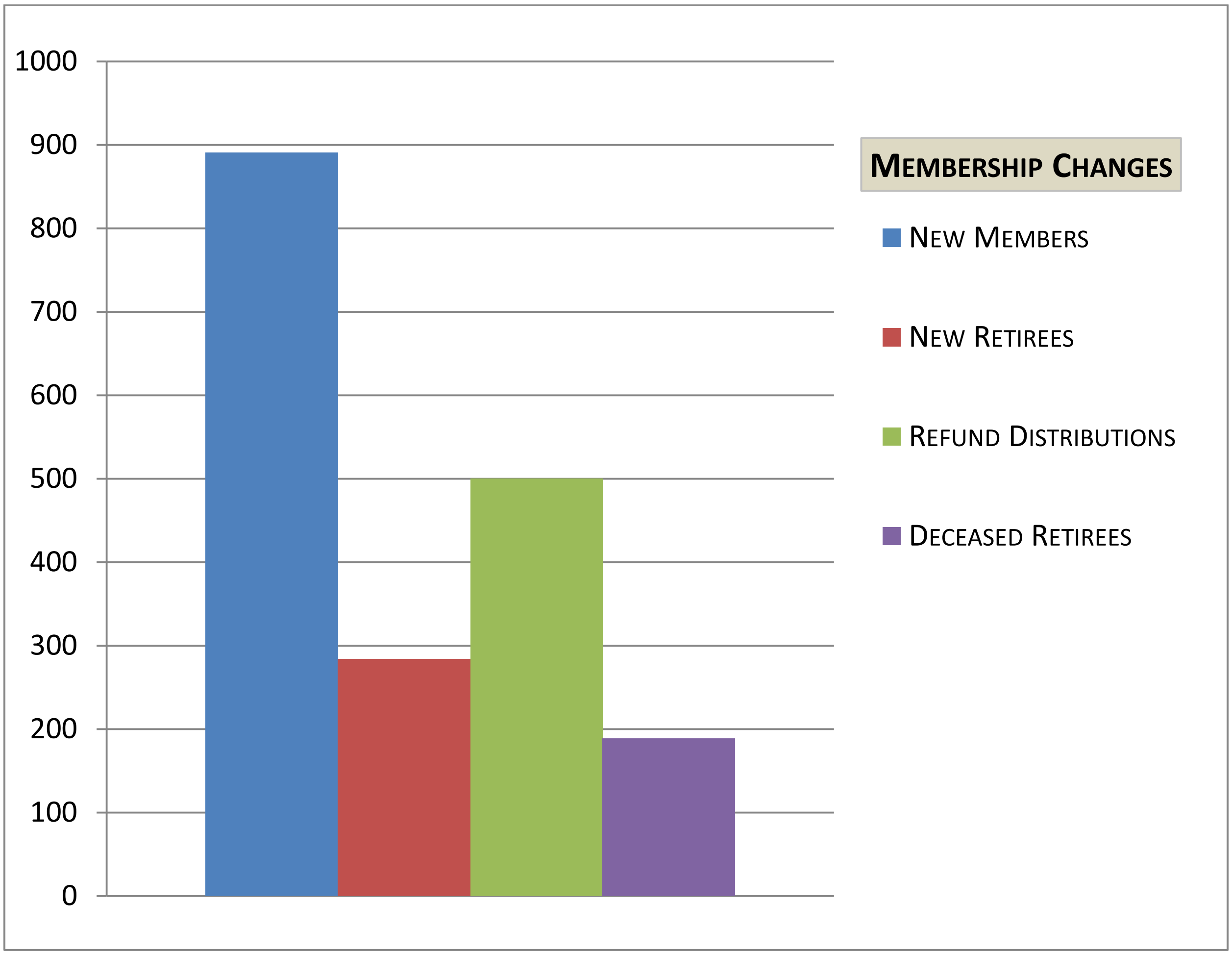
	2013		2012		2011		2010		2009	
Member Type	**Covered Members**	**Percentage of Total**	**Covered Members**	**Percentage of Total**	**Covered Members**	**Percentage of Total**	**Covered Members**	**Percentage of Total**	**Covered Members**	**Percentage of Total**
Active	4,786	43.7%	4,784	42.4%	4,336	40.0%	4,825	43.5%	5,085	45.4%
Inactive	1,643	15.0%	1,958	17.4%	1,935	17.8%	1,896	17.1%	1,543	13.8%
Retired (includes Beneficiaries)	4,516	41.3%	4,540	40.2%	4,587	42.2%	4,370	39.4%	4,570	40.8%
Total	10,945	100%	11,282	100%	10,858	100%	11,091	100%	11,198	100%

	2008		2007		2006		2005		2004	
Member Type	**Covered Members**	**Percentage of Total**	**Covered Members**	**Percentage of Total**	**Covered Members**	**Percentage of Total**	**Covered Members**	**Percentage of Total**	**Covered Members**	**Percentage of Total**
Active	5,021	45.2%	5,010	47.3%	5,156	50.9%	5,549	57.2%	6,074	59.1%
Inactive	1,635	14.7%	1,488	14.1%	952	9.4%	548	5.6%	509	4.9%
Retired (includes Beneficiaries)	4,456	40.1%	4,084	38.6%	4,026	39.7%	3,606	37.2%	3,700	36.0%
Total	11,112	100%	10,582	100%	10,134	100%	9,703	100%	10,283	100%

The Year in Review

During the fiscal year ended December 31, 2013, PSRSSTL added 891 new members and 284 new retirees to payroll, including 13 retirees who earned Supplemental Pension Benefits under the Sick Leave Conversion Program sponsored by St. Louis Public Schools. The retirement system processed 500 refund distributions for members who left the System and bid farewell to 189 retirees due to death.

Fiscal Year 2013

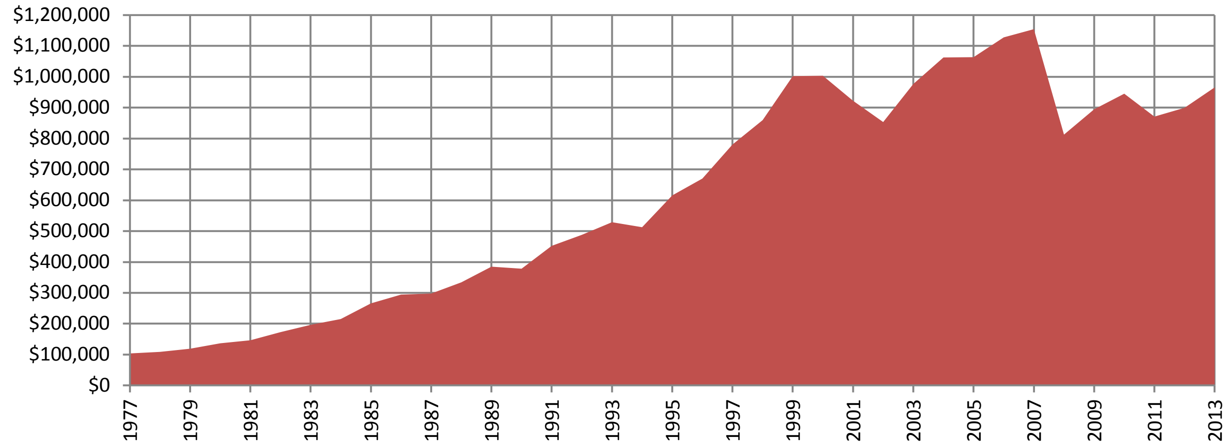


Charts and Graphs

These charts and graphs illustrate the Plan's annual changes in asset values, investments and contributions since the System's market value of assets first reached $100 million in 1977.

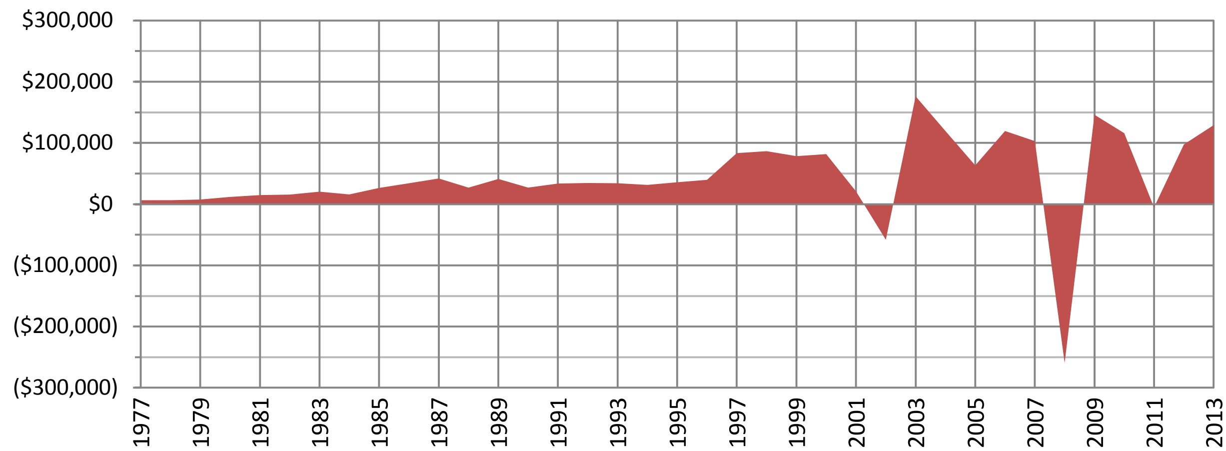
MARKET VALUE OF ASSETS

(add 000's)



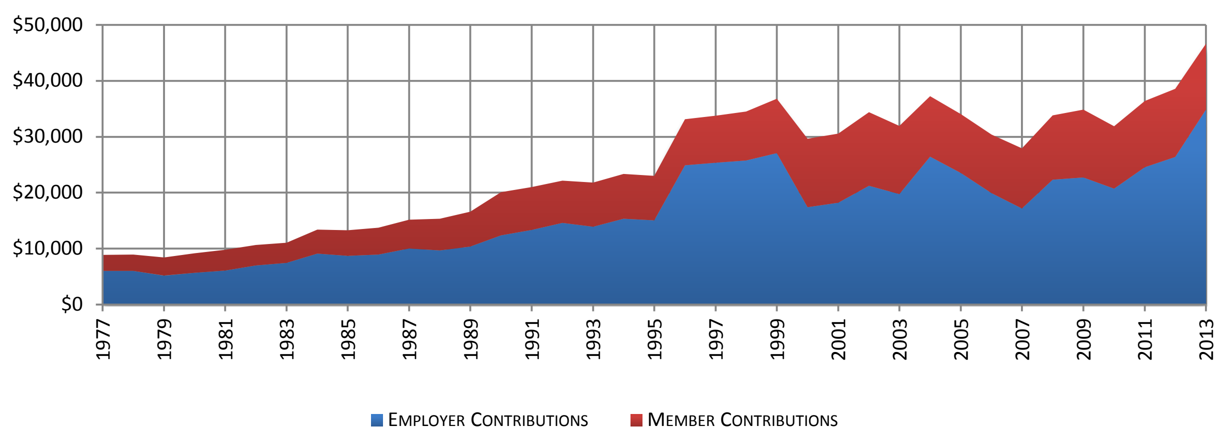
INVESTMENT INCOME (LOSS)

(add 000's)



EMPLOYER & EMPLOYEE CONTRIBUTIONS

(add 000's)



Public School Retirement System
of the City of St. Louis

1944	-	Missouri General Assembly formed the retirement system for all full-time employees of the St. Louis Board of Education
1961	-	Plan provisions revised for all future employees, active participants given option to remain in the "old plan" or upgrade to the "new plan"
1969	-	Credited Service allowed for time lost from 1944 - 1947
1972	-	Various Credited Service options added, "old plan" participants granted another opportunity to upgrade to the "new plan," introduction of survivor, disability and minimum benefits
1975	-	First increase in benefits granted to certain teacher retirees
1978	-	Plan provisions upgraded and revised, credited service limits removed, survivor benefits revised, employee contribution rate set at 3% of compensation, Trustees granted rule-making authority, first back-to-work provision for certain retirees
1979	-	Plan provisions revised to allow sick leave balances to be added to credited service and age requirements for retirement, early retirement and survivor benefits revised
1981	-	Plan provisions upgraded, insurance benefits improved, actuarial cost method changed to the "frozen entry age cost method," several administrative changes were made that included the broadening of investment authority for the Board of Trustees
1984	-	Survivor and disability benefits upgraded, second back-to-work provision added for certain retirees
1985	-	First supplemental early retirement benefit added for certain retirees
1987	-	"Old plan" participants granted another opportunity to join "new plan," increased the minimum retirement benefit, several administrative changes made
1988	-	Survivor and supplemental benefits enhanced
1989	-	Certain plan provisions were improved
1990	-	Supplemental benefits extended for certain retirees
1993	-	Supplemental benefits enhanced for certain retirees
1996	-	Credited service purchase allowed for certain periods of lay-offs, investment trustee position replaced with school administrator trustee position, COLA provisions added
1997	-	COLA provision added for certain retirees
1998	-	Employee Contribution rate increased to 4.5%, pension factor set at 2%, catch-up COLA for certain retirees, Board of Education agreed to 8.3% employer contribution rate for three years
1999	-	Employee contribution rate set at 5%
2001	-	COLA provisions added for certain retirees, DROP added until 2005, employer contribution rate set at 8%, actuary to determine annual employer contribution rate beginning in 2002 and future years
2002	-	Credited service rules revised, pre-tax transfers allowed between certain retirement plans, Charter School provisions added and clarified, social security leveling pension benefit options introduced, actuarial provisions revised to allow the Board of Trustees more flexibility, amortization limit set at 30 years
2007	-	Several administrative changes were made, including to allow the Board of Trustees to grant an increase in pension benefits provided certain conditions are met, Board of Trustees annual educational requirements expanded, actuarial cost reporting revised for all Missouri retirement plans
2009	-	State reporting requirements revised for all Missouri retirement plans

“soundly financed and prudently administered in an effective and efficient manner.”

Public School Retirement System
of the City of St. Louis
3641 Olive Street, Suite 300
Saint Louis, Missouri 63108-3601

www.psrsstl.org

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