

PUBLIC SCHOOL RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS
SCHEDULES OF PENSION INFORMATION FOR PARTICIPATING EMPLOYERS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2014

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Independent Auditors' Report

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

Report on Schedules

We have audited the accompanying schedules of employer allocations and pension amounts by employer for Public School Retirement System of the City of St. Louis (the "System"), including the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense as of and for the year ended December 31, 2014, and the related notes to the schedules.

Management's Responsibility for the Schedules

The System's management is responsible for the preparation and fair presentation of these schedules 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 schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the schedules of employer allocations and pension amounts by employer based on our audit. We conducted our audit 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 schedules of employer allocations and pension amounts by employer and specified column totals are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedules of employer allocations and pension amounts by employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedules of employer allocations and pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the schedules 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 System'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 schedules of employer allocations and pension amounts by employer.

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

Opinion

In our opinion, the accompanying schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities of the System as of and for the year ended December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the schedules of the System as of and for the years ended December 31, 2014 and 2013, and our report thereon, dated April 17, 2015, expressed an unmodified opinion on those schedules.

Restriction of Use

Our report is intended solely for the information and use of the System's management, the Board of Trustee's, and the System's employers as of December 31, 2014, and their auditors and is not intended to be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anders Minkler Huber & Helms LLP". The signature is written in a cursive style.

October 2, 2015

Public School Retirement System of the City of St. Louis
Schedule of Employer Allocations
December 31, 2014

<u>Employer</u>	<u>Employer Name</u>	<u>2014 Compensation</u>	<u>Employer Allocation Percentage</u>
1	Public Schools Retirement System of the City of St. Louis	\$ 472,849	0.22 %
2	St. Louis Public Schools	173,926,365	79.13
3	Confluence Academy	15,101,401	6.87
4	Construction Career Center	586,326	0.27
5	City Garden Montessori Schools	1,161,512	0.53
6	Gateway Science Academy of St. Louis	4,078,795	1.85
7	JAMAA Learning Center	550,281	0.25
8	KIPP Inspire Academy	2,594,372	1.18
9	Lift for Life Academy	3,222,562	1.47
10	North Side Community School	1,349,008	0.61
11	Preclarus Mastery Academy	689,448	0.31
12	South City Preparatory Academy	1,159,185	0.53
13	St. Louis Language Immersion School	3,441,144	1.57
14	Premier Charter School	5,308,021	2.41
15	Better Learning Communities Academy	641,669	0.29
16	EAGLE College Preparatory School	596,636	0.27
17	Grand Center Arts Academy	2,415,535	1.10
18	Lafayette Preparatory Academy	482,496	0.22
19	Carondelet Leadership Academy	1,959,264	0.89
20	Hawthorn Leadership School for Girls	62,912	0.03
	Total Compensation for all Employers	<u>\$ 219,799,781</u>	<u>100.00 %</u>

**Public School Retirement System of the City of St. Louis
Schedule of Pension Amounts by Employer
December 31, 2014**

Employer	Employer Name	Beginning Net Pension Liability	Ending Net Pension Liability	Deferred Outflows of Resources		Deferred Inflows of Resources			Total Employer Plan Pension Expense	
				Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Change in Assumptions	Total Deferred Outflows of Resources	Difference Between Expected and Actual Experience	Change in Assumptions		Total Deferred Inflows of Resources
1	Public Schools Retirement System of the City of St. Louis	\$ 517,013	\$ 570,232	\$ 65,479	\$ -	\$ 65,479	\$ -	\$ -	\$ -	\$ 77,573
2	St. Louis Public Schools	190,170,897	209,746,574	24,084,903	-	24,084,903	-	-	-	28,533,222
3	Confluence Academy	16,511,855	18,211,541	2,091,206	-	2,091,206	-	-	-	2,477,437
4	Construction Career Center	641,088	707,080	81,193	-	81,193	-	-	-	96,189
5	City Garden Montessori Schools	1,269,996	1,400,726	160,843	-	160,843	-	-	-	190,550
6	Gateway Science Academy of St. Louis	4,459,750	4,918,825	564,822	-	564,822	-	-	-	669,140
7	JAMAA Learning Center	601,677	663,612	76,202	-	76,202	-	-	-	90,276
8	KIPP Inspire Academy	2,836,684	3,128,684	359,262	-	359,262	-	-	-	425,616
9	Lift for Life Academy	3,523,546	3,886,250	446,253	-	446,253	-	-	-	528,672
10	North Side Community School	1,475,004	1,626,837	186,807	-	186,807	-	-	-	221,309
11	Preclarus Mastery Academy	753,842	831,440	95,473	-	95,473	-	-	-	113,106
12	South City Preparatory Academy	1,267,452	1,397,920	160,521	-	160,521	-	-	-	190,168
13	St. Louis Language Immersion School	3,762,543	4,149,849	476,521	-	476,521	-	-	-	564,532
14	Premier Charter School	5,803,784	6,401,210	735,042	-	735,042	-	-	-	870,799
15	Better Learning Communities Academy	701,600	773,821	88,857	-	88,857	-	-	-	105,268
16	EAGLE College Preparatory School	652,361	719,513	82,621	-	82,621	-	-	-	97,880
17	Grand Center Arts Academy	2,641,143	2,913,015	334,497	-	334,497	-	-	-	396,277
18	Lafayette Preparatory Academy	527,561	581,866	66,815	-	66,815	-	-	-	79,155
19	Carondelet Leadership Academy	2,142,257	2,362,775	271,314	-	271,314	-	-	-	321,424
20	Hawthorn Leadership School for Girls	68,788	75,869	8,712	-	8,712	-	-	-	10,321
		<u>\$ 240,328,841</u>	<u>\$ 265,067,639</u>	<u>\$ 30,437,343</u>	<u>\$ -</u>	<u>\$ 30,437,343</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,058,914</u>

Public School Retirement System of the City of St. Louis
Notes to Schedules
December 31, 2014

1. Description of System

General

The Public School Retirement System of the City of St. Louis (the "System") is the administrator of a cost-sharing multiple-employer pension plan existing under provisions of the Revised Statutes of the State of Missouri (the "Statutes") to provide retirement benefits for all employees of the Board of Education of the City of St. Louis, of the Charter Schools located within the St. Louis School District, and of all employees of the System.

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

Membership and Eligibility

All persons employed on a full-time basis by the St. Louis Schools Board of Education, Charter Schools in the City of St. Louis, and the System are members of the plan as a condition of employment.

Benefits

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

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

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

Public School Retirement System of the City of St. Louis
Notes to Schedules
December 31, 2014

2. Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The schedules 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 schedules are prepared using the accrual basis of accounting.

The System's employers are required to report pension information in their schedules for periods beginning after June 15, 2014, in accordance with Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. The Schedules of Employer Allocations and Pension Amounts by Employer provide employers with the required information for financial reporting under that standard.

The underlying financial information used to prepare the pension allocation schedules is based on the System's financial statements, accounting, and payroll reporting systems. The schedules were prepared using the accrual basis of accounting and in accordance with GAAP.

Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing the System. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis.

Total employer compensation as of and for the year ended December 31, 2014 was used as the basis for determining each employer's proportionate share of the collective pension amounts reported on the schedules. Total employer compensation as of and for the year ended December 31, 2014 was also used as the basis for determining the employer's proportionate share of the beginning net pension liability since the System did not believe there was a significant change in the allocation percentage amount.

Use of Estimates

The preparation of schedules 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.

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.

Public School Retirement System of the City of St. Louis
Notes to Schedules
December 31, 2014

Subsequent Events

The System has evaluated subsequent events through October 2, 2015, the date the schedules of pension information for participating employers were available to be issued.

3. Schedule of Employer Allocations

The Schedule of Employer Allocations reflects employer compensation as of and for the year ended December 31, 2014 and includes the following for each individual employer:

- employer contributing entity;
- the amount of the employer contributing entity's compensation; and,
- the employer contributing entity's compensation as a percentage of total employer compensation, as defined by this policy.

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

Total pension liability		\$ 1,201,998,138
Fiduciary net position		<u>936,930,499</u>
Employers' net pension liability		<u>\$ 265,067,639</u>
Plan net position as a percentage of total pension liability		77.95 %
Covered employee payroll		\$ 219,799,781
Employers' net pension liability		
as a percentage of employee covered payroll		120.60 %

4. Schedule of Pension Amounts by Employer

The Schedule of Pension Amounts by Employer includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes in assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to measurement date. The net pension liability as of December 31, 2014 is based on the December 31, 2014 actuarial valuation for the first year of implementation.

5. Sensitivity of Net Pension Eligibility to Changes in the Discount Rate

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

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

Public School Retirement System of the City of St. Louis
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December 31, 2014

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

Under GASB Statement No. 68, all employers participating in the plan would recognize a cumulative total pension expense of \$36,058,914 for fiscal years beginning after June 15, 2014, as noted on the schedule of pension amounts by employer.

6. Actuarial Methods and Assumptions

The information presented in the aforementioned schedules was determined as part of the actuarial valuation prepared by Buck Consultants at June 9, 2015.

Additional information related to the above actuarial valuation follows:

Actuarial cost method	Frozen entry age
Rate of investment return	8.00% for 2014, net of expenses
Participant account interest crediting rate	5.00% for 2014
Turnover or withdrawal rates	Various by age and year of membership based on actual
Mortality and death rates	Mortality tables mandated by the Pension Protection Act as specified in IRS Regulation 1.430(h)(3)-1 applied on a static basis, projected 7 years from the valuation date for annuitants and 15 years for non-annuitants
Disability rates	RP-2000 Disability Mortality Table
Rates of retirement between the ages of 55 and 70	Various based on actual experience of the System
Rate of salary increases	Based on actual experience of the System, at the rate of 4.5% per year
Asset valuation method	The assumed yield method of valuing assets

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