2009 Annual Report

Public School Retirement System of the City of St. Louis

…to enhance the well being
and
financial security of its members.

Board of Trustees

An eleven-member Board of Trustees has the fiduciary responsibility for the general administration and investment of PSRSSTL's assets. The St. Louis Public Schools Board of Education appoints four trustees; the members of the Public School Retirement System of the City of St. Louis (PSRSSTL) elect seven. Active PSRSSTL 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. Office term length is four years. At June 1, 2010, the following individuals served on the Board of Trustees.

Appointed by the Board of Education

Christina C. Bennett
Monica E. Lawton
Sarah Sise
Richard Sullivan

Elected by Retired Members

Joseph Clark
Helen Lynch

Elected by Active Members

Byron Clemens
Kathryn Lamb
Katha L. McKinney
Thaha Menkara
Stephen Warmack, Sr.

Administrative Staff

PSRSSTL employs the administrative staff members listed below.

Executive Director	Andrew Clark
Publications/LAN Manager	James U. Hammond
Technology Manager	Thomas Kinealy II
Accounting Specialist	Terry Mayes
Insurance Benefits Specialist	John Henderson
Member Services Lead	Angela Johnson
Member Services Specialist	Stephanie L. Johnson
Customer Service Representative	Terri Beckwith
Member Services Clerical Assistant	Brenda Buggs

Professional Advisors

The individuals and firms listed below provided professional services to the Board of Trustees and PSRSSTL administrative staff during 2009.

Legal Counsel	Jeffrey E. Hartnett Bartley Goffstein, LLC
Investment Advisor	Doris Ewing New England Pension Consultants
Independent Auditor	Thomas S. Helm Huber, Ring, Helm & Company
Actuary	JP Morgan Chase & Co.

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

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June, 2010

On behalf of the Board of Trustees, I am pleased to present the Annual Report of the Public School Retirement System of the City of St. Louis (PSRSSTL) for the fiscal year ended December 31, 2009. This report provides financial, investment, actuarial and statistical information about PSRSSTL.

PSRSSTL management is responsible for the contents and presentation of material in this report. To the best of our knowledge, we believe the information in this report is accurate in all material respects. We present the information in a manner we believe that fairly represents the status of PSRSSTL.

The Year in Review

During 2009, we processed 113 new retirements and 31 applications for Supplemental Pension Benefits under the Sick Leave Conversion Program sponsored by St. Louis Public Schools. In addition, we processed more than 694 distributions for members who left PSRSSTL and we extended a hearty welcome to 296 new members.

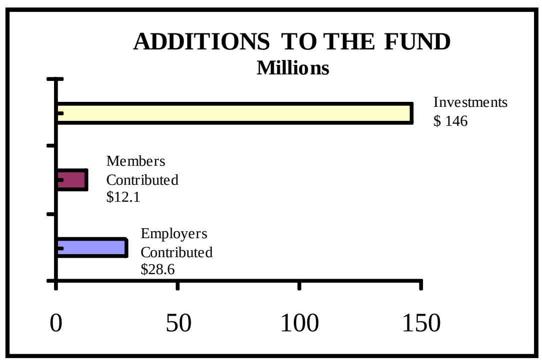
Financial Summary

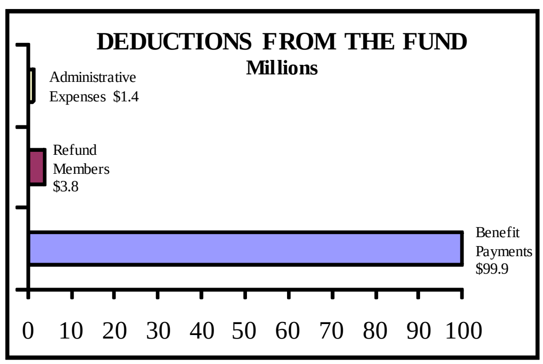
PSRSSTL management is responsible for maintaining appropriate internal accounting and procedural controls. These controls help to protect PSRSSTL assets from loss due to unauthorized use or disposition, provide a reasonable assurance that PSRSSTL executes its financial transactions in accordance with proper authorization, and ensure the accurate recording of transactions to facilitate the annual preparation of audited financial statements.

Huber, Ring, Helm & Co., an independent accounting firm, audited PSRSSTL financial statements for the year ended December 31, 2009. This Annual Report contains those audited financial statements in their entirety. Summary financial information is as follows.

Net Assets as of 12-31-2008	$809,792,984
Additions	
Employer Contributions	28,598,502
Employee Contributions	12,131,979
Net Investment Income	146,071,959
Rental Income	71,391
Deductions	
Benefits Paid to Members	(99,923,786)
Refunds Paid to Members	(3,765,085)
Administrative Expenses	(1,415,026)
Net Assets as of 12-31-2009	$891,562,918

Below is a graphic representation of the Additions and Deductions from the fund.





Investment Performance

Proper asset allocation helps to control volatility and increases the probability of favorable long-term investment returns. The membership entrusts the Board of Trustees with fiduciary responsibility to properly allocate and diversify the Plan investments among different asset classes.

As of December 31, 2009, the investments of PSRSSTL were diversified as follows.

Equity	**47.6%**	
Emerging Market		3.1%
International Developed		10.2%
Small Cap		8.5%
Mid Cap		3.0%
Large Cap		22.8%
(*Growth, Core, Value*)		
GTAA	**10.1%**	
Mellon/GMO		10.1%
Fixed Income	**22.3%**	
Domestic Bonds		8.9%
High Yield		5.3%
Global Bonds		5.7%
Credit Opportunities		2.4%
Other	**20.0%**	
Real Estate		4.7%
Hedge Funds		5.5%
Market Neutral		3.9%
Private Equity		2.6%
Cash		3.3%
Total	**100.0%**	

The overall investment return for PSRSSTL investments was 20.9% for fiscal year 2009 and (24.7%) for fiscal year 2008. The positive investment return in fiscal year 2009 compared to the negative investment return in fiscal year 2008 reflects the hopeful beginning to a continued recovery of the financial markets. While predicting conditions in the marketplace remains challenging for financial experts, the Board of Trustees stands behind a sound Asset Allocation Policy by staying focused on active monitoring of its money managers and long-term investment objectives.

During 2009, the Core-S&P 500 increased 6.0% in the fourth quarter, capping off at 26.5% for the year. The Russell 2000 Growth Index was up 4.1 % in the fourth quarter and finished at 34.5% for the year.

Financial markets posted positive results in the last quarter of 2009. For the year ending December 31, 2009, the Russell 3000 Domestic Equities Index increased 5.9% for the fourth quarter and 28.3% for the year. PSRSSTL's total domestic bonds were up 24.9% for the year with a 5.0% return over the 5-year period.

In comparison, for year ending 2009, the Barclays Aggregate Bond Index rose 5.9% with a 5.0% return over the 5-year period.

International stock markets performed well for the year with the MSCI EAFE (the benchmark for international equities) and MSCI Emerging Market Indices posting positive returns of 31.8% and 78.5% respectively for 2009. The Citigroup World Government Global Bond Index had an overall gain of 2.6% for the year.

Focusing on the long-term PSRSSTL investment horizon, for the five-year period ending December 31, 2009, the PSRSSTL portfolio earned 3.8%, ranking it in the top 22% of similar plans.

Additional investment information may be found in the Investment Information Section of this report.

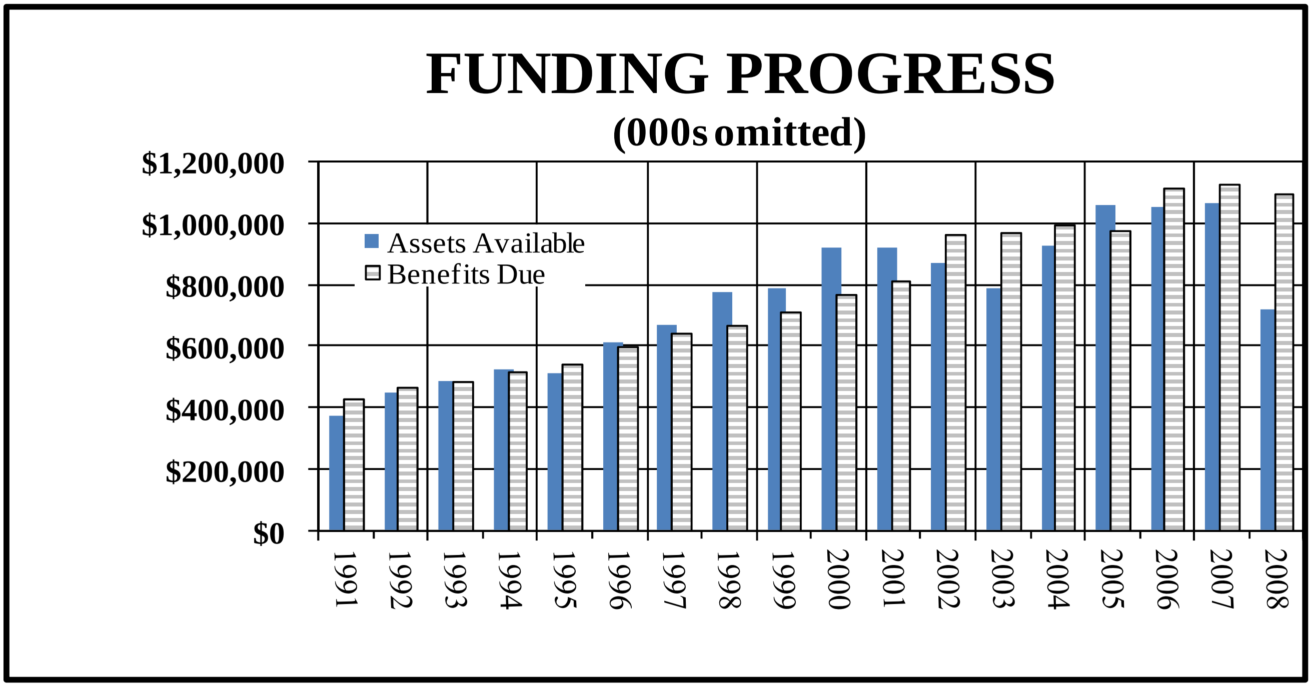
Actuarial and Funding Summary

Each year, PSRSSTL has an independent actuarial valuation conducted. The valuation has two primary purposes: (1) to measure the relative financial condition of the System and (2) to determine the level of the annual contribution sponsoring employers should make to PSRSSTL during the upcoming year so sufficient assets are available for benefit payments in the future.

The annual valuation as of January 1, 2009 indicated PSRSSTL was 88.1% funded on an actuarial basis and 66.0% funded on a market value basis. Additional detail about the funding status of PSRSSTL is provided in the Actuarial Section of this report.

In summary, as measured at January 1, 2009, PSRSSTL benefit obligations and the assets available to satisfy those obligations are set forth as follows:

Total Projected Benefit Obligations	$1,093,606,648
Net Assets Available for Benefits	
Actuarial Value of Assets	$963,851,408
Market Value of Assets	$722,003,022
Funding Ratio (Assets ÷ Obligations)	
Actuarial Value Funding Ratio	88.1%
Market Value Funding Ratio	66.0%



As indicated in the Financial and Investment Sections of this report, the market value of PSRSSTL assets changed from $1,150,960,911 at the beginning of 2008 to $809,792,984 at the beginning of 2009.

It is the opinion of the independent actuary, assuming future contributions will be made as recommended, that PSRSSTL will continue to be funded on a sound actuarial basis.

Detailed actuarial information is provided in the Actuarial Section of this report.

Acknowledgments & Reflections

I would like to thank the members of the Board of Trustees for freely contributing their time and effort to ensure the stability and solvency of PSRSSTL. There is no doubt that investment markets have been challenging over the past several years but due to the Board's continued dedication to solidify the financial foundation of PSRSSTL, the membership may rest assured that future retirement benefits will be available for years to come.

Thank you to our professional advisors who consistently provide PSRSSTL with the tools necessary for proper decision-making. I would also like to thank the staff for their dedication to PSRSSTL. The staff's integrity and professionalism are the reasons that PSRSSTL operates efficiently and continues to be a strong dependable pension organization.

In conclusion, thank you to our members and employers for their continued confidence and support. Your commitment to education provides hope for a prosperous future. Your financial contributions and investment returns continue to help PSRSSTL thrive and are necessary for the stability of the Retirement System. As we complete our sixty-sixth year, I look forward to the continued opportunity to serve the membership.

Sincerely,

Andrew Clark
Executive Director

PUBLIC SCHOOL RETIREMENT SYSTEM
OF THE CITY OF ST. LOUIS

FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Huber, Ring, Helm & Co., P.C.
CPAs • Advisors

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Independent Auditor's Report

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

We have audited the accompanying statements of plan net assets of the Public School Retirement System of the City of St. Louis (the "System") as of December 31, 2009 and 2008 and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, investments in partnerships amounting to $20,064,801 and $23,149,131 (2% in 2009 and 2008 of plan net assets) as of December 31, 2009 and 2008, respectively, have been valued at cost. Accounting principles generally accepted in the United States of America require these investments to be recorded at fair value; however, a reasonable estimate of fair value could not be made without incurring excessive costs. Therefore, these investments are recorded at cost. The effect on the financial statements of not applying adequate procedures to determine the fair value of these investments is not determinable.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

In our opinion, except for the effects of the procedures used to determine the valuation of investments in partnerships at December 31, 2009 and 2008 as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Public School Retirement System of the City of St. Louis as of December 31, 2009 and 2008 and changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental management discussion and analysis on pages 1 - 4, and the supplemental schedules of funding progress and employer contributions on pages 23 - 24 are not a required part of the basic financial statements of the System, but are supplemental information required by the Governmental Accounting Standards Board. For the supplemental management discussion and analysis, and schedules of funding progress and employer contributions, and the schedules of operating expenses found on pages 25 - 26, we have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Huber, Ring, Helm + Co., P.C.

St. Louis, Missouri
March 31, 2010

STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2009 AND 2008

ASSETS

	2009	2008
CASH	$ 12,186,319	$ 11,071,218
PROPERTY and BUILDING, net	2,287,211	2,191,259
RECEIVABLES		
Accrued interest and dividends	6,825,255	7,364,199
Distributions receivable	6,026,304	
INVESTMENTS, at fair value		
Cash equivalents	36,920,841	38,503,339
Bonds		
U.S. Government and agency issues	37,624,541	39,874,724
Corporate	66,236,320	67,306,306
Foreign investments	114,276,055	127,345,590
Common and preferred stocks	249,011,409	199,212,221
Mutual funds	279,655,937	242,606,336
Real estate partnerships - insurance contracts	40,811,416	51,997,538
Credit opportunity investments	20,591,527	
	845,128,046	766,846,054
INVESTMENTS, at estimated fair value		
Real estate loan	4,068	9,808
INVESTMENTS, at cost		
Limited partnerships	19,254,133	19,805,266
Real estate partnerships - other		2,177,979
Venture capital partnerships	810,668	1,165,886
	20,064,801	23,149,131
Total investments	865,196,915	790,004,993
Total assets	892,522,004	810,631,669

LIABILITIES

	2009	2008
CURRENT LIABILITIES		
Accounts payable and accrued expenses	959,086	838,685
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
(A schedule of funding progress is presented on page 23.)	$ 891,562,918	$ 809,792,984

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS
DECEMBER 31, 2009 AND 2008

	2009	2008
ADDITIONS		
Employer Contributions		
St. Louis Public Schools	$ 19,274,150	$ 19,091,518
Charter Schools	3,377,789	3,145,999
Harris Stowe State University	6,746	
Retirement System	51,995	47,364
Sick leave conversion	5,887,822	5,569,115
Employee Contributions		
St. Louis Public Schools	10,310,751	9,860,195
Charter Schools	1,793,766	1,648,908
Retirement System	27,462	28,155
	40,730,481	39,391,254
Net appreciation (depreciation) in fair value of investments		
Cash equivalents	278,440	948,946
Bonds		
U.S. Government and agency issues	1,103,393	2,157,254
Corporate	22,972,343	(20,197,295)
Foreign investments	24,006,894	(21,682,875)
Common and preferred stock	57,969,790	(115,355,176)
Mutual funds	57,085,908	(100,122,557)
Real estate loan	1,054	1,832
Limited partnerships	(3,386,553)	1,574,141
Real estate partnerships	(10,620,556)	(2,642,947)
Venture capital partnerships	(233,032)	294,541
Credit opportunity investments	591,527	
	149,769,208	(255,024,136)
Less investment expense	3,697,249	4,414,723
Net investment income (loss)	146,071,959	(259,438,859)
Rental income	71,391	
Net additions (depreciation)	186,873,831	(220,047,605)
DEDUCTIONS		
Benefits paid		
Retirement and death benefits	97,129,242	93,852,021
Health care subsidies and supplemental payments	2,794,544	2,781,111
	99,923,786	96,633,132
Operating expenses	1,415,026	1,576,880
Contribution refunds due to death or resignation	3,765,085	22,910,310
Total deductions	105,103,897	121,120,322
INCREASE (DECREASE) IN PLAN NET ASSETS	81,769,934	(341,167,927)

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
NOTE 1 – DESCRIPTION OF SYSTEM

General

The Public School Retirement System of the City of St. Louis 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, of all employees of the Public School Retirement System of the City of St. Louis, and of certain employees of Harris Stowe State University of St. Louis. The System is a multi-employer 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

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

	January 1, 2009	January 1, 2008
Active members	5,085	5,021
Inactive members	1,543	1,635
Total members not retired	6,628	6,656
Retired members		
Service and survivors	4,159	4,178
Disability	411	278
	4,570	4,456
Total Membership	11,198	11,112

Benefits

Upon retirement at age 65 (or at any age if age plus years of credited service total 85 or more), 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.

Members are eligible, after accumulation of five years of credited service, for disability benefits. 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.

NOTES TO FINANCIAL STATEMENTS
NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of plan assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of additions and deductions to plan net assets during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

Plan member contributions of 5.0%, effective July 1, 1999, are mandatory and are recognized in the period in which contributions are due. Employer contributions to the plan are also mandatory and are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Tax Status

The System has been determined to be exempt from federal income taxes under Section 115 of the Internal Revenue Code.

Method Used to Value Investments

Unless otherwise noted, 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 7 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.

The real estate loan has an effective interest rate of 15.5% and is stated at the outstanding principal balance, which approximates estimated fair value.

For other investments for which there are no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs, therefore, these investments are generally reported at cost.

Real estate partnerships – insurance contracts

The System has entered into contracts with several insurance companies. The accounts are credited with actual earnings on the underlying investments and charged for plan withdrawals and administrative expenses charged by the insurance companies. These investments are stated at fair value as determined by the insurance companies.

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. However, Limited, Real Estate, and Venture Capital Partnerships are recorded at cost, which excludes unrealized appreciation (depreciation) because these amounts cannot be determined without incurring excessive costs.

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

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 Improvements

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 over the estimated life of 40 years.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain reclassifications have been made to the prior year's amounts to make them consistent with the December 31, 2009 presentation. During 2009 the System changed its presentation of investment of classifications. Previously the System considered foreign investments to include the assets held in the Mondrian and Causeway accounts. During 2009 the System changed the presentation of foreign investments to include any investment holding that was held in any account if it was considered foreign in nature. The 2008 amounts were reclassified to make them consistent with the 2009 presentation including the net appreciation (depreciation) in fair value of investments and related cost basis.

NOTES TO FINANCIAL STATEMENTS
NOTE 3 – INVESTMENTS

At December 31, 2009 and 2008, investments consisted of the following:

	2009	
	Fair Value	Cost
Cash Equivalents	$ 36,920,841	$ 36,920,841
Bonds		
U.S. Government and agency issues	37,624,541	37,470,624
Corporate	66,236,320	61,246,790
Foreign investments	114,276,055	107,180,756
Common and preferred stocks	249,011,409	227,308,153
Mutual funds	279,655,937	208,453,118
Real estate partnerships - insurance contracts	40,811,416	48,381,388
Credit opportunity investments	20,591,527	
	845,128,046	726,961,670
Real estate loan	4,068	4,068
Limited partnerships	19,254,133	19,254,133
Venture capital partnerships	810,668	810,668
	20,068,869	20,064,801
	$ 865,196,915	$ 747,030,539

	2008	
	Fair Value	Cost
Cash Equivalents	$ 38,503,339	$ 38,503,339
Bonds		
U.S. Government and agency issues	39,874,724	38,412,836
Corporate	67,306,306	93,561,242
Foreign investments	127,345,590	145,476,706
Common and preferred stocks	199,212,221	253,042,471
Mutual funds	242,606,336	226,669,309
Real estate partnerships - insurance contracts	51,997,538	45,905,286
	766,846,054	841,571,189
Real estate loan	9,808	9,808
Limited partnerships	19,805,266	19,805,266
Real estate partnerships - other	2,177,979	2,177,979
Venture capital partnerships	1,165,886	1,165,886
	23,149,131	23,149,131
	$ 790,004,993	$ 864,730,128

NOTES TO FINANCICAL STATEMENTS

NOTE 4 – OCCUPANCY EXPENSE

The System occupies offices in a building it owns. Occupancy expenses for the years ended December 31, 2009 and 2008 were $21,046 and $22,826, 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 year ended December 31, 2009 totaled $71,391.

NOTE 5 – 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, 2009 and 2008, the System had approximately $12,695,000 and $11,872,000, respectively, in cash on deposit at US Bank. These balances were insured by the Federal Deposit Insurance Corporation ("FDIC") for $250,000. 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 Reserve 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, 2009 was $14,682,709. A significant portion of the System's investments is held in trust by US Bank of St. Louis, N.A.

On December 31, 2009, the System received $25,096,917 from the St. Louis Board of Education for the 2009 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, 2009, 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 Investments
The Bank of New York Mellon	$ 61,283,204	6.9%

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – RISKS AND UNCERTAINTIES (CONTINUED)

Credit Risk of Debt Securities

The System's rated debt investments as of December 31, 2009 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.

	Fair Quality Ratings		
Rate Debt InstrumentValue	AAA	AA1	AA2
Corporate bonds and debentures	$ 7,667,865		$ 1,134,906
Foreign government and corporate obligations	16,313,825	$ 1,665,975	15,800,882
United States Government Securities	15,840,942		
	$ 39,822,632	$ 1,665,975	$ 16,935,788
	AA3	A1	A2
Corporate bonds and debentures	$ 1,459,765	$ 1,700,796	$ 2,621,827
Foreign government and corporate obligations	1,273,363	1,393,972	5,868,588
United States Government Securities			
	$ 2,733,128	$ 3,094,768	$ 8,490,415
	A3	BAA1	BAA2
Corporate bonds and debentures	$ 1,429,137	$ 2,182,225	$ 4,474,154
Foreign government and corporate obligations	2,176,073	4,133,031	338,141
United States Government Securities			
	$ 3,605,210	$ 6,315,256	$ 4,812,295
	BAA3	BA1	BA2
Corporate bonds and debentures	$ 3,954,557	$ 4,828,928	$ 3,157,337
Foreign government and corporate obligations	1,318,982	299,672	1,843,026
United States Government Securities			
	$ 5,273,539	$ 5,128,600	$ 5,000,363

NOTES TO FINANCICAL STATEMENTS

NOTE 5 – RISKS AND UNCERTAINTIES (CONTINUED)

Credit Risk of Debt Securities (Continued)

	Fair Quality Ratings		
Rate Debt InstrumentValue	BA3	B1	B2
Corporate bonds and debentures	$ 4,322,269	$ 3,670,161	$ 3,776,499
Foreign government and corporate obligations	1,019,288	358,000	299,750
United States Government Securities			
	$ 5,341,557	$ 4,028,161	$ 4,076,249

	B3	CAA1	CAA2
Corporate bonds and debentures	$ 3,534,486	$ 5,350,071	$ 1,049,429
Foreign government and corporate obligations	460,444		530,700
United States Government Securities			
	$ 3,994,930	$ 5,350,071	$ 1,580,129

	CAA3	CA	C
Corporate bonds and debentures	$ 408,750	$ 816,730	$ 59,307
Foreign government and corporate obligations		461,128	
United States Government Securities			
	$ 408,750	$ 1,277,858	$ 59,307

	Unrated
Corporate bonds and debentures	$ 8,637,122
Foreign government and corporate obligations	1,770,537
United States Government Securities	21,783,599
	$ 32,191,258

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – RISKS AND UNCERTAINTIES (CONTINUED)

Foreign Currency Risk

The System does not have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates. The System's exposure to foreign currency risk is presented in the following table:

Currency	Cash Equivalents	Debt	Equity	Total
Euros	$ 3	$ 13,443,497	$ 25,533,751	$ 38,977,251
Deutsch		501,618		501,618
Swedish Korena	35,014	2,357,444		2,392,458
Australian Dollar	2	5,483,910	1,184,375	6,668,287
Swiss Franc			1,593,549	1,593,549
Mexican Peso	102,618	2,871,029		2,973,647
New Zealand Dollar	17	832,206		832,223
Poland Zloty		3,398,661		3,398,661
Indonesian Rupiah		225,310		225,310
Japanese Yen	79,800	10,585,888	5,668,108	16,333,796
Korean Won			926,163	926,163
Hong Kong Dollar			704,431	704,431
Canadian Dollar		1,195,651	1,606,939	2,802,590
Bristish Pound	19	80,444	2,278,615	2,359,078
Pound Sterling		1,065,467	1,676,723	2,742,190
Quatari Rial		820,000		820,000
Various		6,708,426	2,311,215	9,019,641
	$ 217,473	$ 49,569,551	$ 43,483,869	$ 93,270,893

Interest Rate Risk

The System does not have a formal policy to limit interest rate risk on debt securities. Risk of loss arises from changes in interest rates which have significant affects on fair values of investments.

Investment Type	Fair Value	< 1 year	1 - 5 years
Corporate bonds and debentures	$ 66,236,320	$ 286,025	$ 22,069,924
Foreign government and corporate obligations	57,325,875	4,442,797	18,683,905
United States Government Securities	37,624,541	605,804	9,360,934
	$ 161,186,736	$ 5,334,626	$ 50,114,763

Investment Type	6 - 10 years	10+ years
Corporate bonds and debentures	$ 19,149,650	$ 24,730,721
Foreign government and corporate obligations	22,809,255	11,389,919
United States Government Securities	4,839,488	22,818,314
	$ 46,798,393	$ 58,938,954

NOTES TO FINANCICAL STATEMENTS

NOTE 6 – PROPERTY AND BUILDING

Property and Building as of December 31, 2009 and 2008 consist of:

	2009	2008
Land	$ 229,451	$ 229,451
Building	2,065,061	2,065,061
Tenant improvements	158,120	
	2,452,632	2,294,512
Less accumulated depreciation	165,421	103,253
Total Property and Building	$2,287,211	$2,191,259

NOTE 7 – FAIR VALUE MEASUREMENTS

Effective January 1, 2009 the System adopted FASB ASC 820 – Fair Value Measurements and Disclosures with respect to (i) all applicable financial assets and liabilities and (ii) nonfinancial assets and liabilities that are recognized or disclosed at fair value in the System's financial statements on a recurring basis (at least annually). FASB ASC 820 requires the System to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the System's market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 Valuations based on unadjusted quoted prices available for identical assets in active markets that the plan has the ability to access.

Level 2 Valuations based on quoted prices in markets which are not active, or for which all significant inputs are observable, either directly or indirectly, or derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Valuations based on inputs that are unobservable.

Fair value is an exit price that represents the amount that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants.

Except for the investments discussed below and in Note 3, the System does not have any financial instruments which are required to be measured at fair value on a recurring basis. Non-financial assets such as property and equipment are measured at fair value when there is an indicator of impairment and recorded at fair value only when impairment is recognized.

The carrying amounts of cash and cash equivalents, accrued interest and dividends, other receivables, accounts payable and accrued expenses approximate fair value because of the short-term maturity of these items.

The assets' fair value measurement levels within the fair value hierarchy are based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2009 and 2008.

U.S. Treasury obligations, other government obligations, common stocks, corporate and foreign bonds: Valued based upon the quoted market value as of the last business day of the year as determined by the System's independent investment custodians.

Mutual funds: Valued at quoted market prices based on the net asset value of shares held by the System at year end.

Money market accounts: Valued based on yields currently available on comparable securities of issuers with similar credit rating.

Limited partnerships: The investments in the limited partnerships are stated at cost as determined by the tax basis K-1s.

Real estate partnerships – Insurance Contracts: These investments are stated at fair value as determined by the insurance companies.

Real estate partnerships – Other: These investments are stated at cost based on contributions made and distributions received.

Joint ventures: These investments are stated at cost as determined by the tax basis K-1s received by the System.

Credit opportunity Investments: Valued at quoted market prices based on the net asset value of shares held by the System at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the System believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine fair values of certain instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the System's assets that are measured at fair value as of December 31, 2009:

	Level 1	Level 2	Level 3
Credit opportunity investments	$ 20,591,527		
U.S. Treasury and other government obligations		$ 37,624,541	
Corporate bonds		66,236,320	
Foreign investments		114,276,055	
Common stocks	249,011,409		
Mutual funds	279,655,937		
Money market accounts		36,920,841	
Real estate loan		4,068	
Real estate partnerships - insurance contracts			$ 40,811,416
Limited partnerships			19,254,133
Venture capital partnerships			810,668
	$ 549,258,873	$ 255,061,825	$ 60,876,217

NOTES TO FINANCICAL STATEMENTS

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth a summary of changes in the fair value or cost value of the System's Level 3 assets for the year ended December 31, 2009.

	Insurance Contracts	Limited Partnerships at cost
Balance, beginning of the year	$ 51,997,538	$ 19,805,265
Purchases, sales, issuances, and settlements (net)		264,052
Investment income (net)	2,727,481	
Realized gains (losses)	151,075	(815,184)
Unrealized losses relating to instruments still held at the reporting date	(13,662,224)	
Management fees	(402,453)	
Balance, end of year	$ 40,811,416	$ 19,254,133

	Real Estate Partnerships at cost	Venture Capital Partnerships at cost
Balance, beginning of the year	$ 2,177,979	$ 1,165,886
Purchases, sales, issuances, and settlements (net)	(2,341,093)	(131,973)
Investment income (net)	163,114	(223,245)
Balance, end of year	$ -	$ 810,668

NOTE 13 – SUBSEQUENT EVENT

The System has evaluated subsequent events through March 31, 2010, the issue date of these financial statements.

SCHEDULE OF FUNDING PROGRESS (in millions)

Actuarial Valuation Date January 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Frozen Entry Age (b)	Unfunded AAL (UAAL) (b-a)
1995	$ 519.1	$ 588.2	$ 69.1
1996	562.2	664.8	102.6
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

Actuarial Valuation Date January 1,	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1995	88.3 %	$ 207.1	33.3 %
1996	84.6	206.9	49.6
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

See independent auditor's report on supplemental information.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Employer Contributions

Year Ended December 31,	Annual Required Contribution	Percent Contributed
1995	15,087,519	99.6%
1996	16,619,187	100.1%
1997	16,876,759	100.2%
1998	15,328,067	111.1%
1999	13,906,270	124.5%
2000	15,543,984	111.9%
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	*

* 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 J. P. Morgan Chase & Co. at January 1, 2009. Additional information related to the above actuarial valuation follows:

Actuarial cost method:	Frozen entry age.
Rate of investment return:	8.00% for 2009 and 2008, net of expenses.
Turnover or withdrawal rates:	Various by age and year of membership based on actual experience of the System.
Mortality or death rates:	RP-2000 Combined Healthy Lives Mortality Tables for males and females is used for active and retired members and beneficiaries.
Disability rates:	Various by age of active members based on actual experience of the System.
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, less the expense and contingency reserve.

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 will be amortized over thirty (30) years.

See independent auditor's report on supplemental information.

SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Actuarial services	$ 150,940	$ 191,810
Accounting and auditing fees	55,382	59,553
Computer programming and consultation	56,658	138,842
Convention, conferences, seminars		
Executive Director	4,274	4,598
Trustees	21,574	23,371
Depreciation expense	62,168	51,627
Dues and subscriptions	4,460	4,820
Employee benefits	4,353	11,795
Furniture and equipment	5,971	2,434
Insurance - group hospitalization	58,100	57,931
Insurance - casualty and bonding	81,685	96,668
Legal fees and expense	55,169	57,407
Medical fees	843	600
Office repairs and maintenance	29,074	30,435
Office supplies and expense	14,390	22,336
Postage	69,125	67,557
Pension contribution	51,995	47,364
Printing and publishing	44,299	32,967
Occupancy Expense	21,046	22,826
Salaries - administrative and clerical	491,883	504,438
Special Project consultation	37,944	37,944
Taxes, Payroll	37,629	38,589
Taxes, Real Estate (Refund)	-	-
Telephone	16,340	13,223
Utilities	18,884	32,775
Miscellaneous expense	20,840	24,970
Total	$ 1,415,026	$ 1,576,880

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:

	2009	2008
Transportation registration	$ 8,617	$ 10,538
Lodging, Meals, and miscellaneous	12,957	12,833
Totals	$ 21,574	$ 23,371

See independent auditor's report on supplemental information

THE CAPITAL MARKET ENVIRONMENT

Domestic Stocks

The S&P Mid Cap 400 posted gains for calendar year 2009, with a return of 37.4%. Growth stocks contributed to increases in year 2009 as shown by the Russell 1000 Growth Index, up 37.2%, whereas value stocks, indicated by the Russell 1000 Value Index were up 19.7%.

Domestic Bonds

Fixed income markets were positive in 2009. The Barclays Capital Aggregate was up 5.9% with a five-year average of 5.0%. MFC Global rose 20.2%, Mellon Bond 5.6% and Earnest Partners 8.5%.

Barclays Capital High Yield bond was up 58.2% for the year with a 5-year average return of 6.5%.

International Markets

The international equity markets performance corresponded with the MSCI EAFE Index, which was up 31.8% while emerging markets equities were up 78.5%.

The Citigroup World Government Bond finished 2009 on a positive note with a return of 2.6%.

INVESTMENT PERFORMANCE

Investment Goals

PSRSSTL has a well-diversified investment portfolio with long-term goals of earning an 8.6% return. Over the short-term (three to five years), PSRSSTL assets are structured to mitigate volatility while ranking in the top half of a universe of public funds.

Investment Performance

For the year ending December 31, 2009, the total PSRSSTL portfolio posted a gain of 20.9%, ranking 38th within the Investment Consultants' Cooperative (ICC) Universe of Public Funds. For the five-year period ending December 31, 2009, the total PSRSSTL portfolio ranked 22nd with a 3.8% return.

Investment returns for the retirement system's portfolio, stocks and bonds for the one-year and five-year periods ending December 31, 2009 are set forth below.

	One Year	Five Years
PSRS Total Portfolio	20.9%	3.8%
Median Public Fund	19.2%	3.1%
PSRS Domestic Equities	28.8%	1.1%
Russell 3000 Index	28.3%	.8%
PSRS Domestic Bonds	24.9%	5.0%
Barclays Capital Aggregate	5.9%	5.0%
Barclays Capital High Yield	58.2%	6.5%
PSRS International Equities	33.1%	3.9%
MSCI EAFE Index	31.8%	3.5%
PSRS Emerging Market Equities	82.8%	17.2%
MSCI Emerging Index	78.5%	15.5%
PSRS Global Bonds	8.5%	5.5%
Citigroup World Government	2.6%	4.5%

INVESTMENT STATISTICS

The Investment Information Section of this report provides statistical information about the PSRSSTL investment managers, securities held in the portfolio, and brokerage fees paid in 2009.

ASSET ALLOCATION AND INVESTMENT MANAGERS
AS OF DECEMBER 31, 2009 (000s omitted)

		RELATIVE TO TOTAL PORTFOLIO						
	MANAGEMENT STYLE	MARKET VALUE Value	MARKET VALUE %	TARGET VALUE Value	TARGET VALUE %	VARIANCE Value	VARIANCE %	MARKET Value
LARGE CAP GROWTH DOMESTIC EQUITIES		93,311	10.7%	87,010	**10.0%**	6,301	0.7%	
Buford, Dixon, Harper & Sparrow	Large Cap Growth							16,647
Intech	Large Cap Growth							27,615
Monetary Management Group	Large Cap Growth							49,049
LARGE CAP CORE DOMESTIC EQUITIES		31,340	3.6%	26,103	**3.0%**	5,237	0.6%	
Batterymarch Financial	Large Cap Core							20,945
Mellon Equity Index	Large Cap Core							10,395
LARGE CAP VALUE DOMESTIC EQUITIES		74,108	8.5%	78,309	**9.0%**	(4,201)	-0.5%	
Chicago Equity Partners	Large Cap Value							46,497
The Edgar Lomax Company	Large Cap Value							27,611
MID CAP GROWTH DOMESTIC EQUITIES		26,155	3.0%	26,103	**3.0%**	52	0.0%	
New Amsterdam Partners	Mid Cap Growth							26,155
SMALL/MICRO CAP DOMESTIC EQUITIES		73,597	8.5%	69,608	**8.0%**	3,989	0.5%	
Westfield Capital Management	Small Cap Growth							25,673
Systematic Financial Management	Small Cap Value							26,807
Dimensional Fund Advisors	Small Cap Core							21,117
GLOBAL TACTICAL ASSET ALLOCATION (GTAA)		87,773	10.1%	87,010	**10.0%**	763	0.1%	
GMO Global Balanced Asset Allocation								44,295
Mellon Global Alpha I								43,478
INTERNATIONAL EQUITIES		115,342	13.3%	104,412	**12.0%**	10,930	1.3%	
Battermarch GL Emerging	Emerging Markets							26,700
Causeway	International Equities							44,490
Pyramis	International Equities							44,152
DOMESTIC BONDS		78,023	9.0%	104,412	**12.0%**	(26,389)	-3.0%	
Earnest	Core Domestic Bonds							18,818
Mellon Index Bond	Core Domestic Bonds							7,410
MFC	Core Domestic Bonds							51,795
HIGH YIELD DOMESTIC BONDS		45,721	5.3%	43,505	**5.0%**	2,216	0.3%	
Loomis Sayles	High Yield Bonds							45,721
CREDIT OPPORTUNITIES		20,592	2.4%	43,505	**5.0%**	(22,913)	-2.6%	
Loomis Sayles	Credit Asset Trust							20,592
GLOBAL BONDS		49,800	5.7%	52,206	**6.0%**	(2,406)	-0.3%	
Mondrian	Global Bonds							49,800
MARKET NEUTRAL STRATEGY		34,090	3.9%	34,804	**4.0%**	(714)	-0.1%	
Blue Rock	Market Neutral							34,090
HEDGED STRATEGIES		48,039	5.5%	43,505	**5.0%**	4,534	0.5%	
K2	Hedge Funds							25,759
Mariner	Hedge Funds							22,280
REAL ESTATE		40,811	4.7%	43,505	**5.0%**	(2,694)	-0.3%	
UBS Trumbull Property Funds	Real Estate							40,811
ALTERNATIVE INVESTMENTS		22,867	2.6%	26,103	**3.0%**	(3,236)	-0.4%	
Private Equity	Alternative Investments							22,867
CASH *(Does Not Include Managers' Residual Cash)*		28,528	3.3%	0	**0.0%**	28,528	3.3%	
PSRSSTL	Cash Accounts							28,043
Mellon Money Market	TIF							485
TOTAL		**$870,097**	**100.0%**	**$870,097**	**100.0%**			

The target values shown above represent the Asset Allocation Policy adopted by the Board of Trustees on September 30, 2009. The revised policy includes a new credit opportunities asset class with an investment in the Credit Asset Trust managed by Loomis Sayles. The Board of Trustees funded this new investment by reallocating funds from global bonds.

DOMESTIC EQUITY INVESTMENTS

2009 Return	28.8%
Average Market Capitalization	$50.5B
P/E Ratio	17.5
Price/Book Ratio	3.3
Five Year Earnings Growth Rate	10.5

Ten Largest Domestic Equity Holdings

Company	Market Value	Percent of Portfolio	Company	Market Value	Percent of Portfolio
MCDONALDS CORP	4,165,783	0.48%	CHEVRON CORP	3,621,674	0.41%
APPLE INC	4,129,098	0.47%	JPMORGAN CHASE	3,529,375	0.40%
INTL BUS MACH CORP	4,037,494	0.46%	ABBOTT LABORATORIES	3,519,948	0.40%
MICROSOFT CORP	3,775,544	0.43%	PEPSICO INC	3,406,952	0.39%
HEWLETT PACKARD CO	3,695,504	0.42%	AT+T INC	3,317,486	0.38%

Ten Best Performing Domestic Equity Holdings

Company	Return	Company	Return
INTEST CORP	456.3%	INTELLI CHECK INC	150.0%
RADIO ONE INC	195.9%	QUANTUM CORP	132.5%
SALEM COMMUNICATIONS	165.1%	PERFUMANIA HOLDINGS INC	132.2%
QUIXOTE CORP	155.8%	POWER ONEINC	123.1%
FSI INTL INC	153.4%	AMERICAN OIL AND GAS INC NEV	113.2%

Ten Worst Performing Domestic Equity Holdings

Company	Return	Company	Return
FAIRPOINT COM INC	-92.0%	HABERSHAM BANCORP INC	-78.6%
RHI ENTMT INC	-90.3%	PONIARD PHARMACEUTICALS	-75.5%
YRC WORLDWIDE INC	-81.1%	RAINIER PAC FINL GROUP	-75.1%
TRIAD GTY INC	-79.5%	EVANS + SUTHERLAND COMP	-73.3%
TIERONE CORP	-79.0%	HORIZON FINL CORP WASH	-72.5%

DOMESTIC BOND INVESTMENTS

PSRSSTL domestic bond investments had an average maturity of 8.1 years, a duration of 5.5 years, and an average quality rating of Baa1. During 2009, the PSRSSTL domestic bond portfolio earned 24.9%. Below are bond summary statistics for the period ending December 2009.

Bond Portfolio Yield to Maturity	Percent of Portfolio
0.0 - 5.0	30.1%
5.0 - 7.0	18.7%
7.0 - 9.0	26.6%
9.0 - 11.0	6.2%
11.0 - 13.0	2.2%
13+	2.4%
Unclassified	13.8%

Bond Portfolio Average Life	Percent of Portfolio
0.0 - 1.0	0.9%
1.0 - 3.0	9.2%
3.0 - 5.0	21.5%
5.0 - 10.0	38.1%
10.0 - 20.0	9.4%
20.0 +	5.9%
Unclassified	13.9%

Bond Portfolio Quality Rating	Percent of Portfolio
Government (10)	18.6%
Aaa(10)	7.0%
Aa(9)	3.2%
A(8)	6.6%
Baa(7)	12.2%
Below Baa	26.9%
Other	25.5%

BROKERAGE FEES

Company	Commission Paid
Abel Noser	$8,611.64
ABG Securities	138.79
Access Securities	256.40
Aqua Securities	100.00
Baird & Company	1,116.26
Banco Santander	140.42
Bank of America Securities LLC	78.00
Barclays Capital	5,851.82
Bloomberg Tradebook	1,933.50
Bluefin Research Group	368.00
BMO Capital Markets	239.68
BNP Paribas	588.75
BNY Convergex	17,994.25
Broadcort Cap Corp	29,111.10
Buckingham Research Group	49.00
Cabrera Capital Markets	1,902.00
Calyon Securities	111.63
Canaccord Adams Inc.	223.00
Canadian IMP	790.65
Cantor Fitzgerald	3,509.46
Capital Institutional Services	25,115.06
Cazenove Capital Mgmt	127.54
Cheevers & Co., Inc.	1,084.00
Citigroup Global Markets	9,746.09
Clearview Correspondent Svcs	348.00
Cowen & Co.	3,236.00
Craig Hallum	391.00
CR Argricole	1,797.56
Credit Suisse Securities USA	12,910.96
DAIWA	271.74
Davidson & Company	108.00
Davy Stockbrokers	1,236.70
Deutsche Bank Securities	6,083.79
Direct Trading Institutional	2,399.62
Dresdner Kleinwort	1.64
Exane SA	748.14
First Clearing	22,745.50
Fox River Execution Technology	$129.70
Fox Pitt Kelton Inc.	327.60
Friedman Billings & Ramsey	2,138.28
Goldman Sachs	12,444.23
Goodbody	649.30
Guzman & Company	3,116.27
Heflin & Co.	154.00
Instinet	7,903.79
Intermobiliare	195.44
Investment Techonology Group	16,270.35
ISI Group Inc.	631.42
Ivy Securities Inc.	749.00
J P Morgan	11,404.52
Jackson Partners	834.00
Jackson Securities	412.00
Jeffries & Company	6,270.64
JMP Securities	284.00
Jones Trading Institutional	925.72
Keefe Bruyette & Woods	1,875.16
Keppler	61.06
Kellogg Partners	5,704.00
Keybanc Capital Markets	1,022.84
King CL & Associates	630.00
Knight Equity Markets	2,447.42
LaBranche Financial	627.59
Lazard Capital Markets	168.29
Leerink Swann & Co.	221.12
Liquidnet Inc.	37,326.64
Longbow Securities LLc	2,168.00
Loop Capital Markets	58.00
Macquarie Securites	530.28
Magna Securities	955.00
Melvin Securities	270.00
Merrill Lynch	7,938.38
Merriman Curhan Ford & Co.	304.50
Midwest Research Securities	24.00
Mizuho Securities USA	$314.32
Morgan Stanley	10,873.28
Mitsubishi	170.57
NCB	10.05
Needham & Company	2,549.00
Newedge USA	2.00
Nomura Securities	2,189.75
NY Fix Transaction Services	517.50
Oppenheimer & Co.	524.00
Pacific American Securities	661.00
Penson Financial Services	2.25
Pipeline Trading Services	2,091.50
Piper Jaffray	823.32
Pulse Trading	1,046.48
Raymond James	2,248.50
RBC Capital Markets	2,239.00
Rochdale Securities	93.00
Rosenblatt Securities Inc	1,951.89
Samsung	154.10
Sandler O Neill	1,042.00
Sanford C. Bernstein & Co.	6,002.56
Skandinaviska	8.48
Societe Gen	1,570.09
State Street	59,829.41
Sterne, Agee & Leach	84.00
Stifel Nicolaus	5,373.80
Suntrust Capital Markets, Inc	817.50
Thinkpanmure LLC	120.00
Thomas Weisel Partners	880.10
UBS	12,535.59
Wachovia Capital	1,005.00
Weeden & Co.	4,273.90
Wells Fargo Securities	2,007.00
White Cap Trading LLC	197.01
William Blair & Co.	220.00
Williams Capital Group	1,215.00
2009 Total Commissions	$414,281.18

MARKET VALUE OF ASSETS

Investment Category	As of December 31, 2007 Market Value	% of Total	As of December 31, 2008 Market Value	% of Total	As of December 31, 2009 Market Value	% of Total
Cash, Receivables, Cash Equivalents	$52,532,462	4.6%	$56,938,756	7.0%	$61,958,719	6.9%
Property and Building	2,242,885	0.2%	2,191,259	0.3%	2,287,211	0.3%
U.S. Government and Agency Issues	33,923,065	2.9%	39,874,724	4.9%	37,624,541	4.2%
Corporate Bonds	91,593,979	7.9%	67,306,306	8.3%	66,236,320	7.4%
Foreign Corporate & Government Bonds	161,158,260	14.0%	127,345,590	15.7%	114,276,055	12.8%
Common Stocks	336,024,232	29.2%	199,212,221	24.6%	249,011,409	27.9%
Mutual Funds	405,583,124	35.2%	242,606,336	29.9%	279,655,937	31.3%
Real Estate - Insurance Contracts	55,314,250	4.8%	51,997,538	6.4%	40,811,416	4.6%
Mortgages	16,340	0.0%	9,808	0.0%	4,068	0.0%
Credit opportunity Investments	0	0.0%	0	0.0%	20,591,527	2.3%
Alternative Investments *	13,781,497	1.2%	23,149,131	2.9%	20,064,801	2.2%
Total	**$1,152,170,094**	**100.0%**	**$810,631,669**	**100.0%**	**$892,522,004**	**100.0%**

* Carried at Cost Value

PUBLIC SCHOOL RETIREMENT SYSTEM
OF THE CITY OF ST. LOUIS

ACTUARIAL VALUATION
AS OF JANUARY 1, 2009

August 2009

PURPOSE OF THE REPORT

This report is submitted in accordance with Section 169.450-15 Revised Statutes of Missouri (R.S. Mo.) 1997 and amendments that require the actuary to make an annual valuation of the assets and liabilities of the system. The purpose of the actuarial valuation is twofold: (1) to determine the required annual contributions from the board of education, the retirement system and Harris-Stowe State College (or the State of Missouri); and (2) to develop information to measure the relative financial condition of the system.

The required contribution to the retirement system from the board of education, the retirement system, charter schools and Harris-Stowe State College (or the State of Missouri) is computed in accordance with Section 169.490 R.S. Mo. 1997. The amount of the required contribution is stated in table C of this report. A description of the actuarial cost method and assumptions appears in section 3.

Information concerning the financial condition and factors affecting it will be found throughout the report. There is no generally accepted single measure or standard for determining whether or not a retirement system is "actuarially sound." The financial health of a retirement system is measured best on a relative basis. Results are compared over a period of years to determine whether adequate progress is being made in the funding of the system's liabilities. Another relative measure is the stability of the contribution rate, with recognition for changes in funding requirements due to changes in benefit provisions. The actuarial balance sheet also provides an indication of the relative financial condition of the plan.

COMMENTS

This actuarial valuation is based on the same actuarial assumptions and methods from those used in the prior actuarial valuation. Overall, the System had favorable demographic experience for 2008, which partially offset the extremely unfavorable investment experience. The System's actuarial rate of return was 3.15%, which is 4.85% less than the assumed rate of return of 8.00%. The rate of return reflects a reduction of $57,234, 574 to the Investment Contingency Reserve, eliminating the margin to offset future adverse investment experience. There were a number of factors that should be noted. Employer contributions for 2008 were $5.4 million more than in 2007, which reduced the UFAAL more than expected. The DROP program ended in 2008, which resulted in a decrease of about $17 million in both liabilities and assets as DROP account balances were paid out. There was data cleanup, which eliminated duplicate records and deceased retired members, which further reduced the liabilities. The charter schools covered payroll increased about $9.2 million, or about 42%, accounting for almost all the increase in covered payroll. Due to the increase in covered payroll, there was a larger base over which to spread the UFAAL amortization payment, which accounted for 0.49% of the 1.24% decrease in the contribution rate. While the System experienced almost $260 million in investment losses on a market value basis, the effect for 2008 on the actuarial value was significantly less. There was about $46 million of unrecognized gains from prior years and about $57 million from the Investment Contingency Reserve to offset the loss. Coupled with the smoothing of the asset valuation method, the net investment loss recognized for 2008 was about $45 million. The net effect of all these factors was to decrease the contribution rate to 8.27% from 9.51%.

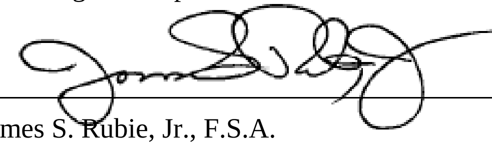
As a part of the package to increase benefits in 2001, the board of education agreed to fix the employer contribution at 8.00% for 2001 and institute a one-year lag for future years. Therefore, this actuarial valuation is used to determine the actual contribution rate for 2010. The dollar amount of the actual contribution decreased to $19,407,727 for 2010 from $21,406,949 for 2009. As a percentage of covered compensation the contribution rate for 2010 decreased to 8.27% from 9.51% for 2009.

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 projected by the actuarial assumptions. The assumptions are based on the long-term expected experience of the system. Actuarial gains (or losses) reflect short-term deviations between actual and expected experience. Since the normal cost is redetermined on an annual basis, the normal cost will usually fluctuate from year-to-year. For 2010, the annual normal cost is $6,967,095 or 2.97% of the covered payroll of $234,582,326.

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. As a modification to the actuarial cost method, the Board of Trustees acted to redetermine the UFAAL effective January 1, 2006. This portion of the contribution only changes to reflect changes in benefits or changes in actuarial assumptions and methods. The UFAAL amortization payment for 2010 is $12,440,627 or 5.30% of the covered payroll.

The undersigned collectively meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

J.P. Morgan Compensation and Benefit Strategies



James S. Rubie, Jr., F.S.A.

Vice-President

SUMMARY OF PRINCIPAL RESULTS OF THE ACTUARIAL VALUATION AS OF JANUARY 1, 2009

ANNUAL REQUIRED CONTRIBUTION

	Board of Education	Harris-Stowe State College	Retirement System	Charter Schools	Total
2009					
Normal cost contribution	$ 6,027,433	$ 0	$ 17,453	$ 922,209	$ 6,967,095
Actuarial accrued liability contribution	10,762,743	0	31,164	1,646,720	12,440,627
Annual required contribution	$ 16,790,176	$ 0	$ 48,617	$ 2,568,929	$ 19,407,727
Covered payroll	202,943,889	0	587,637	31,050,800	234,582,326
ARC as % of covered payroll	8.27%	0%	8.27%	8.27%	8.27%
2008*					
Normal cost contribution	$ 7,542,167	$ 2,655	$ 20,346	$ 811,585	$ 8,376,753
Actuarial accrued liability contribution	11,731,983	4,129	31,649	1,262,435	13,030,196
Annual required contribution	$ 19,274,150	$ 6,784	$ 51,995	$ 2,074,020	$ 21,406,949
Covered payroll	202,754,929	71,363	546,968	21,817,708	225,190,968
ARC as % of covered payroll	9.51%	9.51%	9.51%	9.51%	9.51%

System Assets	January 1, 2009	January 1, 2008*
Expense and contingency reserve	$ 30,553,388	$ 89,221,944
Market value, excluding expense & contingency reserve	809,792,984	1,150,960,911
Actuarial value	963,851,408	1,014,923,381
System liabilities		
Unfunded actuarial accrued liability	$ 136,040,308	$ 143,997,732
Actuarial present value of projected accrued benefits	1,093,606,648	1,128,363,288
Funding Ratio		
Actuarial value funding ratio	88.1%	89.9%
Market value funding ratio	66.0%	94.7%

**Prior year shown for comparison purposes only.*

ACTUARIAL METHODOLOGY

INTRODUCTION

The actuarial valuation of a defined benefit retirement system is comprised of two separate processes.

First, the actuarial present value, as of the valuation date, of both current and projected benefits to be paid under the plan is determined. In determining the actuarial present value of these benefits, actuarial assumptions must be made as to the number of participants eventually receiving benefits, the amount of benefits to be paid, and the portion of the benefit obligation to be covered by future investment.

Second, the financing of these benefit obligations on an advance basis is established. An actuarial cost method is applied to establish the normal cost, which is the rate at which future costs will accrue annually after the valuation date. The actuarial cost method is applied to determine the actuarial accrued liability, which is the amount of cost that has accrued as of the valuation date.

ACTUARIAL ASSUMPTIONS

The true cost of a participant's retirement benefit is not known until he or his beneficiary has received the final benefit payment. Consequently, the exact cost of system benefits for the current employee group will not be determinable for 50 to 75 years. Since provisions for this cost must be made prior to the exact determination, a model is established that will estimate the future cost of system benefits. The model utilizes parameters that require assumptions as to the future occurrences of various events affecting the demographic profile of the employee group and the assets of the system. Such actuarial assumptions include death, retirement, termination, disability, salary increases and investment return. Current and long-term economic factors, the nature of the employer's business and significant features of the system must be considered in the selection of a set of actuarial assumptions to assure the reasonableness of the results predicted by the assumptions.

While care is taken in the selection of actuarial assumptions, actual experience is expected to deviate from these assumptions over the short term. The suitability of actuarial assumptions is measured by how closely the experience of the system, on a long-term basis, conforms to projected results. Deviations from projected results are called actuarial gains and losses. Periodic actuarial valuations measure the extent of these gains and losses as of a valuation date. If either actuarial gains or losses predominate, then it is possible that one or more of the actuarial assumptions is no longer appropriate. Thus, actuarial assumptions must be continually monitored for reasonableness and subsequent cost estimates may be modified accordingly. While individual assumptions are intended to be representative, it is the aggregate effect of all actuarial assumptions working together that determines their appropriateness.

An analysis of the experience of the retirement system for the five-year period ending December 1, 2005 was performed. On the basis of that analysis, several actuarial assumptions were changed effective with the January 1, 2006 valuation. The next scheduled experience analysis is for the five-year period ending December 31, 2010.

ACTUARIAL LIABILITIES

Actuarial liabilities include the actuarial present value of all future benefits and expenses. To determine the actuarial present value of all future benefits, the probability of future events that establish benefit payments is forecast utilizing the actuarial assumptions. System provisions and current participant data are used to forecast the amount of benefits to be paid. Assumptions for survival among retired participants and beneficiaries are used to estimate the duration of these benefit payments. Each probable benefit payment is then discounted to the valuation date using the actuarial assumption for investment return. These discounted payments are then summed to arrive at the total actuarial present value of benefits.

ACTUARIAL ASSETS

The actuarial assets at any time are equal to the sum of present assets, valued on an actuarial basis, plus future assets. Future assets will result from future contributions and future investment return on all assets.

ACTUARIAL METHODOLOGY

ASSET VALUATION METHOD

The actuarial value of other assets is determined using the assumed yield method of valuing assets, less the expense and contingency reserve. 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, 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. The expense and contingency reserve is excluded from the calculation to produce the actuarial value of assets.

ACTUARIAL BALANCE SHEET

The actuarial balance sheet of a retirement system displays the fundamental financial status of the system on the valuation date. As stated previously, the system liabilities are the sum of the actuarial present values of all future projected benefit payments to current active and inactive plan participants and beneficiaries. Current assets, valued on an actuarial basis, plus the actuarial present value of future employer and employee contributions comprise the total actuarial assets of the system.

The actuarial present value of future employer contributions is the only item on the balance sheet that is not directly determined by the system provisions, current assets, participant data and actuarial assumptions. In fact, the actuarial present value of future employer contributions is the balancing item and reflects the future employer funding requirements based on the existing participant population.

ACTUARIAL COST METHOD

To determine the funding requirements of the system, it is necessary to employ an actuarial cost method. The choice of the cost method does not affect the balance sheet financial status, which is a function only of the system provisions, actuarial assumptions, participant data and assets. However, the actuarial cost method has a direct impact on the incidence of the funding requirements.

The actuarial cost method allocates the actuarial present value of future employer contributions between the past and future, and thus establishes the Unfunded Frozen Actuarial Accrued Liability (UFAAL) and the Normal Cost.

The actuarial cost method is the "frozen entry age actuarial cost method." Entry age is determined at the date each participant would have entered the system. 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 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 represents the initial UFAAL.

In subsequent years, the unfunded actuarial accrued liability is frozen, that is, it increases only because of the accrual of interest and additional normal costs, and decreases only as a result of contributions. Supplements to the UFAAL can occur for plan amendments or actuarial assumption changes. Supplements are determined by computing the change in the actuarial accrued liability as of the valuation date coincident with or next following the change. The UFAAL was originally determined and frozen as of January 1, 1981. Effective January 1, 2006, UFAAL was redetermined.

Subsequent 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 assets and the remaining UFAAL.

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.

ACTUARIAL ASSUMPTIONS

The following actuarial assumptions were used in the valuation:

Interest – 8% per annum, net of expenses.

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

Mortality **-** The RP-2000 Combined Healthy Lives Mortality Table for males and females is used for active members, retired members and beneficiaries.

Disability Mortality **-** The RP-2000 Combined Healthy Lives Mortality Table for males and females is used for active members, with ages set up five years.

Disability **-** Disabilities are assumed to occur at rates based on the actual experience of the Retirement System.

Withdrawal - Select and ultimate rates based on actual experience of the Retirement System are used.

During the first three years of membership, the rates for members employed by employers other than Charter Schools are:

Year of Membership	Withdrawal Rate Males	Withdrawal Rate Females
1	17.5%	15.0%
2	15.0%	12.5%
3	10.0%	10.0%

During the first three years of membership, the rates for members at Charter Schools are:

Year of Membership	Withdrawal Rate Males	Withdrawal Rate Females
1	50.0%	50.0%
2	25.0%	25.0%
3	15.0%	15.0%

Retirement – Retirements are assumed to occur at rates based on the actual experience of the retirement system. For those eligible to retire under the Rule of 85, it is assumed that 25% will retire when first eligible for unreduced benefits unless the age-related rate is greater, but not prior to 30 years of Credited Service.

Family Structure – The probability of a member 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.

ACTUARIAL ASSUMPTIONS

ACTIVE MEMBER RATES OF DECREMENT

Attained Age	Withdrawal Rates Males	Withdrawal Rates Females	Disability Rates Males	Disability Rates Females	Retirement Rate
20	15.00%	15.00%	.000%	.000%	0.00%
25	12.50%	12.50%	.000%	.000%	0.00%
30	9.00%	9.00%	.040%	.040%	0.00%
35	7.00%	7.00%	.040%	.040%	0.00%
40	6.00%	6.00%	.080%	.075%	0.00%
45	3.00%	3.00%	.150%	.100%	0.00%
50	2.00%	2.00%	.200%	.150%	0.00%
55	1.50%	1.50%	.450%	.250%	5.00%
60	1.00%	1.00%	.550%	.325%	7.50%
65	0.00%	0.00%	.000%	.000%	35.00%
70	0.00%	0.00%	.000%	.000%	100.00%

NON-DISABLED LIFE MORTALITY RATES

Death Rate Male	Age	Death Rate Female	Death Rate Male	Age	Death Rate Female
.000444	30	.000264	.037834	75	.028106
.000773	35	.000475	.064368	80	.045879
.001079	40	.000706	.110757	85	.077446
.001508	45	.001124	.183408	90	.131682
.002138	50	.001679	.267491	95	.194509
.003624	55	.002717	.344556	100	.237467
.006747	60	.005055	.397886	105	.293116
.012737	65	.009706	.400000	110	.364617
.022206	70	.016742	.400000	115	.400000

DISABLED LIFE MORTALITY RATES

Death Rate Male	Age	Death Rate Female	Death Rate Male	Age	Death Rate Female
.000773	30	.000475	.064368	75	.045879
.001079	35	.000706	.110757	80	.077446
.001508	40	.001124	.183408	85	.131682
.002138	45	.001679	.267491	90	.194509
.003624	50	.002717	.344556	95	.237467
.006747	55	.005055	.397886	100	.293116
.012737	60	.009706	.397886	105	.364617
.022206	65	.016742	.400000	110	.400000
.037834	70	.028106	1.000000	115	1.000000

ACTUARIAL BALANCE SHEET AS OF JANUARY 1, 2009

Actuarial Assets		
Actuarial value of present assets		$ 963,851,408
Actuarial present value of future member contributions		97,331,605
Actuarial present value of future employer contributions for:		
Normal Costs		53,540,929
Actuarial Accrued Liability		136,040,308
Total present and future assets		$ 1,250,764,250
Actuarial Liabilities		
Actuarial present value of benefits now payable		$ 765,756,772
Actuarial present value of benefits payable in the future		
Active members – New Plan	447,897,215	
Active members -- Old Plan	871,798	
Active members -- DROP	0	
Members on leave of absence without pay	8,538,365	
Terminated members	27,700,100	
Total payable in the future		485,007,478
Total liabilities for benefits		$ 1,250,764,250

PROJECTED BENEFIT OBLIGATION FUNDING STATUS

Projected Benefit Obligation at January 1, 2009:

Retired members and beneficiaries currently receiving benefits and terminated members not yet receiving benefits	$ 801,995,237
Current active members:	
Accumulated member contributions, including interest	104,576,264
Employer-financed vested benefits	168,211,782
Employer-financed non-vested benefits	18,823,365
Total Projected Benefit Obligation	$1,093,606,648

At January 1, 2009, the Projected Benefit Obligation was funded as follows:

Net assets available for benefits at actuarial value	$ 963,851,408
Unfunded Projected Benefit Obligation	129,755,240
Actuarial value funding ratio	88.1%
Net assets available for benefits at market value	$ 722,003,022
Unfunded Projected Benefit Obligation	371,603,626
Market value funding ratio	66.0%

PRIORITIZED SOLVENCY TEST

The funding objective of the Retirement System is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percentage of covered Compensation. If the contributions are level in concept and realistically determined, the System will pay all benefits when due -- the ultimate test of financial soundness. Testing for level contribution rates is the long-term solvency test.

A prioritized solvency test is an additional means of checking a system's progress under its funding program. In a prioritized solvency test, the plan's present assets (cash and investments) are compared with:
-- active member contributions, accumulated with interest;
-- the liabilities for future benefits to present inactive members and beneficiaries; and
-- the liabilities for service already rendered by active members.

In a system that has been following the discipline of level percent of payroll financing, the liabilities for active participant accumulated contributions (liability 1) and the liabilities for future benefits to inactive participants and beneficiaries (liability 2) will be fully covered by assets (except in unusual circumstances). In addition, the liabilities for service already rendered by active participants (liability 3) are normally partially covered by the remainder of the present assets. Generally, if the system has been using level cost financing, the funded portion of liability 3 will increase over time. Liability 3 being fully funded does not necessarily result from level percent of payroll funding methods.

The schedule below illustrates the history of the liabilities of the system and is indicative of the system following the discipline of level percent of compensation funding.

	Actuarial Present Value of Credited Projected Benefits						
	(1)	(2)	(3)		% of Present Value Covered by Valuation Assets		
Valuation Date January 1	Active Members' Accumulated Contributions	Retirants, Inactive & Beneficiaries	Active (Employer-Financed)	Actuarial Value of Assets	(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	90
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	1,003,428,903	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

ACTUARIAL VALUE OF ASSETS

This section of the report shows the development of the actuarial value of the assets of the system and provides information regarding the expense and contingency reserve, investment results and the various assets of the System.

The amount of assets used in the actuarial valuation is known as the "actuarial value of assets." The Asset Valuation Method is discussed on page 34 of this Report and shown in the table below. An important element in the development of the actuarial value of assets is the expense and contingency reserve (called the expense fund prior to 1988). The amount of the reserve is determined pursuant to the policy adopted by the Board of Trustees. The history of the Reserve is presented on page 40 of this Report.

As shown on page 41 of this Report, the fund had a rate of return of 3.15% on an actuarial value basis and 4.85% below the assumed rate of return of 8.0% for 2008. Prior to the adjustment for a transfer from the investment contingency reserve, the rate of return on an actuarial value basis would have been 2.00%, 6.00% below the assumed rate of return of 8.00%. In accordance with the policy, $57,234,574 was added to 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%.

The rate of return on an actuarial value basis is intended to be a stable rate of return and fluctuate less than rates of return on book or market value basis. Thus, the rate of return on an actuarial basis is not always a fair measure of the investment performance of the fund. Another indicator of actual performance during the year is the rate of return on a market value basis of (23.37)%, also presented on page 41 of this Report.

DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS

(1)	Actuarial value of assets as of January 1, 2008	$1,014,923,381
(2)	Member contributions	11,537,258
(3)	Employer contributions	27,853,996
(4)	Benefit payments and expenses	121,120,322
(5)	Investment increment at 8.0%	76,810,548
(6)	Expected actuarial value on January 1, 2009:	
	(1) + (2) + (3) - (4) + (5)	1,010,004,861
(7)	Market value of assets on January 1, 2009	809,792,984
(8)	Expense and Contingency Reserve on January 1, 2009	87,789,962
(9)	Adjustment to the Contingency Reserve on January 1, 2009	(57,234,574)
(10)	Excess of market value over expected actuarial value: (7) – (8) – (6)	(230,767,265)
(11)	Market value adjustment: 100% x (10)	(46,153,453)
(12)	Actuarial Value of Assets as of January 1, 2009: (6) + (11)	963,851,408

EXPENCE AND CONTINGENCY RESERVE

Effective January 1, 1996, the Board of Trustees revised what has become the Expense and Contingency Reserve Policy (the "policy"), 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 members participating in the program on January 1; and

(4) The estimated amount of insurance supplements to be paid for members expected to retire and participate in the program during the ensuing year.

The contingency portion of the Reserve is intended to cover significant shortfall in the rate of return. When a shortfall of more than 1% occurs, the Reserve is used to reduce the amount of the shortfall. When the rate of return exceeds the assumed rate of return by more than 1%, an addition is made to the Reserve according to a formula in the policy.

Below is a history of the Expense and Contingency Reserve:

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

INVESTMENT PERFORMANCE

There are several different methods of approximating the rates of return on investments of the Trust Fund. Following is a brief comparison of the actuarial assumed rate of return as compared with rates of return on Market and Actuarial Value bases:

(a) 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, 2008	$ 1,150,960,911
(ii)	B = Market Value of Assets as of January 1, 2009	809,792,984
(iii)	C = Contributions during the period	39,391,254
(iv)	D = Disbursements during the period	121,120,322
(v)	Rate of Return: $\frac{B - A + D - C}{A + \frac{1}{2}(C - D)}$	(23.37)%
(vi)	Actuarial Assumed Rate of Return for 2008	8.00%
(vii)	Difference between actual and assumed rates of return: (v) – (vi)	(31.37)%

(b) Actuarial Value Basis

The rate of return on an Actuarial Value Basis is approximated using the same method as the Market Value Basis:

(i)	A = Actuarial Value of Assets as of January 1, 2008	$ 1,014,923,381
(ii)	B= Actuarial Value of Assets as of January 1, 2009	963,851,408
(iii)	C = Contributions during the period	39,391,254
(iv)	D = Disbursements during the period	121,120,322
(v)	Rate of Return: $\frac{B - A + D - C}{A + \frac{1}{2}(C - D)}$	3.15%
(vi)	Actuarial Assumed Rate of Return for 2008	8.00%
(vii)	Difference between actual and assumed rates of return: (v) – (vi)	(4.85)%

MEMBERSHIP AND BENEFITS PAID AS OF JANUARY 1, 2009

	Males	Females	Total
Active Members			
Total Active Members	1,266	3,819	5,085
Inactive Members (Terminated or Leave of Absence without Pay)	555	988	1,543
Total Members Not Retired	1,821	4,807	6,628
Retired Members and Beneficiaries			
Retired Members and Contingent Annuitants	1,039	2,818	3,857
Survivors	52	250	302
Disabled Members	76	190	266
Benefit depleted	43	102	145
Total Retired Participants and Beneficiaries	1,210	3,360	4,570
Total Membership	3,031	8,167	11,198

NUMBER OF RETIRED MEMBERS AND BENEFICIARIES

Option	Service Benefit	Disability Benefit	Survivor Benefit	Totals
0	3,304	225	302	3,831
1	145	15	-	160
2	86	4	-	90
3	159	12	-	171
4	142	3	-	145
5	11	4	-	15
6	9	3	-	12
7	1	-	-	1
Total	3,857	266	302	4,425

AMOUNT OF ANNUAL BENEFIT

Option	Service Benefit	Disability Benefit	Survivor Benefit	Totals
0	$ 73,828,212	$ 2,491,236	$ 2,819,928	$ 79,139,376
1	2,591,508	197,280	-	2,788,788
2	1,891,920	70,524	-	1,962,444
3	3,157,452	130,404	-	3,287,856
4	3,501,792	63,576	-	3,565,368
5	253,188	42,864	-	296,052
6	178,752	14,220	-	192,972
7	30,852	-	-	30,852
Total	$ 85,433,676	$ 3,010,104	$ 2,819,928	$ 91,263,708

Background

The Public School Retirement System of the City of St. Louis (PSRSSTL) was established and became effective January 1, 1944. It provides retirement, disability, death, and survivor benefits for eligible employees of the St. Louis Public School District, employees of Charter Schools located in St. Louis, employees of the Retirement System, and certain employees of Harris-Stowe State College.

Members of PSRSSTL are also covered by Social Security, and are eligible for full Social Security benefits in addition to their benefits from PSRSSTL.

PSRSSTL benefits are funded by a combination of member contributions, employer contributions, and investment earnings on PSRSSTL assets. Eligible employees of the School District, Charter Schools and the Retirement System are required to participate.

A summary of the primary benefit provisions of PSRSSTL as of July 1, 2008 follows. These provisions apply for all but a few active members who elected to remain under provisions of the law as of October 13, 1961.

Actual benefits and eligibility for benefits are described in detail in statutes of the State of Missouri and PSRSSTL Rules and Regulations. In any circumstance where there appears to be a discrepancy between this summary and actual statutes or PSRSSTL Rules and Regulations, the law and the Rules and Regulations will govern.

Eligibility for Benefits

Normal Pension

Members become eligible for Normal Pension when they attain age 65 or when the sum of their years of Credited Service plus their age equals at least 85 (known as the Rule of 85).

Early Pension

Members at least age 60 with five or more years Credited Service who do not satisfy the eligibility requirements for a Normal Pension may elect a reduced Early Pension.

Disability Pension

Members unable to perform their job duties due to physical or mental incapacity who are not eligible for Normal Pension will qualify for Disability Pension if: (a) they have at least five years Credited Service, and (b) they are recommended for Disability Pension by the Medical Board, and (c) their Disability Pension is approved by the Board of Trustees.

Benefit Amounts

Benefit calculations require the determination of a member's:

Average Final Compensation – defined as the average of a member's Compensation for the highest consecutive three years out of the last ten years of service,

Compensation – includes a member's "regular" pay and employer contributions for a member's fringe benefits, but does not include overtime pay or pay for such services as extracurricular activities and summer school, and

Credited Service – defined as membership service plus any service credit that a member has purchased pursuant to state statutes. In addition, unused sick leave at the time of retirement is added to a member's age and years of Credited Service.

Normal Pension

A Normal Pension is a lifetime monthly benefit equal to 2.0% of a member's Average Final Compensation multiplied by the member's years of Credited Service; however, the monthly benefit will not exceed 60% of the member's Average Final Compensation. In addition, members retiring at or after attaining age 65 with at least five years of Credited Service will be entitled to a minimum monthly benefit equal to $10 for each year of Credited Service up to $150.

Early Pension

An Early Pension is a lifetime monthly benefit calculated in the same manner as a Normal Pension; however, an Early Pension is reduced by 5/9 of 1% for each month by which a member's Early Pension date precedes the date on which the member would become eligible for a Normal Pension.

Disability Pension

A Disability Pension is a lifetime monthly benefit (subject to verification of continued disability and certain earnings limitations) that is the greater of (a) a benefit calculated in the same manner as a Normal Pension as if the member were age 65, or (b) one-fourth (1/4) of a member's Average Final Compensation; however, a Disability Pension cannot exceed what a member's Normal Pension would have been if the member had continued to work until he/she became eligible for Normal Pension.

Benefit Payment Options

Members may elect an optional form of payment that will coordinate their monthly pension benefits with estimated Social Security benefits and/or that will pay them reduced monthly pension benefits so that payments can continue to an Option Beneficiary after their death. The amount of the reduction is determined by the difference in age between a member and his/her Option Beneficiary.

Seven Benefit Payment Options are available.

- *Option 1* provides that upon a member's death, the member's reduced monthly benefit will continue to the member's Option Beneficiary for the Option Beneficiary's lifetime.
- *Option 2* provides that upon a member's death, one-half (1/2) of the member's reduced monthly benefit will continue to the member's Option Beneficiary for the Option Beneficiary's lifetime.
- *Option 3* is like Option 1, except that if the Option Beneficiary predeceases the member, the member's monthly benefit increases to what it would have been if the member had not elected a Benefit Payment Option.
- *Option 4* is like Option 2, except that if the Option Beneficiary predeceases the member, the member's monthly benefit increases to what it would have been if the member had not elected a Benefit Payment Option.
- *Option 5* provides that a member's monthly pension benefit prior to age 62 will be increased to an amount such that his/her monthly pension benefit prior to age 62 will be approximately equal to the sum of his/her monthly pension benefit after age 62 plus estimated Social Security benefits.
- *Option 6* is a combination of Options 1 and 5. Option 6 provides a monthly pension benefit that adjusts for a member's estimated Social Security benefits based on the date the member will attain age 62, or would have attained age 62, and provides that upon the member's death, the amount of the member's adjusted monthly pension benefit will continue to the member's Option Beneficiary for the Option Beneficiary's lifetime.
- *Option 7* is a combination of Options 2 and 5. Option 7 provides a monthly pension benefit that adjusts for the member's estimated Social Security benefits based on the date the member will attain age 62, or would have attained age 62, and provides that upon the member's death, one-half of the amount of the member's adjusted monthly pension benefit will continue to the member's Option Beneficiary for the Option Beneficiary's lifetime.

Death and Survivor Benefits

Upon the death of an active member, the member's beneficiary(ies) is entitled to a refund of the member's accumulated contributions plus interest thereon.

Upon the death of an active member with at least 18 months of Credited Service, or upon the death of a member on Disability Pension, an eligible beneficiary(ies), (or if there is no surviving beneficiary, the unmarried dependent child(ren) of the member who are under age 22) may elect one of the survivor benefits set forth below in lieu of a refund of the member's accumulated contributions.

In the context of discussing survivor benefits:

An "eligible beneficiary" is the surviving spouse, an unmarried dependent child(ren) under age 22, or a dependent parent(s) of the member, if designated as beneficiary.

A "dependent" is an individual(s) who was receiving at least one-half of his/her support from the member at the member's death.

1. A surviving spouse who was married to the member for at least one year, and who is at least age 62 (or upon attaining age 62), may elect to receive $60 per month.
2. A surviving spouse who cares for an unmarried dependent child(ren) of the deceased member who is under the age of 22 may elect to receive $60 per month plus $60 per month per dependent child up to a maximum of $240 per month.

   If the surviving spouse is under age 62 when the youngest eligible child reaches the age of 22, the benefit will cease, but will resume when the surviving spouse attains age 62.
3. If no benefits are payable under 2 above, an unmarried, dependent child(ren) under age 22 may receive $60 per month. If there are more than three eligible children, $180 per month will be shared equally.
4. If no benefits are payable at any time under 1, 2, or 3 above, upon attaining age 62, a dependent parent who has not remarried may receive $60 per month, or if two dependent parents are eligible, $60 per month will be shared between them.

Upon the death of an active member with at least five years of Credited Service, if the member designated a dependent beneficiary, the beneficiary may elect to receive the member's pension benefit under Benefit Payment Option 1 in lieu of receiving a refund of the member's accumulated contributions and interest thereon.

If the deceased member was less than age 60 at the time of death, the Option 1 payment due the dependent beneficiary will be computed as if the deceased member had attained age 60 and retired under Option 1 as of the date of his/her death.

In addition, if a beneficiary who is eligible for Option 1 benefit payments is the surviving spouse of the deceased member, such surviving spouse shall receive $60 per month for each unmarried dependent child of the deceased member who is under age 22 and is under the care of the surviving spouse. If there are more than three eligible children, $180 per month will be shared equally.

Termination of Employment

Refund

Upon employment separation, members are entitled to a refund of their accumulated contributions with interest thereon.

Rollover

At a member's election, that portion of a refund that is eligible for rollover treatment may be transferred to a member's IRA or to another qualified plan to preserve its tax-deferred status. Rollovers are subject to applicable provisions of the Internal Revenue Code at the time of the distribution.

Pension Benefit

In lieu of a refund or rollover, members with five or more years of Credited Service may elect to leave their contributions with the Retirement System and receive a Normal or Early Pension upon becoming eligible. The benefit paid to a terminated, vested member is based on the member's Credited Service, Average Final Compensation, and benefit provisions in effect at the time of the member's employment termination.

PSRSSTL Funding

PSRSSTL is funded by:

Member Contributions

Except members employed by Harris-Stowe State College, active members are required to contribute 5.0% of their Compensation. Member contributions are withheld from members' pay on a tax-deferred basis.

Employer Contributions

An actuarial valuation of PSRSSTL that determines the required contribution is conducted annually. Based on the valuation, employer contributions are equal to the actuarially required contribution less the portion that members contribute.

Investment Income

The assets of the Retirement System are invested and generate income that is used to fund benefits and pay expenses.

Health Insurance

PSRSSTL makes a variety of medical, dental, and vision insurance plans available to retired members, their spouses, and eligible dependent children. PSRSSTL pays a portion of the premiums for retired members. Retired members pay the remainder of the cost for their own coverage, if any, and all the cost of any dependent coverage they elect. On an annual basis, retired members are permitted to make changes to their medical, dental, and vision insurance.

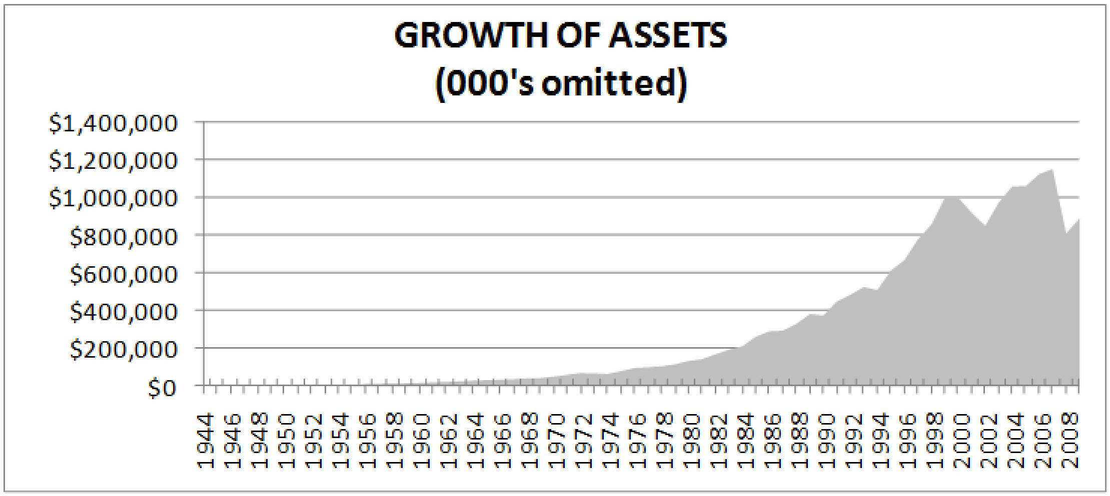
Depending on whether or not the retiree selected a benefit payment option, a surviving spouse of a deceased retired member may be eligible to continue health care insurance after the death of the member.

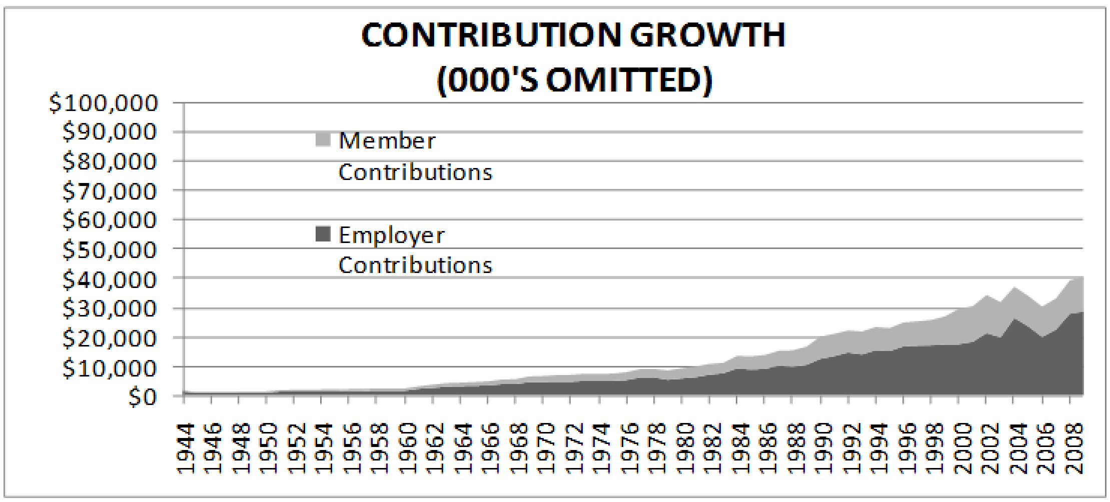
Surviving spouses of deceased active members who elect to receive monthly benefit payments under Option 1 may also be eligible for health insurance coverage for themselves and for otherwise eligible children of deceased active members.

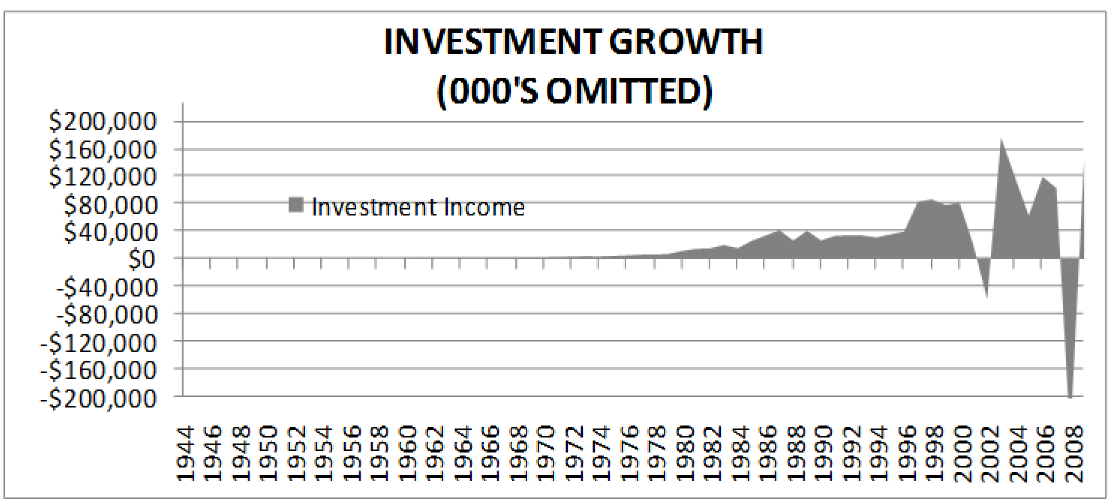
COLAs

Cost of Living Adjustments (COLAs) are paid to retired members and surviving beneficiaries when approved by both the Board of Education and the Board of Trustees where applicable.

The information presented below shows how member benefit payments have increased and how the assets of the Retirement System have grown since the Retirement System was established in 1944.







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PSRSSTL