

*Public School Retirement System
of the City of St. Louis*

*Annual Report
Calendar Year 2000*

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Board of Trustees

An eleven-member Board of Trustees is responsible for general administration of the Retirement System as well as investment of the System's assets. Four trustees are appointed by the Board of Education; and seven are elected by Retirement System members. Terms of office are four years. Active Retirement System members elect five trustees – one administrator, two teachers, and two non-teachers. Retired members elect two trustees – one retired teacher and one retired non-teacher. As of January 1, 2001, the following individuals served on the Board of Trustees.

Appointed by the Board of Education

Marlene Davis
John P. Mahoney
Paulette McKinney
William Purdy

Elected by Active Members

Joseph Clark, Jr.
Amy S. Collins
Mary Franklin
Helen Lynch
John Miriani

Elected by Retired Members

Norbert Eisele
Lois Jean Turner

Administrative Staff

The administrative staff members listed below are employed by the Retirement System.

Executive Director	Gail A. Lakin
Director of Technology	Lonnie R. Caldwell
Accounting Specialist	Marty Winters
Insurance Benefits Specialist	Carolyn M. Feuchtenbeiner
Member Services Supervisor	Evelyn E. Gass
Member Services Specialist	Harold Haberman
Member Services Clerical Assistant	Rita E. Thiel

Professional Advisors

The individuals and firms listed below provide professional services to the Retirement System, the Administrative Staff, and the Board of Trustees.

Legal Counsel	Jeffrey E. Hartnett Bartley, Goffstein, Bollato, and Lange
Investment Advisor	Doris Ewing New England Pension Consultants
Independent Auditor	Thomas S. Helm Huber, Ring, Helm & Co.
Actuary	James S. Rubie, Jr. W. Alfred Hayes & Company

PUBLIC SCHOOL RETIREMENT SYSTEM
OF THE CITY OF ST. LOUIS
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OFFICE OF THE
EXECUTIVE DIRECTOR

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June, 2001

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 for the fiscal year ended December 31, 2000. This report provides financial, investment, actuarial, and statistical information about the Retirement System.

Responsibility for the contents and presentation of material in this report rests with the management of the System. To the best of our knowledge, management believes the information in this report is accurate in all material respects. Management also believes the information is presented in a manner that fairly represents the status of the Retirement System.

We hope you find the report informative and helpful.

The Year in Review

We are pleased to report that calendar year 2000 was another busy and productive year for the Retirement System. Lonnie Caldwell, Director of Technology, was especially busy working with staff and programmers in our computer system conversion. During calendar year 2000, we completed the first phase of our technology conversion - migrating the Retirement System's programs from the main frame at St. Louis Public Schools to a micro-computer environment in the Retirement System's offices. Even though much work remains, the completion of phase one resulted in running our members' monthly benefit payments dated January 1, 2001 internally for the first time in the System's history.

Effective July 1, 2000, all of our members became eligible for benefit improvements.

Retired members and the surviving dependents of retired members received a catch-up Cost of Living Adjustment (COLA) to assure that the monthly benefit of every retired member and surviving dependent now reflects at least 65% of the Consumer Price Index for each year since the beneficiary's payments began.

Active members eligible for normal retirement or disability benefits became eligible to participate in the newly introduced Sick Leave Conversion Program. The program permits employees to convert unused sick leave at the time of retirement to a Supplemental Pension Benefit which can be paid for up to ten years. The program is funded by St. Louis Public Schools and administered by the Retirement System.

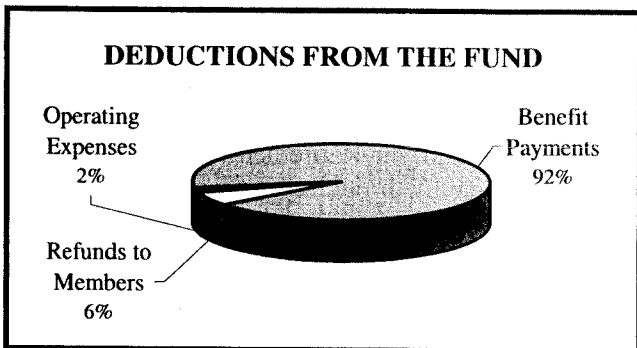
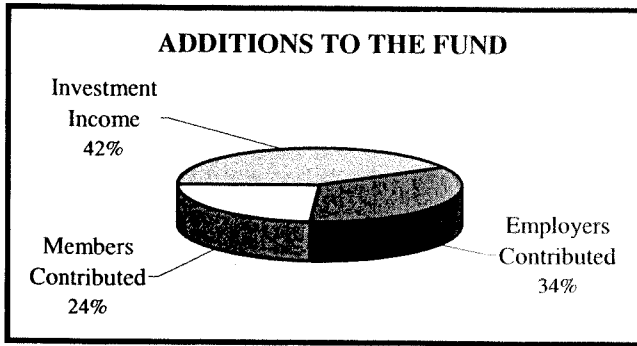
Financial Summary

The Administrative Staff and the System's professional advisors are charged with the responsibility of maintaining appropriate internal accounting and procedural controls. These controls provide reasonable assurance that the System's assets are protected from loss due to unauthorized use or disposition, that financial transactions are executed in accordance with proper authorization, and that transactions are recorded accurately to facilitate the annual preparation of audited financial statements.

The Retirement System's financial statements for the year ended December 31, 2000 were audited by Huber, Ring, Helm & Co., an independent accounting firm. Audited financial statements are contained in this Annual Report. Summary financial information is provided below.

Net assets as of 12-31-1999	\$999,601,363
Additions	
Employer contributions	17,400,969
Member contributions	12,202,944
Net investment income	21,141,313
Deductions	
Benefits paid to members	46,313,371
Refunds paid to members	2,786,072
Operating expenses	<u>1,172,277</u>
Net assets as of 12-31-2000	\$1,000,074,869

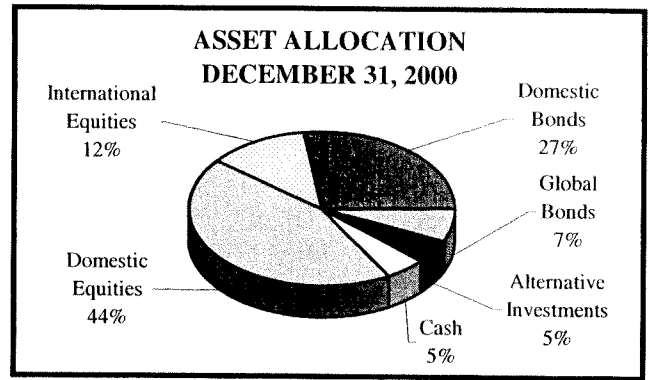
Additions and deductions from the fund are presented graphically below.



Investment Performance

One of the most important decisions made by any retirement system’s board of trustees is how a fund’s investments will be allocated and diversified among different asset classes. A fund’s asset allocation is critical to mitigating volatility and improving long-term returns. As of December 31, 2000, the Retirement System’s assets were allocated as follows.

Domestic Equities	44%
International Equities	12%
Domestic Fixed Income	27%
Global Bonds	7%
Cash	5%
Financial Composite	95%
Real Estate Investments	1%
Private Investments	4%
Alternative Investments	5%
Total Portfolio	100%



In calendar year 2000, a difficult year for equities, the financial composite of the Retirement System’s portfolio earned a return of 1.6% and ranked 55th in the Independent Cooperative Consultants’ (ICC) Universe of public pension plans. More importantly, however, over the three-year period ending December 31, 2000, the financial composite of the portfolio ranked in the 25th percentile of the ICC Universe with an annualized return of 10.7%. This performance exceeds the Retirement System’s long-term goals of earning an average return of 9.0% and exceeding the rate of inflation by 4.0%.

As of December 31, 2000, the Retirement System’s alternative investments posted an 11.5% internal rate of return, which compares favorably with the 12.5% benchmark median return. Alternative investments were allocated 14% to real estate, 16% to mezzanine debt funds, and 70% to venture capital/buyouts.

Additional investment information is provided in the Investment Information Section of this report.

Actuarial and Funding Summary

Each year, the Retirement System has an independent actuarial valuation conducted. The valuation has two primary purposes:

- to measure the relative financial condition of the System, and
- to determine the level of the annual contribution that should be made to the Retirement System during the upcoming year so that sufficient assets are available for benefit payments in the future.

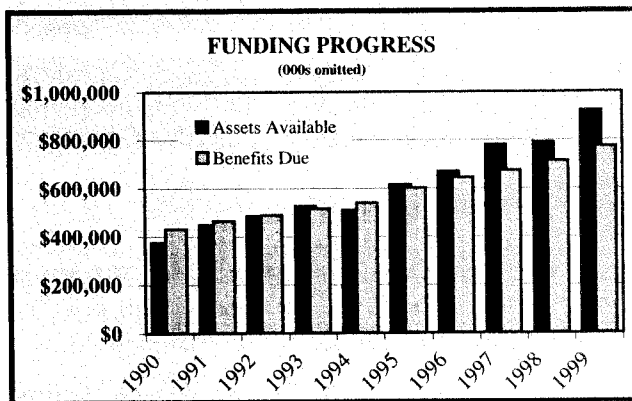
The actuarial valuation as of January 1, 2000 recognized liabilities for the improvement in the benefit formula that became effective for active members retiring on or after June 29, 1999, and

liabilities for the Catch-up Cost of Living Adjustment (COLA) that was paid to retired members effective July 1, 2000. Fortunately, because of the margin by which the Retirement System's 1999 investment returns exceeded the actuarially assumed rate of return, recognizing these benefit improvement liabilities increased the Required Contribution Rate for calendar year 2000 by only 0.72%.

With respect to its funding status, the Retirement System is 100% funded on an actuarial basis; and 120% funded on a market value basis. Additional detail about the System's funding status is provided in the Actuarial Section of this report.

In summary, the System's benefit obligations and the assets available to satisfy those obligations are set forth as follows:

<i>Projected Benefit Obligations</i>	\$771,464,357
<i>Net Assets Available for Benefits</i>	
Actuarial Value of Assets	\$770,090,498
Market Value of Assets	\$922,081,344
<i>Funding Ratio (Assets ÷ Obligations)</i>	
Actuarial Value Funding Ratio	100%
Market Value Funding Ratio	120%



It is the opinion of the independent actuary that if future contributions are made as recommended the Retirement System will continue to be funded on a sound actuarial basis.

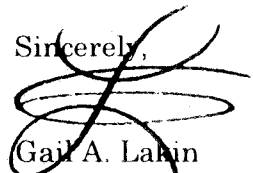
Detailed actuarial information is provided in the Actuarial Section of this report.

Acknowledgments

The compilation of this report reflects the combined efforts of the Retirement System's administrative staff and professional advisors. This report is intended to provide comprehensive and reliable information as a basis for making management decisions, evaluating statutory compliance, and determining appropriate stewardship for the System's assets.

I want to express my gratitude to the Board of Trustees for their support, their dedication, and the many hours of personal time they devoted to the System during the past year. I also want to recognize the outstanding quality of the services provided by the System's professional advisors. In addition, I want to thank the administrative staff for their enthusiastic assistance, expertise and hard work. The recent successes of the Retirement System have been made possible only through the efforts of these and many other individuals.

Finally, over the years, many of our members have become acquainted with Evelyn Gass, the Retirement System's Member Services Supervisor. Evelyn is planning to become a beneficiary of the System herself this summer when she retires. We want to thank Evelyn for her many years of dedicated service to the members of the System and wish her a fun and happy retirement. Evelyn, you will be missed!

Sincerely,

 Gail A. Lakin
 Executive Director

**PUBLIC SCHOOL RETIREMENT SYSTEM
OF THE CITY OF ST. LOUIS**

FINANCIAL STATEMENTS

DECEMBER 31, 2000 AND 1999

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OF CERTIFIED PUBLIC ACCOUNTANTS

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 as of December 31, 2000 and 1999 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 generally accepted auditing standards. 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 \$47,826,856 and \$38,760,489 (5 percent in 2000 and 4 percent in 1999 of plan net assets) as of December 31, 2000 and 1999, respectively, have been valued at cost. Generally accepted accounting principles 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 generally recorded at cost. The affect on the financial statements of not applying adequate procedures to determine the fair value of these investments is not determinable.

In our opinion, except for the affects of the procedures used to determine the valuation of investments in partnerships at December 31, 2000 and 1999 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, 2000 and 1999 and changes in plan net assets for the years then ended in conformity with generally accepted accounting principles.

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

St. Louis, Missouri
January 26, 2001

MEMBERS OF MISSOURI AND ILLINOIS SOCIETIES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBERS OF DFK INTERNATIONAL/OFFICES IN PRINCIPAL CITIES THROUGHOUT THE WORLD
MEMBERS OF THE SEC AND PRIVATE COMPANIES PRACTICE SECTIONS AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Financial Statements**STATEMENTS OF PLAN NET ASSETS
DECEMBER 31, 2000 AND 1999**

	ASSETS	
	<u>2000</u>	<u>1999</u>
CASH	\$ 6,186,501	\$ 3,037,475
ACCRUED INTEREST AND DIVIDEND RECEIVABLES	3,689,512	3,113,374
INVESTMENTS, at fair value		
Cash equivalents	45,957,830	45,478,033
Bonds		
U.S. Government and agency issues	152,626,142	119,897,484
Corporate	115,611,809	94,236,248
Common stocks	396,377,582	464,089,128
Mutual funds	231,589,133	230,041,087
Real estate partnerships - insurance contracts	1,099,644	1,359,330
	<u>943,262,140</u>	<u>955,101,310</u>
INVESTMENTS, at estimated fair value		
Real estate loans, first mortgages	276,617	353,835
INVESTMENTS, at cost		
Limited partnerships	13,466,314	11,840,613
Real estate partnerships - other	7,949,875	8,016,169
Venture capital partnerships	26,410,667	18,903,707
	<u>47,826,856</u>	<u>38,760,489</u>
Total investments	<u>991,365,613</u>	<u>994,215,634</u>
Total assets	<u>1,001,241,626</u>	<u>1,000,366,483</u>
	LIABILITIES	
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	<u>1,166,757</u>	<u>765,120</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
(A schedule of funding progress is provided on page 16.)	<u>\$ 1,000,074,869</u>	<u>\$ 999,601,363</u>

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

**STATEMENTS OF CHANGES IN PLAN NET ASSETS
YEARS ENDED DECEMBER 31, 2000 AND 1999**

ADDITIONS	<u>2000</u>	<u>1999</u>
Contributions		
Board of Education - City of St. Louis	\$ 17,371,317	\$ 17,279,683
Harris-Stowe State College	10,114	9,862
Retirement System	19,538	18,050
Charter School Employees	51,746	
Other Employees	12,151,198	9,729,871
	<u>29,603,913</u>	<u>27,037,466</u>
Net appreciation (depreciation) in fair value of investments		
Cash equivalents	3,457,966	1,713,777
Bonds		
U.S. Government and agency issues	17,829,632	(1,176,623)
Corporate	3,721,960	398,684
Common and preferred stock	2,101,484	99,749,332
Mutual funds	(11,337,984)	48,788,562
Real estate loans	38,501	56,109
Limited partnerships	2,235,657	1,253,547
Real estate partnerships	303,822	748,357
Venture capital partnerships	7,061,261	7,376,104
	<u>25,412,299</u>	<u>158,907,849</u>
Less investment expense	4,270,986	3,823,874
Net investment income	<u>21,141,313</u>	<u>155,083,975</u>
Total additions	50,745,226	182,121,441
DEDUCTIONS		
Benefits paid		
Retirement and death benefits	40,481,052	31,852,634
Supplemental payments	5,832,319	4,605,120
	<u>46,313,371</u>	<u>36,457,754</u>
Operating expenses	1,172,277	1,147,961
Contribution refunds due to death or resignation	2,786,072	2,084,900
Total deductions	<u>50,271,720</u>	<u>39,690,615</u>
NET INCREASE	473,506	142,430,826
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
BEGINNING OF YEAR AS PREVIOUSLY REPORTED	999,601,363	857,520,961
PRIOR YEAR ADJUSTMENT <i>(correct error in recording mgmt fees)</i>		<u>(350,424)</u>
NET ASSETS BEGINNING OF YEAR AS RESTATED	<u>999,601,363</u>	<u>857,170,537</u>
END OF YEAR	<u>\$ 1,000,074,869</u>	<u>\$ 999,601,363</u>

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 (the “System”) is a funding agency existing under provisions of the Revised Statutes of the State of Missouri (the “Statutes”) to provide retirement benefits for all regular, full-time employees of the Board of Education of the City of St. Louis, of the Retirement System, of charter schools located within the St. Louis School District, and of certain employees of Harris Stowe State College. 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, 2000	January 1, 1999
Active members	6,073	6,121
Inactive members	784	566
Total members not retired	<u>6,857</u>	<u>6,687</u>
Retired members		
Service and survivors	3,093	3,008
Disability	253	258
	<u>3,346</u>	<u>3,266</u>

Benefits

Upon retirement at age 65 (or at any age if age plus years of creditable service add up to 85 or more), members receive monthly payments for life of yearly benefits equal to years of creditable service multiplied by 2% of average final compensation, but not to exceed 60% of average final compensation (1.25% if retired prior to July 1, 1999 or separated from service prior to June 29, 1999).

Members are eligible, after accumulation of five years of creditable 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.

In certain circumstances, retirees receive supplemental payments under Sections 169.475 and 169.585 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 generally accepted accounting principles 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. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the latest reported sales price at current exchange rates.

The real estate loans have effective interest rates ranging from 8.75% to 17.5% with varying maturities up to 30 years and are 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 administration 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 include: realized gains (losses), unrealized appreciation (depreciation), dividends, interest, and other investment income.

Furniture and Equipment

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

NOTES TO FINANCIAL STATEMENTS**NOTE 3 – INVESTMENTS**

At December 31, 2000 and 1999, investments consisted of the following:

	2000	
	Market Value	Cost
Cash equivalents	\$ 45,957,830	\$ 45,957,830
Bonds		
U.S. Government and agency issues	152,626,142	145,003,706
Corporate	115,611,809	125,774,956
Common and preferred stocks	396,377,582	341,803,259
Mutual funds	231,589,133	190,728,374
Real estate partnerships - insurance contracts	1,099,644	2,289,143
	<u>943,262,140</u>	<u>851,557,268</u>
Real estate loans, first mortgages	276,617	276,617
Limited partnerships	13,466,314	13,466,314
Real estate partnerships - other	7,949,875	7,949,875
Venture capital partnerships	26,410,667	26,410,667
	<u>47,826,856</u>	<u>47,826,856</u>
	<u>\$ 991,365,613</u>	<u>\$ 899,660,741</u>

	1999	
	Market Value	Cost
Cash equivalents	\$ 45,478,033	\$ 45,478,033
Bonds		
U.S. Government and agency issues	119,897,484	123,755,942
Corporate	94,236,248	101,388,812
Common and preferred stocks	464,089,128	348,138,401
Mutual funds	230,041,087	169,453,884
Real estate partnerships - insurance contracts	1,359,330	2,516,067
	<u>955,101,310</u>	<u>790,731,139</u>
Real estate loans, first mortgages	353,835	353,835
Limited partnerships	11,840,613	11,840,613
Real estate partnerships - other	8,016,169	8,016,169
Venture capital partnerships	18,903,707	18,903,707
	<u>38,760,489</u>	<u>38,760,489</u>
	<u>\$ 994,215,634</u>	<u>\$ 829,845,463</u>

NOTES TO FINANCIAL STATEMENTS**NOTE 4 – FUTURE MINIMUM LEASE PAYMENTS**

The System leases office space under an operating lease expiring in August 2004. Rent expense for the years ended December 31, 2000 and 1999 was \$69,422 and \$40,469, respectively. Approximate future minimum lease payments for the remaining term of the lease are as follows:

<u>Year</u>	<u>Minimum Lease Payments</u>
2001	\$ 70,027
2002	71,115
2003	72,204
2004	48,620
	<u>\$ 261,966</u>

NOTE 5 – CONCENTRATION OF CREDIT AND MARKET RISK

Financial instruments that potentially subject the System to concentrations of credit risk and market risk consist principally of cash and investments. The System places its temporary cash investments with major financial institutions. At December 31, 2000 and 1999 the System had approximately \$52,000,000 and \$49,000,000 in cash and cash equivalents at Firststar Bank. These balances were insured by the Federal Depository Insurance Corporation for \$100,000. The remaining balances are neither insured nor collateralized. A significant portion of the System's net assets are held by Firststar Bank of St. Louis, N.A.

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.

At December 31, 2000 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 five percent or more of net assets held in trust for pension benefits:

	<u>Fair Value</u>
Mutual funds	
Putnam Investments - Putnam International Trust	<u>\$ 117,946,641</u>
Delaware Pooled Trust - Global Fixed Income Portfolio	<u>\$ 73,414,919</u>

NOTES TO FINANCIAL STATEMENTS**NOTE 6 – PRIOR PERIOD ADJUSTMENT**

Net assets held in trust for pension benefits at the beginning of 1999 has been restated to correct an error in recording management fees. The net increase in net assets held in trust for pension benefits was also restated for 1999. The effect on the 1999 financial statements is as follows:

	<u>Net assets held in trust for pension benefits</u>	<u>Net increase in net assets held in trust for pension benefits</u>
As previously reported	\$ 857,520,961	\$ 142,556,277
Adjustment to properly record management fees	<u>(350,424)</u>	<u>(125,451)</u>
As corrected	<u>\$ 857,170,537</u>	<u>\$ 142,430,826</u>

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Independent Auditor's Report On Supplemental Information

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

Our report on our audits of the basic financial statements of the Public School Retirement System of the City of St. Louis for 2000 and 1999 appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of funding progress and employer contributions are presented for the purpose of additional analysis and are a required part of the basic financial statements. The supplemental schedules of operating expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. All of the supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

St. Louis, Missouri
January 26, 2001

MEMBERS OF MISSOURI AND ILLINOIS SOCIETIES OF CERTIFIED PUBLIC ACCOUNTANTS
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MEMBERS OF THE SEC AND PRIVATE COMPANIES PRACTICE SECTIONS, AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

SCHEDULE OF FUNDING PROGRESS (in millions)**DECEMBER 31, 2000**

Actuarial Valuation Date January 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Frozen Entry Age (b)	Unfunded AAL (UAAL) (b-a)
1990	373.3	460.7	87.4
1991	395.7	472.5	76.8
1992	427.8	502.0	74.2
1993	458.3	530.8	72.5
1994	487.4	557.9	70.5
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

Actuarial Valuation Date January 1,	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1990	81.0	194.6	44.9
1991	83.7	198.5	38.7
1992	85.2	194.2	38.3
1993	86.3	194.6	37.3
1994	87.4	202.4	34.9
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

See independent auditor's report on supplemental information.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

DECEMBER 31, 2000

Employer Contributions

Year Ended December 31,	Annual Required Contribution	Percent Contributed
1990	\$ 13,147,093	94.0%
1991	14,020,492	94.9%
1992	14,970,746	97.2%
1993	14,098,562	98.4%
1994	15,441,488	99.2%
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%

The information presented in the required supplemental schedules was determined as part of the actuarial valuation prepared by W. Alfred Hayes and Company at January 1, 2000. Additional information related to the above actuarial valuation follows:

Actuarial cost method:	Frozen entry age.
Rate of investment return:	8% for 2000 and 1999, 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:	1983 Group Annuity Mortality Tables for males and females is used for active members and the same table with ages set up one year for retired members and beneficiaries.
Disability rates:	Various by age of active members based on actual experience of the System.
Rates of retirement between ages of 55 and 70:	Various based on actual experience of the System.
Rate of salary increases:	Based on actual experience of the System, assumed to be 4.5%-6.0%.
Asset valuation method:	The assumed yield method of valuing assets, less the expense and contingency reserve.

The unfunded actuarial accrued liability as of January 1, 1981 is amortized over the period ending October 13, 2011, while subsequent "supplements" are amortized over a period of 50 years from the year in which created.

See independent auditor's report on supplemental information.

**SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2000 AND 1999**

	<u>2000</u>	<u>1999</u>
Actuarial services	\$ 191,305	\$ 115,620
Accounting and auditing fees	34,320	54,465
Computer programming and consultation	112,371	36,941
Convention, conferences, seminars		
Executive Director	4,149	5,080
Trustees (Page 15)	43,571	26,910
Dues and subscriptions	3,770	3,349
Executive Director - miscellaneous	1,080	1,080
Furniture and equipment	43,879	85,693
Insurance - group hospitalization	30,967	21,592
Insurance - casualty and bonding	42,735	40,292
Legal fees and expense	55,131	209,678
Medical fees	2,157	541
Office repairs and maintenance	7,020	2,563
Office supplies and expense	8,761	8,432
Postage	48,970	49,889
Pension contribution	19,538	18,050
Printing and stationery	18,848	17,485
Rent - office	69,422	40,469
Salaries - administrative and clerical	358,727	325,897
Payroll taxes	26,264	24,600
Telephone	9,023	12,769
Miscellaneous expense	40,269	46,566
	<u>\$ 1,172,277</u>	<u>\$ 1,147,961</u>

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:

	<u>2000</u>	<u>1999</u>
Transportation and registration	\$ 12,825	\$ 12,457
Lodging, meals, and miscellaneous	27,995	13,253
Other	2,751	1,200
Total	<u>\$ 43,571</u>	<u>\$ 26,910</u>

See independent auditor's report on supplemental information.

THE CAPITAL MARKET ENVIRONMENT

Domestic Stocks

Slowed economic growth, fears of an economic recession, tight monetary policy and rising energy prices resulted in less than stellar performance for all segments of the domestic equity market - except "old" economy value stocks. During calendar year 2000, the Russell 2000 Value Index outperformed the Russell 2000 Growth Index by more than 45 percentage points. The Value Index returned 22.8%, while the Growth Index was down 22.4%. The S&P Index declined 9.1% for the year, and the Dow lost 4.7%.

Domestic Bonds

The bond market began the year under pressure because of rising interest rates, but ended the year outperforming most stock indices. For the year, the Lehman Aggregate Index returned 11.6%. Because of an inverted yield curve that persisted for most of the year, high yield bonds performed poorly, ending the year down 5.9%.

International Markets

Due to rising interest rates on a global basis, a slowing U.S. economy, declining investor sentiment and downward revisions of corporate earnings, the international equity markets performed poorly during calendar year 2000. The MSCI EAFE lost 14.2% for the year, representing the first down year since 1992. International value stocks were down 6.3%, while international growth stocks lost 17.7%. Emerging markets fared even worse with the MSCI Emerging Markets Index declining 30.6%.

Global bonds finished the year with a strong fourth quarter, managing to gain 1.6% for the year.

INVESTMENT PERFORMANCE

Investment Goals

The Retirement System has a well-diversified investment portfolio with long-term goals of earning a 9.0% return and exceeding the rate of inflation by 4.0%. Over the short-term (three to five years), the System's 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, 2000, the Retirement System's financial portfolio returned 1.6% and ranked in the 55th percentile in the Investment Consultants' Cooperative (ICC) Universe of Public Funds. This universe of public funds included 144 public funds with assets of \$321 billion. In a year when many funds struggled to end in positive territory, the Retirement System owed its positive total return to its investments in value stocks and domestic and global bonds. For the three-year period ending December 31, 2000, the System ranked in the 25th percentile, earning a 10.7% return.

Investment performance by asset class for one and three year periods ending December 31, 2000 is set forth below.

	<u>One Year</u>	<u>Three Years</u>
<i>PSRS Total Portfolio</i>	1.6%	10.7%
Allocation Index	-4.4%	8.4%
Median Public Fund	2.4%	9.3%
<i>PSRS Domestic Equities</i>	-0.1%	14.6%
S&P 500	-9.1%	12.3%
Median Public Fund	-0.7%	12.3%
<i>PSRS Domestic Bonds</i>	8.0%	4.6%
Lehman Aggregate Index	11.6%	6.4%
Median Public Fund	11.3%	6.3%
<i>PSRS International Equities</i>	-8.6%	16.7%
EAFE Index	-14.2%	9.4%
MSCI Emerging Index	-30.6%	-4.8%
Median International Fund	-10.7%	10.4%
<i>PSRS Global Bonds</i>	2.6%	N/A
Salomon Global Index	1.6%	3.9%
Median Global Bonds	2.8%	3.5%

INVESTMENT STATISTICS

The following pages in the Investment Information Section of this report provide statistical information about the Retirement System's investment managers, securities held in the portfolio, and brokerage fees paid in 2000.

Investment Information

INVESTMENTS AS OF DECEMBER 31, 2000 (000s omitted)

Manager	Market Value	Percent of Fund	Management Style	Asset Class	Percent of Fund	Target
Buford, Dixon, Sparrow	\$7,260	0.7%	Large Cap Growth Equity			
Monetary Management	39,843	4.1%	Large Cap Growth Equity			
New Amsterdam	36,912	3.8%	Large Cap Growth Equity			
Weatherfield	26,259	2.7%	Large Cap Growth Equity	Large Cap Growth Domestic Equities	11.3%	10.0%
Batterymarch	31,135	3.2%	Large Cap Core Equity			
Conning Asset Mgmt	25,718	2.6%	Large Cap Core Equity			
Todd Investment	33,735	3.4%	Large Cap Core Equity			
Progress Trust	12,699	1.3%	Large Cap Core Equity	Large Cap Core Domestic Equities	10.5%	10.0%
Chicago Equity	41,940	4.3%	Large Cap Value Equity			
Edgar Lomax Company	21,845	2.2%	Large Cap Value Equity	Large Cap Value Domestic Equities	6.5%	10.0%
Systematic Financial	34,733	3.5%	Small Cap Value Equity			
Westfield Capital	29,485	3.0%	Small Cap Growth Equity			
DFA	24,410	2.5%	Micro Cap Equity	Small/Micro Cap Domestic Equities	9.0%	5.0%
New Africa Advisors	2,126	0.2%	Emerging Market Equity			
Putnam Investments	112,039	11.4%	International Equity	International Equities	11.7%	13.0%
Invesco Capital	104,288	10.6%	Balanced Fund	Balanced Fund	10.6%	10.0%
John Hancock	98,884	10.1%	Core Bond Fund			
MDL Capital	27,828	2.8%	Core Bond Fund			
Vanderbilt	88,898	9.1%	Core Bond Fund	Core Domestic Bonds	22.0%	20.0%
Credit Suisse	45,893	4.7%	High Yield Bond Fund	High Yield Domestic Bonds	4.7%	5.0%
Delaware International	67,971	6.9%	Global Bond Fund	Global Bonds	6.9%	10.0%
3 Partnerships	9,885	1.0%	Mezanine Debt			
7 Funds	13,496	1.4%	Real Estate			
17 Investments	26,854	2.7%	Venture Capital	Alternative Investments *	5.1%	7.0%
Cash	15,743	1.6%	STIF	Cash	1.6%	0%
Total Market Value	\$979,879	100.0%				100.0%

* Alternative Investments are valued at cost.

EQUITY INVESTMENTS

2000 Return	-0.5%
Average Market Capitalization	\$68,354,400,000
P/E Ratio	18.75
Price/Book Ratio	4.78
Five Year Earnings Growth Rate	17.56

Ten Largest Equity Holdings					
<u>Company</u>	<u>Dollar Value</u>	<u>Percent of Portfolio</u>	<u>Company</u>	<u>Dollar Value</u>	<u>Percent of Portfolio</u>
Citigroup Inc.	\$10,654,183	2.5%	SBC Communications	\$5,066,466	1.2%
General Electric	7,573,503	1.8%	Pfizer Inc.	4,705,701	1.1%
Exxon Mobil Corp.	7,552,803	1.8%	Microsoft Corp.	4,565,469	1.1%
Merck & Co.	5,591,236	1.3%	Philip Morris Cos.	4,489,247	1.1%
Johnson & Johnson	5,282,070	1.2%	Cisco Systems	4,367,366	1.0%

Ten Best Performing Equity Holdings			
<u>Company</u>	<u>Return</u>	<u>Company</u>	<u>Return</u>
Microtouch Systems	241.1%	Lindberg Corp.	137.9%
AG-Chem Equipment	181.7%	Marine Trans. Corp.	128.1%
Green Mountain Coffee	164.9%	Alliance Gaming Corp.	127.4%
Cymboree Corp.	155.2%	Scios Nova Inc.	122.3%
Edge Pete Corp.	143.1%	Serologicals Corp.	117.1%

Ten Worst Performing Equity Holdings			
<u>Company</u>	<u>Return</u>	<u>Company</u>	<u>Return</u>
Pameco Corp.	-99.0%	Unapix Entmt. Inc.	-97.3%
Quentra Network Sys.	-98.9%	Premier Laser Systems	-96.2%
Dorsey Trailers Inc.	-98.8%	C-Phone Corp.	-96.2%
Pacific Gateway Exc.	-98.0%	Zaring Natl. Corp.	-96.1%
Decora Inds. Inc.	-97.6%	Interspeed Inc.	-95.9%

BOND INVESTMENTS

The System's domestic bond investments had an overall average maturity of 8.51 years, a duration of 4.98 years, and an average quality rating of 8.82. During 2000, the System's bond portfolio earned 8.0%.

A statistical description of the bond investments is shown below.

Bond Portfolio Maturity in Years	Percent of Portfolio
0.0 - 1.0	5.1%
1.0 - 3.0	7.8%
3.0 - 5.0	15.6%
5.0 - 10.0	37.6%
10.0 - 20.0	2.2%
20 +	9.7%

Bond Portfolio Duration in Years	Percent of Portfolio
0.0 - 1.0	5.3%
1.0 - 3.0	10.7%
3.0 - 4.0	19.4%
4.0 - 6.0	24.0%
6.0 - 8.0	7.7%
8.0 +	10.8%

Bond Portfolio Quality Rating	Percent of Portfolio
Government (10)	57.0%
Aaa(10)	6.2%
Aa(9)	4.2%
A(8)	7.9%
Baa(7)	7.3%
Below Baa(6-1)	13.8%
Other	3.6%

BROKERAGE FEES PAID IN 2000

A B Watley	36	Kemper Capital Market	24,351
A G Edwards	1,890	Lehman Bros.	4,408
ABD Securities	240	Loop Capital Markets	505
Abel Noser	92	Magna Securities	880
Access Securities	4,212	Merrill Lynch	34,066
Autranet Corp.	12,143	Montgomery Securities	405
Baird & Company	90	Morgan Equities	4,905
Bankers Trust Co.	395	Morgan Stanley	6,560
Bear Stearns	7,100	Oppenheimer	2,262
Berean Capital	1,077	Pacific Equities Growth	695
Berstein Sanford & Co.	2,980	Paine Webber	5,047
Boston Institutional	2,406	Pembroke Clearing	528
Broadcourt	106,428	Pershing	35
B-Trade Services	566	Piper	210
Cantor Fitzgerald	1,585	Prudential Securities	11,591
Capital Institutional	6	Q Clearing Corp.	19,401
Chase Manhattan	324	Regional Operations	19,014
Chicago Corp.	648	Rochdale Securities	819
Correspondent Services	900	Salomon Brothers	572
County Natwest Securities	2,736	Sanford Bernstein	510
Cowen & Co.	437	SBC Capital Markets	3,624
DE Shaw	740	SBCI Swiss Bank Corp.	105
Donaldson Lufkin	54	Sherwood Securities	12
Eberstadt Feming Inc	3,643	SK International	21
Factset Data Systems	6,948	Smith Barney	6,291
First Boston	3,730	Standard/Poor	882
Goldman Sachs	4,200	State Street Brokerage	23,429
Hersog Heine	20	Sutro & Co.	295
Hoenig & Co.	4,768	Weeden & Co.	6,034
Instinet	1,880	Weiss Peck & Greer	215
Investment Technology	13,996	Wheat First Securities	16,136
J P Morgan	3,084	William Blair	2,372
Jackson Partners	560	Williams Capital Group	279
Jeffries	10,076	Wilshire-Invesco	99,079
TOTAL			\$495,522

Investment Information**MARKET VALUE OF ASSETS**

Investment Category	As of December 31, 1998		As of December 31, 1999		As of December 31, 2000	
	Market Value	% of Total	Market Value	% of Total	Market Value	% of Total
Cash, Receivables, Cash Equivalents	\$30,005,150	3.5%	\$51,628,882	5.2%	\$55,833,843	5.6%
U.S. Bonds, Bills and Mortgages	135,939,550	15.8%	119,897,484	12.0%	152,626,142	15.2%
Corporate Bonds	93,124,355	10.9%	94,236,248	9.4%	115,611,809	11.5%
Common Stocks	395,554,634	46.1%	464,089,128	46.4%	396,377,582	39.6%
Mutual Funds	169,085,508	19.7%	230,041,087	23.0%	231,589,133	23.1%
Real Estate - Insurance Contracts	1,657,237	0.2%	1,359,330	0.1%	1,099,644	0.1%
Mortgages	548,692	0.1%	353,835	0.0%	276,617	0.0%
Alternative Investments *	31,790,470	3.7%	38,760,489	3.9%	47,826,856	4.8%
Total	\$857,705,596	100.0%	\$1,000,366,483	100.0%	\$1,001,241,626	100.0%

* Carried at Cost Value

**PUBLIC SCHOOL RETIREMENT SYSTEM
OF THE CITY OF ST. LOUIS**

**ACTUARIAL VALUATION
AS OF
JANUARY 1, 2000**

JUNE, 2000

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 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 Section 2 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 reflects the increase in benefits (the catch-up COLA) effective July 1, 2000. These changes combined with favorable actuarial experience for the year ending December 31, 1999 resulted in an increase in the Annual Required Contribution rate from 6.45% to 7.17%. The primary factor producing the favorable experience was a net investment return in excess of the 8.0% assumed rate of return for 1999. Net experience from other

sources was also favorable and contributed to the lower than expected contribution rate.

Pursuant to Section 169.471 R.S. Mo. 1997, the Board of Education has adopted an increase in benefits. In addition, as part of the package to increase benefits, the Board of Education agreed to fix the employer contribution at 8.03% for 1998, 1999 and 2000. Therefore, the actual contribution rate for 2000 remains unchanged at 8.03% of covered payroll. The dollar amount of the actual contribution increased from \$17,312,869 to \$17,400,968 for 2000.

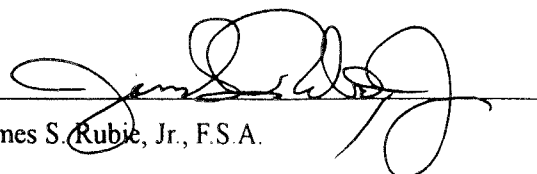
Under the actuarial funding method used to determine the contribution, actuarial gains (or losses) result in a decrease (or increase) in the normal cost rate. Actuarial gains (or losses) result from differences between the actual experience of the System and the expected experience projected by the actuarial 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 2000, the annual normal cost is \$0 or 0.00% of the covered payroll of \$216,699,483.

The actuarial accrued liability contribution is determined as the amount necessary to amortize the remaining Unfunded Frozen Actuarial Accrued Liability (UFAAL) over a specified period of years. This portion of the contribution only changes to reflect changes in benefits or changes in actuarial assumptions and methods. The UFAAL was increased by \$20,034,960 to reflect the effect of the change in benefits.

In our opinion, the Retirement System has been and will continue to be funded on a sound actuarial basis provided the required contributions are made as recommended in this report.

Respectfully submitted,


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

**SECTION 2. SUMMARY OF PRINCIPAL RESULTS OF THE
ACTUARIAL VALUATION AS OF JANUARY 1, 2000**

ANNUAL REQUIRED CONTRIBUTION

	<u>Board of Education</u>	<u>Harris-Stowe State College</u>	<u>Retirement System</u>	<u>Total</u>
<u>2000</u>				
Normal Cost Contribution	\$ 0	\$ 0	\$ 0	\$ 0
Actuarial Accrued Liability Contribution	15,517,497	9,035	17,453	15,543,984
Annual Required Contribution	\$ 15,517,497	\$ 9,035	\$ 17,453	\$ 15,543,984
Covered Payroll	216,330,219	125,957	243,307	216,699,483
ARC as % of Covered Payroll	7.17%	7.17%	7.17%	7.17%
<u>1999*</u>				
Normal Cost Contribution	\$ 0	\$ 0	\$ 0	\$ 0
Actuarial Accrued Liability Contribution	13,879,615	12,157	14,498	13,906,270
Annual Required Contribution	\$ 13,879,615	\$ 12,157	\$ 14,498	\$ 13,906,270
Covered Payroll	215,189,079	188,489	224,783	215,602,351
ARC as % of Covered Payroll	6.45%	6.45%	6.45%	6.45%

SYSTEM ASSETS

	<u>January 1, 1999*</u>	<u>January 1, 2000</u>
Expense and Contingency Reserve	\$ 68,114,826	\$ 77,995,894
Market Value, <i>Excluding Expense & Contingency Reserve</i>	789,406,135	922,081,344
Actuarial Value	694,250,672	770,090,498

SYSTEM LIABILITIES

Unfunded Actuarial Accrued Liability	\$ 152,640,034	\$ 167,578,602
Actuarial Present Value of Projected Accrued Benefits	710,948,636	771,464,357

FUNDING RATIO

Actuarial Value Funding Ratio	97.7%	99.8%
Market Value Funding Ratio	111.0%	119.5%

* Prior year shown for comparison purposes only.

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 earnings.

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 member'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 31, 1994 was performed. On the basis of that analysis, several actuarial assumptions were changed effective with the January 1, 1996 valuation. The next scheduled experience analysis is for the five-year period ending December 31, 1999.

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 member data are used to forecast the amount of benefits to be paid. Assumptions for survival among retired members 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.

SECTION 3. 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 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 members 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, member 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 member 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, member 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 Actuarial Accrued Liability (UFAAL) and the Normal Cost. The actuarial cost method is specified in Section 169.490 of the statutes.

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 UFAAL as of January 1, 1981 is amortized over the period ending October 13, 2011, while subsequent "supplements" are amortized over a period of 50 years from the year created. The "actuarial accrued liability contribution" is the sum of these amortization payments.

The actuarial cost method is the "frozen entry age actuarial cost method." Entry age is determined at the date each member would have entered the system. On the initial actuarial valuation date for which the cost method is used, in this case January 1, 1981, the annual cost accruals (individual normal costs for each member) 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 members 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. Such supplements are determined by computing the change in the actuarial accrued liability as of the valuation date coincident with or next following the change.

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.

SECTION 3. ACTUARIAL METHODOLOGY *(continued)*

The following actuarial assumptions were used in the valuation:

Interest - 8% per annum, net of expenses.

Salary Scale - Salaries are assumed to increase at rates based on the actual experience of the Retirement System. The rates used are shown in Exhibit A.

Mortality - The 1983 Group Annuity Mortality Table for males and females is used for active members and the same table with ages set up one year for retired members and beneficiaries. Rates used are shown in Exhibits A and B.

Disability Mortality - Disability mortality rates are based on the actual experience of the Retirement System. The rates used are shown in Exhibit B.

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 are:

Year of Membership	Withdrawal Rate	
	Males	Females
1	17.5%	12.5%
2	15.0%	10.0%
3	10.0%	7.5%

Retirement - Retirements are assumed to occur at rates based on the actual experience of the Retirement System. Illustrative age-related rates are shown in Exhibit A. For those eligible to retire under the Rule of 85, it is assumed that 10% will retire when first eligible for unreduced benefits unless the age-related rate is greater, but not prior to age 55.

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 - EXHIBIT A

ACTIVE MEMBER RATES OF DECREMENT AND SALARY INCREASE

Attained <u>Age</u>	<u>Withdrawal Rates</u>		<u>Disability Rates</u>		<u>Retirement Rate</u>	<u>Rate of Salary Increase</u>
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>		
20	15.00%	10.00%	0.00%	0.00%	0.00%	6.00%
25	12.50%	7.50%	0.00%	0.00%	0.00%	6.00%
30	9.00%	6.00%	0.08%	0.07%	0.00%	5.50%
35	7.00%	4.50%	0.08%	0.07%	0.00%	5.00%
40	4.50%	3.00%	0.16%	0.15%	0.00%	4.80%
45	3.00%	2.00%	0.30%	0.20%	0.00%	4.70%
50	2.00%	1.50%	0.40%	0.30%	0.00%	4.50%
55	1.50%	1.20%	0.90%	0.50%	5.00%	4.50%
60	1.00%	1.00%	1.10%	0.65%	7.50%	4.50%
65	0.00%	0.00%	0.00%	0.00%	35.00%	4.50%
70	0.00%	0.00%	0.00%	0.00%	100.00%	4.50%

ACTIVE LIFE MORTALITY RATES

<u>Death Rate</u>			<u>Death Rate</u>		
<u>Male</u>	<u>Age</u>	<u>Female</u>	<u>Male</u>	<u>Age</u>	<u>Female</u>
.000377	20	.000189	.015592	65	.007064
.000464	25	.000253	.027530	70	.012385
.000607	30	.000342	.044597	75	.023992
.000860	35	.000476	.074070	80	.042945
.001238	40	.000665	.114836	85	.069918
.002183	45	.001010	.166307	90	.111750
.003909	50	.001647	.234086	95	.182419
.006131	55	.002541	.319185	100	.295187
.009158	60	.004241	.469531	105	.487816
			1.000000	110	1.000000

RETIRED LIFE MORTALITY RATES
(SERVICE PENSIONERS AND BENEFICIARIES)

<u>Death Rate</u>			<u>Death Rate</u>		
<u>Male</u>	<u>Age</u>	<u>Female</u>	<u>Male</u>	<u>Age</u>	<u>Female</u>
.006618	55	.002803	.124170	85	.076570
.010064	60	.004702	.178214	90	.123076
.017579	65	.007817	.248436	95	.201757
.030354	70	.014128	.341086	100	.325225
.049388	75	.027184	.521945	105	.545886
.081484	80	.047655	1.000000	109	1.000000

DISABLED LIFE MORTALITY RATES
(PER 1,000 DISABLED PENSIONERS)

<u>Death Rate</u>			<u>Death Rate</u>		
<u>Male</u>	<u>Age</u>	<u>Female</u>	<u>Male</u>	<u>Age</u>	<u>Female</u>
48.7	40	51.0	96.1	75	73.5
44.8	45	48.0	131.5	80	96.1
43.2	50	44.0	180.9	85	131.5
43.1	55	43.0	252.9	90	180.9
48.7	60	43.0	348.1	95	252.9
59.8	65	48.0	785.7	100	348.1
73.5	70	59.0	1000.0	101	1000.0

ACTUARIAL BALANCE SHEET AS OF JANUARY 1, 2000**ACTUARIAL ASSETS**

Actuarial value of present assets		\$ 770,090,498
Actuarial present value of future member contributions		94,018,053
Actuarial present value of future employer contributions for:		
Normal Costs		(36,512,675)
Actuarial Accrued Liability		167,578,602
Total present and future assets		<u>\$ 995,174,478</u>

ACTUARIAL LIABILITIES

Actuarial present value of benefits now payable		\$ 340,964,432
Actuarial present value of benefits payable in the future		
Active members -New Plan	641,100,912	
Active members - Old Plan	220,589	
Members on leave of absence without pay	1,190,426	
Terminated members	11,698,119	
Total payable in the future		<u>654,210,046</u>
Total liabilities for benefits		<u>\$ 995,174,478</u>

At January 1, 2000, the Projected Benefit Obligation was as follows:

Retired members and beneficiaries currently receiving benefits and terminated members not yet receiving benefits	\$ 353,852,977
Current active members:	
Accumulated member contributions, including interest	129,398,364
Employer-financed vested benefits	284,986,621
Employer-financed non-vested benefits	3,226,395
Total Projected Benefit Obligation	\$ 771,464,357

At January 1, 2000 the Projected Benefit Obligation was funded as follows:

Net assets available for benefits at actuarial value	\$ 770,090,498
Unfunded Projected Benefit Obligation	1,373,859
Actuarial value funding ratio	99.8%
Net assets available for benefits at market value	\$ 922,081,344
Unfunded Projected Benefit Obligation	(150,616,987)
Market value funding ratio	119.5%

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 member accumulated contributions (liability 1) and the liabilities for future benefits to inactive members and beneficiaries (liability 2) will be fully covered by assets (except in unusual circumstances). In addition, the liabilities for service already rendered by active members (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.

Valuation Date	Actuarial Present Value of Credited Projected Benefits			Actuarial Value of Assets	Percent of Present Value Covered by Valuation Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Members' Accumulated Contributions	Retirants, Inactive Members & Beneficiaries	Active Members (Employer-Financed)				
January 1							
1990	75,499,264	132,381,291	203,485,341	373,300,585	100	100	81
1991	81,666,231	149,239,594	201,521,149	395,749,015	100	100	82
1992	88,975,156	163,137,064	214,404,373	427,706,455	100	100	82
1993	96,350,532	176,391,424	216,680,909	458,279,727	100	100	86
1994	104,202,541	189,651,537	222,503,913	487,385,302	100	100	87
1995	108,933,074	204,234,143	226,947,717	519,088,399	100	100	91
1996	114,061,708	236,007,330	250,659,986	562,177,274	100	100	85
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

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 method is discussed in Section 3 and the development of the actuarial value of assets is shown 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 a policy adopted by the Board of Trustees.

The fund had a rate of return of 13.61% on an actuarial value basis, 5.61% above the assumed rate of return of 8.0% for 1999. 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 18.71%.

DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS

(1) Actuarial value of assets as of January 1, 1999	\$ 694,250,672
(2) Member contributions	9,729,871
(3) Employer contributions	17,307,595
(4) Benefit payments and expenses	43,389,038
(5) Investment increment at 8.0%	54,193,687
(6) Expected actuarial value on January 1, 2000: (1) + (2) + (3) - (4) + (5)	732,092,787
(7) Market value of assets on January 1, 2000	1,000,077,238
(8) Expense and Contingency Reserve on January 1, 2000	77,995,894
(9) Excess of market value over expected actuarial value: (7) - (8) - (6)	189,988,557
(10) Market value adjustment: 20% x (9)	37,997,711
(11) Actuarial Value of Assets as of January 1, 1999: (6) + (10)	\$ 770,090,498

MEMBERSHIP AND BENEFITS PAID AS OF JANUARY 1, 2000

	Males	Females	Total
ACTIVE MEMBERS			
Old Plan	1	5	<u>6</u>
New Plan	<u>1,704</u>	<u>4,363</u>	<u>6,067</u>
Total Active	1,705	4,368	6,073
INACTIVE MEMBERS			
Terminated or Leave of Absence Without Pay	<u>246</u>	<u>538</u>	<u>784</u>
Total Members Not Retired	1,951	4,906	6,857
RETIRED MEMBERS AND BENEFICIARIES			
Retired Members and Contingent Annuitants	823	2,003	2,826
Survivors	41	226	267
Disabled Members	<u>76</u>	<u>177</u>	<u>253</u>
Total Retired Members and Beneficiaries	<u>940</u>	<u>2,406</u>	<u>3,346</u>
TOTAL MEMBERSHIP	2,891	7,312	10,203

NUMBER OF RETIRED MEMBERS AND BENEFICIARIES

<u>Option</u>	<u>Service Benefit</u>	<u>Disability Benefit</u>	<u>Survivor Benefit</u>	<u>TSA Benefit</u>	<u>COLA & Supplements</u>
0	2,466	236	267	59	1,754
1	91	10	0	1	56
2	72	0	0	3	47
3	107	3	0	0	60
4	<u>90</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>53</u>
Total	2,826	253	267	63	1,970

AMOUNT OF ANNUAL BENEFIT

<u>Option</u>	<u>Service Benefit</u>	<u>Disability Benefit</u>	<u>Survivor Benefit</u>	<u>TSA Benefit</u>	<u>COLA & Supplements</u>
0	\$29,177,914	\$1,586,191	\$1,245,528	\$54,837	\$1,417,741
1	1,097,975	87,357	0	3,034	27,605
2	1,023,645	0	0	2,398	30,341
3	1,352,921	21,056	0	0	32,538
4	<u>1,442,448</u>	<u>30,675</u>	<u>0</u>	<u>0</u>	<u>25,692</u>
Total	\$34,094,903	\$1,725,279	\$1,245,528	\$60,269	\$1,533,917

BACKGROUND

The Public School Retirement System of the City of St. Louis 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 the Retirement System are also covered by Social Security, and are eligible for full Social Security benefits in addition to their benefits from the Retirement System.

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

A summary of the primary benefit provisions of the Retirement System as of December 31, 1999 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 the Retirement System's Rules and Regulations. In any circumstance where there appears to be a discrepancy between this summary and actual statutes or the Retirement System's 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 Creditable 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 Creditable 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 Creditable 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 determining 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

Creditable 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 Creditable 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 Creditable 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 Creditable Service will be entitled to a minimum monthly benefit equal to \$10 for each year of Creditable Service up to 15 years.

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 under which their monthly pension benefits are reduced so that payments can continue to their Option Beneficiaries after their deaths. The amount of the reduction is determined by the difference in age between a member and his/her Option Beneficiary.

Four 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.

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 Creditable 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 Creditable 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 to preserve its tax-deferred status.

Pension Benefit

In lieu of a refund or rollover, members with five or more years of Creditable 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 Creditable Service, Average Final Compensation, and benefit provisions in effect at the time of the member's employment termination.

RETIREMENT SYSTEM FUNDING

The Retirement System is funded from the following sources:

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 the Retirement System 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

The Retirement System makes a variety of medical, dental, and vision insurance plans available to retired members, their spouses, and eligible dependent children. The System 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.

The surviving spouse of a deceased retired member is eligible to retain health care insurance after the death of the member.

The surviving spouse of a deceased active member who elects to receive monthly benefit payments under Option 1 may also be eligible for health insurance coverage.

SUPPLEMENTS AND COLAS

Supplements

Over the years, retired members have received ad hoc increases, called supplements. Supplements were granted in 1993, 1990, 1989, 1988, 1986, 1984, 1981, and 1975.

COLAs

Members who retired with at least 15 years of Creditable Service on or before August 28, 1997 receive annual cost-of-living adjustments based on the Consumer Price Index (CPI). COLA adjustments are equal to any increase of 1% or greater in the CPI, subject to an annual maximum of 3% and a cumulative maximum increase of 10%.

Effective July 1, 2000, retired members and the surviving dependents of retired members received a catch-up Cost of Living Adjustment (COLA) to assure that the monthly benefit of every retired member and surviving dependent now reflects at least 65% of the Consumer Price Index for each year since the beneficiary's payments began.

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.

