PUBLIC SCHOOL RETIREMENT SYSTEM
OF THE CITY OF ST. LOUIS

MINUTES OF THE BOARD OF TRUSTEES REGULAR MEETING

April 15, 2013

I. ROLL CALL AND ANNOUNCEMENT OF A QUORUM

The April meeting of the Board of Trustees of the Public School Retirement System of the City of St. Louis (PSRSSTL) was called to order at 4:40 p.m., Monday, April 15, 2013. The meeting was conducted in the 2nd floor boardroom of the PSRSSTL office building located at 3641 Olive Street, St. Louis, Missouri. Joseph Clark, Chairman of the Board of Trustees, was the presiding officer.

Roll Call was taken and Trustees Angela Banks, Christina Bennett, Joseph Clark, Yvette Levy, Charles Shelton, Rick Sullivan and Eural Thomas were present. The Board of Trustees had a quorum at the meeting. Trustees Sheila Goodwin, Mona Lawton and Thaha Menkara were absent.

Executive Director, Andrew Clark, Accounting Specialist, Terry Mayes, PSRSSTL Attorney Representative, Jay Kimmey, PSRSSTL Auditor, Thom Helm, Auditor Representative, Brenda Shepherd, and a dozen or so interested parties were also in attendance.

II. APPROVAL OF MINUTES FROM LAST MEETING

Rick Sullivan made a motion, seconded by Yvette Levy, to approve the minutes of the Board of Trustees Regular Meeting of February 25, 2013.

A roll call vote was taken.

Angela Banks	Yes	Christina Bennett	Yes	Joseph Clark	Yes
Yvette Levy	Yes	Charles Shelton	Yes	Rick Sullivan	Yes
Eural Thomas	Yes				

With seven yes votes, motion carried.

III. SEATING OF NEW BOARD MEMBERS

Rick Sullivan informed the Board of Trustees that the Special Administrative Board has not made an appointment for the vacant Trustee position.

IV. READING OF COMMUNICATIONS TO THE BOARD OF TRUSTEES

The Executive Director referred the Trustees to Tab 4 of the meeting packet where a newspaper article regarding the Retirement System, a letter from a retiree group with a response, and the survey from the recent Town Hall Meeting could be found. There were no questions. The Chairman mentioned a recent newspaper article about Charter Schools in St. Louis and the Retirement System.

V. PRESENTATIONS BY INTERESTED PARTIES

Retiree Harvey Cloyd expressed his concern over the lack of a COLA. Trustee Christina Bennett mentioned that the COLA issues had been addressed at the recent Town Hall Meeting.

VI. CONSENT AGENDA

Christina Bennett made a motion, seconded by Angela Banks, to approve the Retirements and Benefits of February and March 2013.

By voice vote, motion carried.

Christina Bennett made a motion, seconded by Angela Banks, to approve the Refunds and Bills of February and March 2013.

By voice vote, motion carried.

VII. UNFINISHED BUSINESS

None

VIII. REPORT OF THE CHAIRPERSON

The Chairman announced that the 2013 chair assignments for each committee of the Board of Trustees will be made by the next regular meeting.

IX. REPORT OF THE EXECUTIVE DIRECTOR

The Executive Director introduced the Auditor, Thomas Helm, of Anders Minkler Huber & Helm LLP, to present the retirement system's audited financial statements. The Auditor mentioned the firm's name change and merger with another accounting firm and commented that the merger was in the best interest of both firms. The Auditor then introduced another representative from his firm, Brenda Shepherd. The Auditor and Ms. Shepherd presented the audited financial statements for December 31, 2012 and December 31, 2011, by reviewing and highlighting important information in the pages of the Financial Statements report distributed at the meeting. The Auditor and Ms. Shepherd discussed several audit findings with the Trustees. The Auditor discussed the award from the Federal Government's finance authority for the 2011 Annual Report or Comprehensive Annual Financial Report (CAFR) that will appear in the Retirement System's 2012 CAFR. Overall, the Auditor reported on a good, clean audit and thanked staff for a smooth and efficient audit process. The Trustees thanked the Auditor for the presentation.

The Executive Director mentioned that due to the April meeting being so early in the month that the financial statements and insurance renewal information were not completed in time to be included in the board packet.

The Executive Director then reported on the retirement system's fiduciary liability and crime insurance renewals through Arthur J. Gallagher Risk Management Services, Inc. from a Memorandum to the Board of Trustees. The Executive Director recommended that the Board of Trustees accept the renewals as presented. All questions were answered satisfactorily.

Charles Shelton made a motion, seconded by Eural Thomas, to accept the renewal of the fiduciary liability and crime insurance with Travelers as presented by the Executive Director.

A roll call vote was taken.

Angela Banks	Yes	Christina Bennett	Yes	Joseph Clark	Yes
Yvette Levy	Yes	Charles Shelton	Yes	Rick Sullivan	Yes
Eural Thomas	Yes				

With seven yes votes, motion carried

X. REPORT OF THE INVESTMENT CONSULTANT

None

XI. REPORT OF THE ACTUARY

The Executive Director reported that the Actuary is expected to present the 2013 Actuarial Valuation Report at the June board meeting.

XII. REPORTS OF COMMITTEES OF THE BOARD OF TRUSTEES

The Chairman reported that only an Investment Committee was held since the last board meeting.

Benefits Committee

Trustee Charles Shelton made some comments regarding the recent Town Hall Meeting. Both the Chairman and Mr. Shelton reminded the Trustees that in 2012 the Board of Trustees approved a request to the Board of Education for a COLA for the Retirement System's retirees.

Trustee Business Committee

None

Investment Committee

Joe Clark, Chair of the Investment Committee, reported on the meeting of March 21, 2013, and reminded everyone that all board packets and other information are on-line at the Retirement System's website.

There was extended discussion on the Investment Committee's recommendation that needed to be accepted by the Board of Trustees.

Christina Bennett made a motion, seconded by Charles Shelton, to accept the Investment Committee's recommendation to update the Investment Guidelines and Appendix III as accepted by the committee at the meeting on March 21, 2013. There was further discussion for clarification on the motion.

By voice vote, motion carried.

Trustee Christina Bennett expressed her concern with regard to interviewing only one prospective money manager in the private equity asset class as reflected in the meeting minutes from March 21, 2013. There was extended conversation amongst the Trustees about the accuracy of the minutes, conflict of interest and other issues until it was stressed that the only decision that has made is to talk to the one manager or Vista at the Investment Committee meeting scheduled for April 18, 2013. The discussion was postponed until the next Investment Committee.

Legislative, Rules & Regulations Committee

None

Professional Contracts Committee

None

XIII. NEW BUSINESS

Charles Shelton made a first reading of a proposed rule change to Chapter A., Rule XIV. Investment Policies, Sections 4 & 7 as follows:

1. To add a new sub-section (“L.”) to Rule XIV, Section 4, that reads as follows:

   l. Commodities included in funds where money managers use forward exchange contracts (“FX forwards”) or “swaps” on currency to help cure risk volatility as opposed to risk leveraging.

2. To amend sub-section “d.” of Rule XIV, Section 7, as follows:

   d. direct physical commodities,

A second reading will be made at the next Board of Trustees Regular Meeting.

The Chairman asked the Trustees to entertain a motion to allow reimbursement of travel expenses for the Trustees and Executive Director to attend the annual NEPC Client Conference.

Charles Shelton made a motion, seconded by Christina Bennett, to allow reimbursement of travel expenses for the Trustees and Executive Director to attend the 2012 NEPC Client Conference. There was limited discussion on past NEPC conference travel.

A roll call vote was taken.

Angela Banks	Yes	Christina Bennett	Yes	Joseph Clark	Yes
Yvette Levy	Yes	Charles Shelton	Yes	Rick Sullivan	Yes
Eural Thomas	Yes				

With six yes votes, motion carried.

XIV. REPORT OF THE ATTORNEY

None

The Chairman asked the Trustees to entertain a motion to move into Executive Session to discuss a legal matter with the Attorney.

Angela Banks made a motion, seconded by Charles Shelton, to move into Executive Session, pursuant to R.S. Mo. §610.021(1), for discussion on a legal matter with the Attorney.

A roll call vote was taken.

Angela Banks	Yes	Christina Bennett	Yes	Joseph Clark	Yes
Yvette Levy	Yes	Charles Shelton	Yes	Eural Thomas	Yes

With six yes votes, motion carried, and the meeting closed at approximately 6:00 p.m.

Christina Bennett made a motion, seconded by Charles Shelton, to move out of Executive Session.

A roll call vote was taken.

Angela Banks	Yes	Christina Bennett	Yes	Joseph Clark	Yes
Yvette Levy	Yes	Charles Shelton	Yes	Eural Thomas	Yes

With six yes votes, motion carried, and the meeting opened at approximately 6:15 p.m.

XV. ADJOURNMENT

Yvette Levy made a motion, seconded by Christina Bennett, to adjourn the meeting.

By voice vote, motion carried and the meeting adjourned at 6:15 p.m.

Attachments:

- Retirements, Refunds & Bills Paid February and March 2013
- December 31, 2012 and 2011 Financial Statements
- Memo to the Board of Trustees from the Executive Director, April 15, 2013
- Amended Pages 3, 11 & 14, Investment & Operating Guidelines

To be Authorized and Approved
by the Board of Trustees

APPLICATIONS FOR RETIREMENT

NAME \ POSITION	RETIREMENT DATE	RETIREMENT TYPE	CREDITED SERVICE	FINAL AVG SALARY	MONTHLY BENEFIT
Terryl Buckner Teacher	Dec 1, 2012	Disability	17.2777	$55,281.05	$1,197.09
Patricia Frost Community Collaboration Spec	Dec 1, 2012	Normal	8.1260	$46,917.19	$635.42
Diane Bahlinger Clerk Typist II	Jan 1, 2013	Normal	28.7652	$45,082.80	$2,161.36
Rebecca Kettenacker Teacher	Jan 1, 2013	Normal	29.2862	$68,931.46	$3,364.57
James Moog Teacher	Jan 1, 2013	Normal	7.3000	$44,383.39	$469.26
Juanetta Perkins Head Custodian	Jan 1, 2013	Early	24.6688	$36,539.82	$1,485.63
Mary Shelton Teacher	Jan 1, 2013	Normal	30.0000	$79,830.98	$3,991.55
George Taubenheim Principal	Jan 1, 2013	Normal	9.0347	$96,814.85	$1,177.92

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APPLICATIONS FOR RETIREMENT

NAME \ POSITION	RETIREMENT DATE	RETIREMENT TYPE	CREDITED SERVICE	FINAL AVG SALARY	MONTHLY BENEFIT
Cheryl Turner Teacher	Dec 1, 2012	Disability	14.4913	$68,510.71	$1,654.68
Ruby Brooks Instructional Care Aid	Jan 1, 2013	Normal	26.0166	$35,939.46	$1,558.37
Sandra Fischetti Teacher	Jan 1, 2013	Early	7.3389	$49,683.91	$476.03
Marsha Merry Librarian	Jan 1, 2013	Normal	28.9889	$98,023.58	$4,735.99
Genia Perkins Secretary	Jan 1, 2013	Disability	11.9074	$31,060.68	$647.10
Khadijah Ali Secretary	Feb 1, 2013	Normal	12.9970	$30,174.68	$653.63
Jacqueline Austin Teacher	Feb 1, 2013	Early	18.6333	$78,619.47	$2,251.65
Calvin Ginger Custodian	Feb 1, 2013	Normal	14.6810	$41,047.22	$1,004.36
Linda Holley Teacher	Feb 1, 2013	Normal	10.6222	$70,285.10	$1,244.30
Michael Kappel Teacher	Feb 1, 2013	Normal	11.5333	$18,464.16	$221.83

Distributions - February 2013

CHECK NUMBER	CHECK DATE	LAST NAME	FIRST NAME/MI	GROSS (B+C)	FEDERAL TAXES W/H	NET PAY	STATUS A(ctive) R(etired)	REASON D(eath) S(eparation)	NOTES
067212	08/17/12	HUBBARD	JANEL	(14,471.71)		(14,471.71)	A	S	VOID AND REISSUE
067789	01/11/13	COFFMAN	PAUL	(3,070.36)		(3,070.36)	A	S	VOID AND REISSUE
067808	01/11/13	KIRCHNER	JENNIFER S	(30,258.55)		(30,258.55)	A	S	VOID AND REISSUE
067861	02/01/13	BLAND	CARL	23,711.92	4,742.38	18,969.54	A	S	IESM ,IAAS, ICP, SEF
067862	02/01/13	PAYNE	JASON K	1,855.34		1,855.34	A	S	AQS-CLA
067863	02/01/13	VILCINSKAS	SHERYLL	731.92	146.38	585.54	A	S	CA
067864	02/01/13	SUTHERLAND	AMY	3,579.22	715.84	2,863.38	A	S	SEF
067865	02/01/13	TIFAH	MALLAM A	289.58	57.92	231.66	A	S	CA
067866	02/01/13	STEELE	FREDERICK W	38,849.45	7,769.89	31,079.56	A	S	
067867	02/01/13	HUBBARD	JANEL	14,471.71	2,894.34	11,577.37	A	S	VOID FROM 2012, REISSUE
067868	02/01/13	PROVART	SARA	2,215.41	443.08	1,772.33	A	S	VOIDED 2010 REISSUE
067869	02/01/13	KIRCHNER	JENNIFER S	30,258.55	6,051.71	24,206.84	A	S	VOID AND REISSUE
067903	02/15/13	BUTCHER	CAROLYN	575.79		575.79	A	S	CA
067904	02/15/13	SCHWIERJOHN	CARRIE	7,225.21	1,445.04	5,780.17	A	S	CA
067905	02/15/13	DUKE-CAMPBELL	MERI	13,712.49	2,742.50	10,969.99	A	S	
067906	02/15/13	HATCHER	FELICIA	3,338.94	667.79	2,671.15	A	S	
067907	02/15/13	MILLER	KATHERINE	19,321.04	3,864.21	15,456.83	A	S	
067908	02/15/13	NICHOLSON	MARGARET	13,885.81	2,777.16	11,108.65	A	S	
067909	02/15/13	SCHARES	KATHERINE R	5,185.65	1,037.13	4,148.52	A	S	
067910	02/15/13	COFFMAN	PAUL	3,070.36	614.07	2,456.29	A	S	VOID AND REISSUE
			TOTAL	**$ 134,477.77**	**$ 35,969.44**	**$ 98,508.33**			

Distributions - March 2013

CHECK NUMBER	CHECK DATE	LAST NAME	FIRST NAME/MI	GROSS (B+C)	FEDERAL TAXES W/H	NET PAY	STATUS A(ctive) R(etired)	D(eath) S(eparation) E(nd of DROP)	NOTES
067869	02/01/13	KIRCHNER	JENNIFER S	(30,258.55)	(6,051.71)	(24,206.84)	A	S	VOID AND REISSUE
067939	03/01/13	CABRAL	TODD P	903.75	180.75	723.00	A	S	CA
067940	03/01/13	WRIGHT	ANGELA	1,302.37	260.47	1,041.90	A	S	PRECLARUS
067941	03/01/13	ZELLERMAN	KELLY	1,426.25	285.25	1,141.00	A	S	GSA
067942	03/01/13	HALL	CHRISTINE E	15,325.45		15,325.45	A	S	
067943	03/01/13	PELLMAN	JAMES W	5,117.85		5,117.85	A	S	
067944	03/01/13	POWELL-CHILDRESS	TAMEKA	4,213.00	842.60	3,370.40	A	S	
067945	03/01/13	RUCKER	ALICE J	123,814.28		123,814.28	R	E	
067946	03/01/13	RUCKER	ALICE J	11,941.07		11,941.07	R	E	
067947	03/01/13	KIRCHNER	JENNIFER S	30,258.55		30,258.55	A	S	VOID AND REISSUE
067970	03/15/13	AYERS	JOSEPH	2,917.57	583.51	2,334.06	A	S	LFL
067971	03/15/13	CAVITT	DENISE	26,033.80	5,206.76	20,827.04	A	S	STL
067972	03/15/13	CHANCE	KENNETH B	4,292.33	858.47	3,433.86	A	S	ICP
067974	03/15/13	MCCASLAND	MEGAN	6,209.13		6,209.13	A	S	STL
067975	03/15/13	OWATOYE	WILFRIED	1,061.38		1,061.38	A	S	SLLIS
067976	03/15/13	ROBINSON	LINDSAY	417.32	83.46	333.86	A	S	SLLIS
067977	03/15/13	GERAGOSIAN	CYNTHIA L	10,319.32		10,319.32	A	S	
067978	03/15/13	MOSKAL	RACHEL	1,103.87		1,103.87	A	S	
067979	03/15/13	SEGLER	MEHRA	8,598.84		8,598.84	A	S	
067980	03/15/13	SPEER	RANDY	1,029.44	205.89	823.55	A	S	
067981	03/15/13	TAYLOR	GEORGE	263.10	52.62	210.48	A	S	
067982	03/15/13	WARD	SHANA M	27,855.76	5,571.15	22,284.61	A	S	
067983	03/15/13	WILLIAMS	CARL E	2,274.72	454.94	1,819.78	A	S	
067984	03/15/13	BAILEY	KRISTIAN	1,436.52	143.65	1,292.87	A	D	DEC: C BAILEY
067986	03/15/13	BAILEY	BRITANEE	1,436.53	143.65	1,292.88	A	D	DEC: C BAILEY
067987	03/15/13	HYLEN	MICHAEL	2,874.52		2,874.52	A	S	SEF
			TOTAL	**$ 262,168.17**	**$ 8,821.46**	**$ 253,346.71**			

Public School Retirement System of the City of St. Louis
Checks Written During the Month of February, 2013

Payee	Ck. Number	Description	Amount
Date Paid February 5, 2013			
Ameren UE	67870	Electric Service	2,869.17
Longfellow Benefits	67871	Group Insurance Consulting Services	3,320.25
BuildingStars STL Operations, Inc.	67872	Janitorial Services and Supplies	1,725.65
Blade Technologies, Inc.	67873	Professional Services	2,340.00
Digital Intersection	67874	Monthly Data Center Housing - January	150.00
Purchase Power	67875	Postage	1,561.71
St. Louis Parking Company	67876	2 Books of 1 Hour Coupons	200.00
Access Courier, Inc.	67877	Courier Service	9.80
Eazy Business Mailers, Inc.	67878	Postage & Service - 1099R Tax Forms	3,018.20
Evault, Inc.	67879	Disaster Recovery Site	1,040.00
AT&T Long Distance	67880	Long Distance	52.54
City of St. Louis - ARFAM	67881	False Alarm Fee	25.00
Allied Waste Services #346	67882	Trash Pick-Up	356.61
CBRE	67883	Building Management Fee - January	1,057.21
CBRE Technical Services	67884	Engineer Services	650.00
Jarrell Mechanical Contractors	67885	4th Quarter - HVAC Equipment Inspection	709.00
St. Louis Mat & Linen Company	67886	Floor Mats	32.00
Delta Pest Stl. Inc.	67887	Pest Control	50.00
Tech Electronics, Inc.	67888	Central Monitoring of Fire Alarm System	87.00
Loomis, Sayles & Company, L.P.	67889	4th Quarter 2012 Management Fee	56,267.46
Manulife Asset Management U.S. LLC	67890	4th Quarter 2012 Management Fee	39,044.81
New Amsterdam Partners, LLC	67891	4th Quarter 2012 Management Fee	22,867.52
The Edgar Lomax Company	67892	4th Quarter 2012 Management Fee	39,086.86
INTECH Investment Management LLC	67893	4th Quarter 2012 Management Fee	27,422.39
Westfield Capital Management Company, LP	67894	4th Quarter 2012 Management Fee	52,400.93
Causeway Capital Management LLC	67895	4th Quarter 2012 Management Fee	70,107.66
Batterymarch Financial Management, Inc.	67896	4th Quarter 2012 Management Fee	26,980.75
TCW Asset Management Company	67897	4th Quarter 2012 Management Fee	45,568.39
Holland Capital Management, LLC	67898	4th Quarter 2012 Management Fee	43,804.03
US Bank	67899	4th Quarter 2012 Custodial Fees	35,630.09
Board of Education St. Louis Benefits Trust	67900	Office Employees Insurance - Dental	224.67
Board of Education St. Louis Benefits Trust	67901	Office Employees Insurance - Vision	15.37
Board of Education St. Louis Benefits Trust	67902	Office Employees Insurance - Life	110.95
Date Paid February 8, 2013			
Office Payroll	ACH	Office Payroll	10,828.84
AXA Equitable	ACH	457 Contributions	1,485.00
Date Paid February 20, 2013			
Absopure Water Company	67911	Water Cooler Service	74.85
Buck Consultants, LLC	67912	Actuarial Consulting Services - Jan. & Feb.	6,466.00
Eazy Business Mailers, Inc.	67913	Postage & Service - Insurance Letters, Postage	2,171.84
Windstream Communications	67914	Telephone, Data	359.79
PMI Computer Supplies	67915	Office Supplies	347.73
AT&T	67916	Monthly Service Charge #314 652-1704 033 4	248.43
AT&T Long Distance	67917	Long Distance	16.79
Anders (formerly Huber Ring & Helm)	67918	Audit of Financial Statements	7,150.00
Minuteman Press	67919	Envelopes	69.18
MSD	67920	Sewer Service	50.07

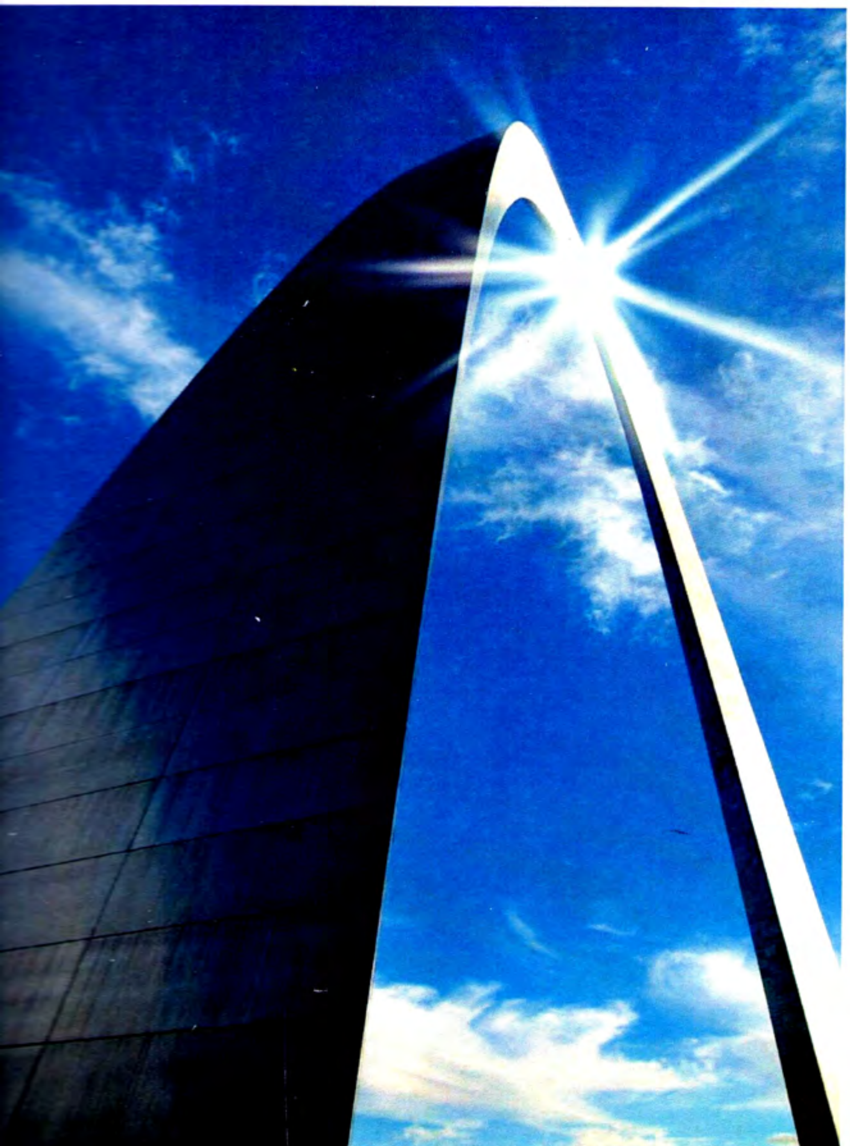
Public School Retirement System of the City of St. Louis
Checks Written During the Month of February, 2013

Payee	Ck. Number	Description	Amount
BarnesCare	67921	Carl E. Harris, Cheryl D. Turner	200.00
Pitney Bowes, Inc.	67922	Renewal of Maintenance Agreements	3,687.60
Andew Clark	67923	Printing and Supplies	235.22
BuildingStars STL Operations, Inc.	67924	Janitorial Supplies	151.50
Cintas Corporation	67925	Infoport	406.10
Hartnett Gladney Hetterman, L.L.C.	67926	Legal Fees	5,863.50
Konika Minolta Business Solutions USA Inc.	67927	Quarterly Service	1,038.30
Micro Focus (US), Inc.	67928	Supportline Renewal	1,314.42
UnitedHealthcare Insurance Company	67929	Michigan 1% Assessment, Nov. & Dec., 2012	21.01
CBRE	67930	Management Fee, February 2013	1,057.21
St. Louis Mat & Linen Company	67931	Floor Mats	40.00
Delta Pest Stl. Inc	67932	Pest Control	50.00
Chicago Equity Partners, LLC	67933	4th Quarter 2012 Management Fee	43,301.31
EARNEST Partners, LLC	67934	4th Quarter 2012 Management Fee	13,175.58
NEPC, LLC	67935	4th Quarter 2012 Consulting Fee	34,605.94
NEPC, LLC	67936	4th Quarter 2012 Alt. Investment Mgmt. Fee	12,500.00
Date Paid February 22, 2013			
Office Payroll	ACH	Office Payroll	10,828.84
AXA Equitable	ACH	457 Contributions	1,485.00
Date Paid February 25, 2013			
CGI Security, Inc.	67937	Security Guard 12/17/2012	144.00
St. Louis Parking Company	67938	Monthly Parking - 4 Employees	240.00
		TOTAL	**$638,400.07**

Public School Retirement System of the City of St. Louis
Checks Written During the Month of March, 2013

Payee	Ck. Number	Description	Amount
Date Paid March 5, 2013			
Ameren UE	67948	Electric Service	2,423.48
Longfellow Benefits	67949	Group Insurance Consulting Services	3,320.25
Blade Technologies, Inc.	67950	Professional Services	3,957.50
Digital Intersection	67951	Monthly Data Center Housing - February	150.00
Purchase Power	67952	Postage	500.00
Pitney Bowes, Inc.	67953	Rental and Supplies	447.00
Access Courier, Inc.	67954	Courier Service	11.73
Eazy Business Mailers, Inc.	67955	Postage & Service - Newsletter, Postage	3,675.97
Evault, Inc.	67956	Disaster Recovery Site	1,086.13
PMI Computer Supplies	67957	Office Supplies	380.55
Minuteman Press	67958	Winter 2013 Newsletters	1,420.88
BarnesCare	67959	Helen M. Lindsey, Genia Perkins	200.00
Hartnett Gladney Hettterman, L.L.C.	67960	Legal Fees	2,914.00
CGI Security, Inc.	67961	Security Guard, 02/25/2013	144.00
Micro Focus (US), Inc.	67962	Micro Focus License Agreement	9,911.00
Tom Kinealy	67963	Software	56.95
CBRE Technical Services	67964	Engineer Services	468.00
Tech Electronics, Inc.	67965	Test of Security Alarm	325.00
SiteStuff, Inc.	67966	Supplies	49.40
Board of Education St. Louis Benefits Trust	67967	Office Employees Insurance - Dental	224.67
Board of Education St. Louis Benefits Trust	67968	Office Employees Insurance - Vision	15.37
Board of Education St. Louis Benefits Trust	67969	Office Employees Insurance - Life	110.95
Date Paid March 8, 2013			
Office Payroll	ACH	Office Payroll	10,828.84
AXA Equitable	ACH	457 Contributions	1,485.00
Date Paid March 20, 2013			
Absopure Water Company	67988	Water Cooler Service	96.80
Buck Consultants, LLC	67989	Actuarial Consulting Services - Feb. & March	6,566.00
Windstream Communications	67990	Telephone, Data	364.20
PMI Computer Supplies	67991	4 Five Drawer Lateral Filing Cabinets	2,600.00
AT&T	67992	Monthly Service Charge #314 652-1704 033 4	248.43
AT&T	67993	Monthly Service Charge #314 533-0531 631 1	714.00
AT&T	67994	Monthly Service Charge #314 534-7805 631 4	503.13
Minuteman Press	67995	Town Hall Meeting	650.00
BuildingStars STL Operations, Inc.	67996	Janitorial Service	1,326.00
Cintas Corporation	67997	Infoport	406.10
Blade Technologies, Inc.	67998	Professional Services	860.00
Purchase Power	67999	Postage	1,000.00
Micro Focus (US), Inc.	68000	Micro Focus License Agreement	9,911.00
Gregory F.X. Daly, Collector of Revenue	68001	Water - City	115.66
VOID	68002	Void	0.00
CBRE	68003	Building Management Fee, March 2013	1,057.21
Full Care	68004	Snow & Ice Removal, February 23, 24, 25, 27	755.00
CBRE Technical Services	68005	Engineer Services	416.00
St. Louis Mat & Linen Company	68006	Floor Mats	32.00
Date Paid March 22, 2013			
Office Payroll	ACH	Office Payroll	10,828.84
AXA Equitable	ACH	457 Contributions	1,485.00
KDE Precision, Inc.	68007	Return of Decommissioned Equipment	470.03
Andrew Clark	68008	Misc. Trustee Expenses	15.85
MSD	68009	Sewer Service	50.07
		TOTAL	**$84,577.99**

Public School Retirement System
Of the City of St. Louis
Financial Statements and
Independent Auditors' Report
December 31, 2012 and 2011



PUBLIC SCHOOL RETIREMENT SYSTEM

OF THE CITY OF ST. LOUIS

ANDERS
CPAs + ADVISORS

PUBLIC SCHOOL RETIREMENT SYSTEM
OF THE CITY OF ST. LOUIS

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2012 AND 2011

Contents

The Management Discussion and Analysis ("MD&A") for the Public School Retirement System of the City of St. Louis ("PSRSSTL") is provided to comply with Governmental Accounting Standard No. 34. The purpose of the MD&A is to provide an overview of PSRSSTL financial activities for the fiscal year ended December 31, 2012. This MD&A should be read in conjunction with the PSRSSTL financial statements and supplemental information.

FINANCIAL HIGHLIGHTS

PSRSSTL net assets were $896,542,173 on December 31, 2012, which represents an increase of $28,456,155 from December 31, 2011. This increase is due to the appreciation of the fair market value of investments and indicative that extreme volatility seen in the financial markets during the latter half of 2011 began to stabilize during the fiscal year ended December 31, 2012.

The overall investment return for PSRSSTL investments was 12.4% for fiscal year 2012 and (0.1)% for fiscal year 2011. The positive investment return in fiscal year 2012 compared to the flat investment return in fiscal year 2011 reflects a continued positive recovery from the recession that in retrospect began as long ago as 2007. 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. The actuarially assumed rate of return remained at 8% during fiscal year 2012.

Additions to net assets were $140 million and $35 million for each of the fiscal years 2012 and 2011, respectively. The primary addition to net assets was investment income of $98 million in fiscal year 2012 compared to employer contributions of $29 million in fiscal year 2011. The secondary addition to net assets came from employer contributions of $30 million in fiscal year 2012 compared to member contributions of $11.9 million in fiscal year 2011.

Deductions from net assets were $111 million and $109 million in fiscal years 2012 and 2011, respectively. The nearly $2 million variance in deductions from net assets between fiscal years 2012 and 2011 is mostly due to the increase in refunds to members during fiscal year 2012.

During 2012, the Board of Trustees maintained the Asset Allocation Policy adopted in 2010 but replaced a couple of money managers in the Large Cap Growth Equity asset class with two new managers. The Board of Trustees hired Holland Capital Management and TCW Asset Management Company to manage Large Cap Growth Equity portfolios and invested $28 million with each manager for a total of $56 million. The investments were funded by re-allocating funds within Large Cap Growth Equities.

FINANCIAL STATEMENTS

The PSRSSTL financial report consists of two financial statements, (1) the Statement of Plan Net Assets and (2) the Statement of Changes in Plan Net Assets. The Statement of Plan Net Assets provides details concerning PSRSSTL assets and related liabilities other than benefit obligations. PSRSSTL net assets reflect the resources available for future benefit payments. The Statement of Changes in Plan Net Assets provides details concerning PSRSSTL financial activity during fiscal year 2012 that lead to the change in Plan Net Assets from fiscal year 2011 to fiscal year 2012.

In addition to the financial statements, the financial report contains notes to the financial statements and supplemental information that provide further information for use in analyzing the financial statements as well as actuarial information related to the funded status of PSRSSTL.

FINANCIAL ANALYSIS

On December 31, 2012, total assets for PSRSSTL were $897,380,844 and comprised of cash, an office building, receivables and investments. During fiscal year 2012, the increase in Total Assets for PSRSSTL was 3.3% or $28,452,398, over fiscal year 2011 due to a higher market value appraisal of PSRSSTL investments.

On December 31, 2012, total liabilities for PSRSSTL were $838,671 and consisted of accounts payable and accrued expenses. Total liabilities in fiscal year 2012 decreased by 0.4%, or $3,757, over fiscal year 2011.

On December 31, 2012, net assets held in trust to pay pension benefits were $896,542,173, an increase of 3.3%, or $28,456,155, over fiscal year 2011.

Condensed Statements of Plan Net Assets

			Total Change	
	FY 2012	FY 2011	Amount	Percentage
ASSETS				
Cash	$ 9,931,619	$ 10,605,614	$ (673,995)	-6.4%
Receivables	1,999,802	2,095,857	(96,055)	-4.6%
Investments	883,364,528	854,074,641	29,289,887	3.4%
Property and building	2,084,895	2,152,334	(67,439)	-3.1%
Total assets	897,380,844	868,928,446	28,452,398	3.3%
LIABILITIES				
Accounts payable	838,671	842,428	(3,757)	-0.4%
Total current liabilities	838,671	842,428	(3,757)	-0.4%
NET ASSETS	$ 896,542,173	$ 868,086,018	$ 28,456,155	3.3%

REVENUES – ADDITIONS TO PLAN NET ASSETS

The assets that are required to finance PSRSSTL retirement benefits are accumulated through receipt of employer and member contributions as well as through earnings on investments. For fiscal year 2012, employer contributions were $30 million; member contributions were $12.1 million; and net investment income was $98 million.

Employer and member contributions combined increased by $1.1 million in fiscal year 2012 as compared to fiscal year 2011 primarily because of the increase in the required employer contributions from 10.03% of covered compensation in fiscal year 2011 to 11.88% in fiscal year 2012. The PSRSSTL Actuary determines the amount of employer contributions as part of the Annual Actuarial Valuation Report. The active member contribution rate of 5% of normal compensation has been in effect since July 1, 1999.

Net investment income was $103 million more in fiscal year 2012 than in fiscal year 2011 because investment earnings were 12.4% for fiscal year 2012 as compared with (0.1)% for fiscal year 2011. Net investment income (loss) of $98,065,562 and $(5,550,568) in fiscal years 2012 and 2011, respectively, reflect gross investment income less investment related expenses, such as investment manager and custodial fees.

EXPENSES – DEDUCTIONS FROM PLAN NET ASSETS

The primary deductions from plan net assets were retirement and death benefits paid to retired members and their beneficiaries, retiree healthcare subsidies and refunds to members who retired or terminated employment. PSRSSTL administrative expenses in fiscal year 2012 were approximately 0.16% of assets.

Condensed Statements of Changes in Plan Net Assets

			Total Change	
	FY 2012	FY 2011	Amount	Percentage
ADDITIONS				
Employer contributions	$ 29,551,964	$ 28,720,193	$ 831,771	2.9 %
Member contributions	12,147,663	11,879,052	268,611	2.3 %
Net investment income (loss)	98,065,562	(5,550,568)	103,616,130	1,866.8 %
Rental income	134,813	131,119	3,694	2.8 %
Total additions	139,900,002	35,179,796	104,720,206	297.7 %
DEDUCTIONS				
Retirement/death benefits	101,915,867	101,993,058	(77,191)	(0.1) %
Health care subsidies	2,752,751	2,825,430	(72,679)	(2.6) %
Administrative expenses	1,450,265	1,432,914	17,351	1.2 %
Refunds to members	4,773,609	3,242,200	1,531,409	47.2 %
Total deductions	110,892,492	109,493,602	1,398,890	1.3 %
Other Income (expenses)	(551,355)	230,717	(782,072)	(339.0) %
CHANGE IN NET ASSETS	$ 28,456,155	$ (74,083,089)	$ 102,539,244	138.4 %

FINANCIAL SUMMARY

For more than a decade, the PSRSSTL Investment Consultant has consistently calculated the fund's investment performance; thereby, providing a valid basis on which performance can be compared with other public pension funds. For instance, PSRSSTL investment returns have performed consistently when compared to other public pension funds with the cumulative PSRSSTL returns ranking in the top 10% of public plans for the ten-year period ended December 31, 2012.

Net plan assets over this same timeframe have fluctuated all the way from a high of $1.15 billion in fiscal year 2007 to a low of $810 million in fiscal year 2008. At the end of fiscal year 2012, net plan assets were $897 million, ending up between the ten-year high and low. This fluctuation in the value of net plan assets from year-to-year can be attributed to financial market conditions that have caused several large spikes followed by big losses of investment returns throughout the past ten-year period.

Over the same period, the funded status of the PSRSSTL plan, using the Government Accounting Standards Board (GASB) calculation method, has remained stable, fluctuating within the range of 80.5% in 2002 to 88.6% in 2011. The funded ratio of a plan compares its assets to its liabilities, which, on an actuarial basis, measures a plan's ability to fulfill the obligations it has to its members. The funded ratio of the PSRSSTL plan for fiscal year 2012 was 84.9%, which falls in the middle between the highest and lowest funded ratio for PSRSSTL since the system began tracking the ratio under the GASB method in 1992.

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

REQUESTS FOR INFORMATION

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

ANDERS
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Independent Auditors' Report

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

We have audited the accompanying financial statements of the Public School Retirement System of the City of St. Louis (the "System") which comprise the statements of plan net assets as of December 31, 2012 and 2011 and the related statements of changes in plan net assets for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, 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, 2012 and 2011 and the changes in plan net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 2 to the financial statements, the financial statements include investments that are not listed on national exchanges or for which quoted market prices are not available. These investments include limited partnerships, venture capital partnerships and real estate partnerships. Such investments totaled $70,272,039 and $73,292,125 (8% in 2012 and 2011 of total assets) at December 31, 2012 and 2011, respectively. Where a publicly listed price is not available, the management of the System uses alternative sources of information including audited financial statements, unaudited interim reports, independent appraisals, and similar evidence to determine the fair value of the investments.

Report on Additional Information

Our audits were conducted for the purpose of forming an opinion on the financial statements 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 26 – 27 are not a required part of the basic financial statements of the System, but are supplemental information required by the Governmental Accounting Standards Board. Such information is the responsibility of the System's management and was derived from and relates directly to the underlying accounting, and other records used to prepare the financial statements. For the supplemental management discussion and analysis, we have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measuring and presentation. The schedules of funding progress and employer contributions, and the schedules of operating expenses found on pages 28 – 29 have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying and other accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America in our opinion, the information's fairly stated in all material respects in relation to the financial statements as a whole. The management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Anders Minkler Huber & Helm LLP

April 12, 2013

PUBLIC SCHOOL RETIREMENT SYSTEM
OF THE CITY OF ST. LOUIS

STATEMENTS OF PLAN NET ASSETS

DECEMBER 31, 2012 AND 2011

ASSETS

	2012	2011
CASH	$ 9,931,619	$ 10,605,614
RECEIVABLES		
Accrued interest and dividends	1,999,802	2,095,857
INVESTMENTS, at fair value		
Cash equivalents	33,492,721	37,627,622
Bonds		
U.S. Government and agency issues	43,778,548	50,200,578
Corporate	56,771,927	51,286,089
Foreign investments (bonds and stocks)	106,939,798	95,408,493
Common and preferred stocks	233,243,085	224,917,277
Mutual funds	322,018,950	301,124,937
Real estate partnerships	45,034,321	46,725,649
Credit opportunity investments	16,877,460	20,217,520
Limited partnerships	23,352,373	24,660,720
Venture capital partnerships	1,855,345	1,905,756
Total investments	883,364,528	854,074,641
PROPERTY and BUILDING, net	2,084,895	2,152,334
Total assets	897,380,844	868,928,446
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	838,671	842,428
NET ASSETS (HELD IN TRUST FOR PENSION BENEFITS)	$ 896,542,173	$ 868,086,018

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

PUBLIC SCHOOL RETIREMENT SYSTEM
OF THE CITY OF ST. LOUIS

STATEMENTS OF CHANGES IN PLAN NET ASSETS

YEARS ENDED DECEMBER 31, 2012 AND 2011

ADDITIONS	2012	2011
Employer contributions		
St. Louis Public Schools	$ 20,786,075	$ 19,933,761
Charter Schools	5,533,481	4,521,680
Retirement System	73,902	57,964
Sick leave conversion	3,158,506	4,206,788
Employee contributions		
St. Louis Public Schools	9,623,366	9,480,801
Charter Schools	2,499,279	2,369,287
Retirement System	25,018	28,964
	41,699,627	40,599,245
Net appreciation (depreciation) in fair value of investments		
Cash equivalents	195,643	173,183
Bonds		
U.S. Government and agency issues	2,282,446	4,839,701
Corporate	9,198,965	318,726
Foreign investments	13,497,532	(2,869,585)
Common and preferred stock	33,226,079	6,327,330
Mutual funds	36,144,028	(20,035,929)
Limited partnerships	334,087	2,511,653
Real estate partnerships	4,777,693	6,309,362
Venture capital partnerships	(50,411)	(61,874)
Credit opportunity investments	2,751,590	908,948
	102,357,652	(1,578,485)
Less investment expense	4,292,090	3,972,083
Net investment income (loss)	98,065,562	(5,550,568)
Rental income	134,813	131,119
Other miscellaneous income (expense)	(551,355)	230,717
Net additions	139,348,647	35,410,513

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

PUBLIC SCHOOL RETIREMENT SYSTEM
OF THE CITY OF ST. LOUIS

STATEMENTS OF CHANGES IN PLAN NET ASSETS (CONTINUED)

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
DEDUCTIONS		
Benefits paid		
Retirement and death benefits	$ 101,915,867	$ 101,993,058
Health care subsidies and supplemental payments	2,752,751	2,825,430
	104,668,618	104,818,488
Operating expenses	1,450,265	1,432,914
Contribution refunds due to death or resignation	4,773,609	3,242,200
Total deductions	110,892,492	109,493,602
INCREASE (DECREASE) IN PLAN NET ASSETS	28,456,155	(74,083,089)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS BEGINNING OF YEAR		
As previously reported		937,594,203
Adjustment for change in method of reporting for certain investments		4,574,904
Balance at beginning of year, as restated	868,086,018	942,169,107
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS END OF YEAR	$ 896,542,173	$ 868,086,018

The accompanying notes are an integral part of these 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, and of all employees of the Public School Retirement System of the City 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 and Eligibility

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

	January 1, 2012	January 1, 2011
Active members	4,784	4,336
Inactive members	1,958	1,935
Total members not retired	6,742	6,271
Retired members		
Service and survivors	4,265	4,312
Disability	299	275
	4,564	4,587
Total membership	11,306	10,858

Vesting

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

NOTE 1 – DESCRIPTION OF SYSTEM (CONTINUED)

Funding Policy

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

Benefits

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

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

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

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

Benefits are recorded when paid.

Return of Contributions Upon Death

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

Contributions by Participants

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

Contributions by Employers

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

Expenses

Administrative expenses are paid out of investment income.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Plan member contributions 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.

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.

Receivables

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

Tax Status

The Internal Revenue Service has determined and informed the System by a letter dated June 15, 2012, that the Plan and related trust and amendments to date are designed in accordance with the applicable sections of the IRC. The System believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC Section 413(c) and therefore believes that the Plan is qualified and the related trust is tax-exempt.

Method Used to Value Investments

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.

Limited partnerships

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

Alternative investments

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

Net Appreciation (Depreciation) in Fair Value of Investments

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

Furniture and Equipment

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

Property and Building

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

Prior Period Adjustment

The accompanying financial statements for 2011 reflect the change in valuing limited partnerships and venture capital partnerships from the cost basis to fair market value at January 1, 2011. Accounts that were adjusted during this conversion include limited partnerships, venture capital partnerships, their respective appreciation (depreciation) in fair value of investments and net assets held in trust for pension benefits. The correction increased beginning net assets as of January 1, 2011 $4,574,904.

Reclassifications

Certain reclassifications have been made to the prior year's amounts to make them consistent with the December 31, 2012 presentations.

NOTE 3 – INVESTMENTS

At December 31, 2012 and 2011, investments consisted of the following:

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

	2011	
	Fair Value	Cost
Cash equivalents	$ 37,627,622	$ 37,627,622
Bonds		
U.S. Government and agency issues	50,200,578	48,410,588
Corporate	51,286,089	50,679,825
Foreign investments	95,408,493	100,001,462
Common and preferred stocks	224,917,277	204,874,313
Mutual funds	301,124,937	261,413,802
Real estate partnerships	46,725,649	45,752,389
Credit opportunity investments	20,217,520	16,574,127
Limited partnerships	24,660,720	22,148,598
Venture capital partnerships	1,905,756	566,740
	$ 854,074,641	$ 788,049,466

NOTE 4 – OCCUPANCY

The System occupies offices in a building it owns. Occupancy expenses for the years ended December 31, 2012 and 2011 were $27,005 and $27,917, respectively.

On May 7, 2009, the System entered into an agreement to lease a portion of its building to an unrelated party. The initial lease term is five years with annual rent ranging from $125,579 to $140,353. There are also five one-year renewal options. Rental income received for the years ended December 31, 2012 and 2011 totaled $134,813 and $131,119, respectively.

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, 2012 and 2011, the System had approximately $10,453,000 and $11,063,000, respectively, in cash on deposit at US Bank. These balances were insured by the Federal Deposit Insurance Corporation ("FDIC") for $250,000 per account. The remaining balances are collateralized by US Bank's assets held jointly in the name of US Bank, N.A. and the System, held by the Federal Home Loan Bank of Cleveland as Trustee. Regulations require that government entities, in case of bank failure, have collateral to cover losses that could exceed the FDIC limit of $250,000. The market value of the collateralized securities at December 31, 2012 and 2011 was $11,000,000 and $12,094,530, respectively. A significant portion of the System's investments is held in trust by US Bank of St. Louis, N.A.

On December 28, 2012 and December 30, 2011, the System received $23,893,293 and $24,084,882, respectively from the St. Louis Board of Education for the 2012 and 2011 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, 2012, 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	$ 44,501,975	5.0%
Real Estate Investments		
UBS Global Asset Management	$ 45,034,321	5.1%

NOTE 5 – RISKS AND UNCERTAINTIES (CONTINUED)

Credit Risk of Debt Securities

The System's rated debt investments as of December 31, 2012 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 Instrument Value	AAA	AA1	AA2
Corporate bonds and debentures	$ 3,488,115	$ 657,016	$ 729,465
Foreign government and corporate obligations	15,665,645		1,565,275
US government and agency issues	10,039,456		
	$ 29,193,216	$ 657,016	$ 2,294,740
	AA3	A1	A2
Corporate bonds and debentures	$ 782,013	$ 1,522,677	$ 2,558,281
Foreign government and corporate obligations	17,357,661	49,490	4,127,733
US government and agency issues		36,549	
	$ 18,139,674	$ 1,608,716	$ 6,686,014
	A3	BAA1	BAA2
Corporate bonds and debentures	$ 1,412,670	$ 1,785,203	$ 4,781,597
Foreign government and corporate obligations	552,436	5,643,406	1,666,393
	$ 1,965,106	$ 7,428,609	$ 6,447,990
	BAA3	BA1	BA2
Corporate bonds and debentures	$ 5,643,752	$ 2,555,678	$ 1,747,204
Foreign government and corporate obligations	878,738	1,240,489	839,622
	$ 6,522,490	$ 3,796,167	$ 2,586,826

NOTE 5 – RISKS AND UNCERTAINTIES (CONTINUED)

Credit Risk of Debt Securities (Continued)

	Fair Quality Ratings		
Rate Debt Instrument Value	BA3	B1	B2
Corporate bonds and debentures	$ 2,254,117	$ 3,573,605	$ 1,842,517
Foreign government and corporate obligations	2,574,776	847,675	120,175
	$ 4,828,893	$ 4,421,280	$ 1,962,692

	B3	CAA1	CAA2
Corporate bonds and debentures	$ 7,389,146	$ 3,327,750	$ 1,161,270
Foreign government and corporate obligations	111,700		203,645
	$ 7,500,846	$ 3,327,750	$ 1,364,915

	CAA3	CA	C
Corporate bonds and debentures	$ 494,665	$ 279,750	$ 4,851
Foreign government and corporate obligations	549,900	116,600	
	$ 1,044,565	$ 396,350	$ 4,851

	Unrated
Corporate bonds and debentures	$ 8,780,582
Foreign government and corporate obligations	1,062,417
US government and agency issues	33,702,544
	$ 43,545,543

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 as of December 31, 2012 is presented in the following table:

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

NOTE 5 – RISKS AND UNCERTAINTIES (CONTINUED)

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 the fair values of investments.

Investment Type	Fair Value	Maturity < 1 year	Maturity 1 - 5 years
Corporate bonds and debentures	$ 56,771,927	$ 508,080	$ 15,659,466
Foreign government and corporate obligations	55,173,776	1,637,514	25,981,485
US government and agency issues	43,778,548		3,236,989
	$ 155,724,251	$ 2,145,594	$ 44,877,940

Investment Type	6 - 10 years	10+ years
Corporate bonds and debentures	$ 17,357,659	$ 23,246,722
Foreign government and corporate obligations	19,564,934	7,989,843
US government and agency issues	7,744,413	32,797,146
	$ 44,667,006	$ 64,033,711

NOTE 6 – PROPERTY AND BUILDING

Property and Building as of December 31, 2012 and 2011 consists of:

	2012	2011
Land	$ 229,451	$ 229,451
Building	2,065,061	2,065,061
Tenant improvements	158,120	158,120
	2,452,632	2,452,632
Less accumulated depreciation	367,737	300,298
Total Property and Building	$2,084,895	$ 2,152,334

NOTE 7 –FAIR VALUE MEASUREMENTS

The System follows Financial Accounting Standards Board Accounting Standards Codification 820 ("FASB ASC 820"), "Fair Value Measurements and Disclosures" which establishes a framework for measuring fair value and expands disclosures about fair value measurements. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels explained below:

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.

Non-financial assets such as property and equipment are measured at fair value when there is an indicator of impairment and adjusted to fair value only when impairment is recognized.

The carrying amounts of cash, cash equivalents, accrued interest and dividends, 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.

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, 2012 and 2011.

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: (Cash equivalents) Valued based on yields currently available on comparable securities of issuers with similar credit rating.

Limited partnerships: Valued based on valuations of the underlying companies of the limited partnerships as reported by the general partner.

Real estate partnerships – Insurance Contracts: Valued at fair value as determined by the insurance companies.

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

Venture capital partnerships: Valued by investment advisors based upon audited financials, other practices, and other information provided by the underlying investment advisor.

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, 2012:

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

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, 2011:

	Level 1	Level 2	Level 3
Credit opportunity investments	$ 20,217,520		
U.S. Government and other agency issues		$ 50,200,578	
Corporate bonds		51,286,089	
Foreign investments		95,408,493	
Common stocks	224,917,277		
Mutual funds	301,124,937		
Money market accounts		37,627,622	
Real estate partnerships			$ 46,725,649
Limited partnerships			24,660,720
Venture capital partnerships			1,905,756
	$ 546,259,734	$ 234,522,782	$ 73,292,125

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, 2012:

	Venture Capital Partnerships	Limited Partnerships
Balance, beginning of the year	$ 1,905,756	$ 24,660,720
Purchases, sales, issuances, and settlements (net)		(1,579,754)
Investment income (net)	90,087	
Realized gains (losses)	(1,475)	1,546,463
Unrealized losses	(139,023)	(1,275,056)
Balance, end of year	$ 1,855,345	$ 23,352,373

	Real Estate Partnerships
Balance, beginning of the year	$ 46,725,649
Purchases, sales, issuances, and settlements (net)	(6,000,000)
Investment income (net)	2,251,036
Realized gains	16,718
Unrealized gains	2,509,939
Management fees	(469,021)
Balance, end of year	$ 45,034,321

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, 2011:

	Venture Capital Partnerships	Limited Partnerships
Balance, beginning of the year as previously reported	$ -	$ 21,702,478
Adjustment for change in reporting method	2,076,207	2,498,697
Balance, beginning of the year as restated	2,076,207	24,201,175
Purchases, sales, issuances, and settlements (net)	108,577	(2,048,628)
Investment income (net)	171,903	
Realized gains	139,776	2,204,987
Unrealized gains (losses)	(590,707)	303,186
Balance, end of year	$ 1,905,756	$ 24,660,720

	Real Estate Partnerships
Balance, beginning of the year	$ 47,890,147
Purchases, sales, issuances, and settlements (net)	(7,000,000)
Investment income (net)	2,488,949
Realized losses	(5,564)
Unrealized gains	3,825,976
Management fees	(473,859)
Balance, end of year	$ 46,725,649

NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

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

	Fair Value	Valuation Techniques	Unobservable Input
December 31, 2012			
Limited Partnerships	$ 23,352,373	Basis in LLC	Undistributed Income
Real Estate Partnerships	45,034,321	Basis in LLC	Undistributed Income
Venture Capital Partnerships	1,855,345	Basis in LLC	Undistributed Income
December 31, 2011			
Limited Partnerships	$ 24,660,720	Basis in LLC	Undistributed Income
Real Estate Partnerships	46,725,649	Basis in LLC	Undistributed Income
Venture Capital Partnerships	1,905,756	Basis in LLC	Undistributed Income

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

NOTE 9 – PENSION

The funded ratio of a plan compares its assets to its liabilities, on an actuarial basis, measuring a plan's ability to fulfill the obligations it has to its members. The funded ratio of the System's plan for fiscal year 2012 and 2011 was 84.9% and 88.6%, respectively with 2011 as the highest funded ratio for the System since the system began tracking the ratio under the GASB method in 1992.

The schedule of funding progress that is immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

NOTE 10 – REQUIRED ANNUAL CONTRIBUTION

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

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

NOTE 11 – SUBSEQUENT EVENT

The System has evaluated subsequent events through April 12, 2013, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

PUBLIC SCHOOL RETIREMENT SYSTEM
OF THE CITY OF ST. LOUIS

SCHEDULE OF FUNDING PROGRESS
(in millions)

DECEMBER 31, 2012

Actuarial Valuation Date January 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Frozen Entry Age (b)	Unfunded AAL (UAAL) (b-a)
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
2010	950.7	1,076.0	125.3
2011	944.4	1,066.3	121.9
2012	925.4	1,090.3	164.9

Actuarial Valuation Date January 1,	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
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
2010	88.4	242.0	51.8
2011	88.6	218.3	55.8
2012	84.9	234.8	70.3

See independent auditors' report.

PUBLIC SCHOOL RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

DECEMBER 31, 2012

	Employer Contributions	
Year Ended December 31,	Annual Required Contribution	Percent Contributed
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	112.3
2001	18,168,580	100.2
2002	19,076,442	100.6
2003	19,517,288	101.2
2004	19,210,506	132.0
2005	19,364,705	121.4
2006	14,414,133	114.9
2007	17,311,658	129.7
2008	21,021,316	132.5
2009	21,406,949	133.6
2010	19,407,722	134.4
2011	24,264,182	118.4
2012	25,928,658	*

* To be determined at the end of the year.

The information presented in the required supplemental schedules was determined as part of the actuarial valuation prepared by Buck Consultants at January 1, 2012. Additional information related to the above actuarial valuation follows:

Actuarial cost method:	Frozen entry age.
Rate of investment return:	8.00% for 2012 and 2011, net of expenses.
Turnover or withdrawal rates:	Various by age and year of membership based on actual
Mortality or death rates:	RP-2000 Combined Healthy Lives
Disability rates:	RP-2000 Combined Healthy Lives
Rates of retirement between the ages of 55 and 70:	Various based on actual experience of the System.
Rate of salary increases:	Based on actual experience of the System, at the rate of 4.5% per year.
Asset valuation method:	The assumed yield method of valuing assets

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

See independent auditors' report.

PUBLIC SCHOOL RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS

SCHEDULES OF OPERATING EXPENSES

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Actuarial services	$ 146,077	$ 126,165
Accounting and auditing fees	55,552	52,657
Computer programming and consultation	125,590	49,150
Conventions, conferences, seminars		
Executive Director	1,790	447
Trustees (Page 29)	18,979	17,660
Depreciation expense	67,438	67,438
Dues and subscriptions		4,179
Employee benefits	3,455	2,711
Furniture and equipment	566	4,371
Insurance - group health	62,069	68,755
Insurance - casualty and bonding	80,875	75,766
Legal fees and expenses	47,342	70,104
Medical fees	1,300	700
Office repairs and maintenance	40,271	41,902
Office supplies and expenses	10,330	13,140
Postage	89,933	77,121
Pension contribution	73,902	57,964
Printing and publishing	23,749	31,540
Occupancy expense	27,005	27,917
Salaries - administrative and clerical	446,297	513,845
Health insurance consultation	39,843	37,944
Payroll taxes	33,653	39,309
Telephone	16,780	13,354
Utilities	29,654	27,482
Miscellaneous expenses	7,815	11,293
	$ 1,450,265	$ 1,432,914

See independent auditors' report.

PUBLIC SCHOOL RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS

SCHEDULES OF OPERATING EXPENSES (CONTINUED)

YEARS ENDED DECEMBER 31, 2012 AND 2011

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:

	2012	2011
Transportation and registration	$ 8,137	$ 5,068
Lodging, meals, and miscellaneous	10,842	12,592
Total	$ 18,979	$ 17,660

See independent auditors' report.

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

MEMORANDUM

TO: Angela Banks, Christina Bennett, Joe Clark, Sheila Goodwin, Mona Lawton, Yvette Levy, Thaha Menkara, Charles Shelton, Rick Sullivan, Eural Thomas

FROM: Andrew Clark

RE: **Fiduciary Liability Insurance Renewal & Three-Year Crime Insurance Coverage**

DATE: April 15, 2013

The insurance broker, Arthur J. Gallagher Risk Management Services, Inc., has submitted the renewal of the retirement system's Fiduciary Liability Insurance for the period May 20, 2013 - May 20, 2014. The three-year crime insurance term ends on May 20, 2014. If accepted by the Board of Trustees, the insurance carrier and coverage for both types of insurance will remain the same as in 2012 according to the following summary:

Carrier	Coverage Type	Coverage Limit	Coverage Retention	Current (2012) Premium/Fee	Renewal (2013) Premium/Fee
Travelers	Fiduciary Liability	$10,000,000	$0	$50,254	$53,860
Travelers	Crime	$2,000,000 / $100,000	$15,000 / $5,000	$1,713	$1,713
Broker Fee				$14,000	$14,000
Total Cost				$65,967	$69,573

Overall, the insurance broker negotiated a premium rate for the fiduciary liability that held the increase to 7.2% ($3,606) relative to the cost in 2012. Hypothetically, the insurance broker has negotiated costs for a total savings to the retirement system from 2009 - 2013 of $85,395 [($85,231*5)-$72,511-$68,397-$64,312-65,967-69,573] based on the all time high total cost in 2008 of $85,231.

AIG submitted a proposal with an annual premium of $50,702 for the same coverage limit but with coverage retention (a deductible) of $50,000. Travelers' has $0 coverage retention. Additionally, AIG is rated lower in the industry compared to the superior rating held by Travelers.

In 2011, Arthur J. Gallagher Risk Management Services, Inc. negotiated a three–year term for the annual crime insurance premium that remains effective through May 20, 2014. This means the annual crime insurance premium has not increased for six years. And, Travelers has kept the annual liability insurance premium relatively low for five years as compared to the highest premium of $71,518 paid by the retirement system in 2008 for the same coverage.

Recommendation: To accept the renewal of the Fiduciary Liability & Crime Insurance with Travelers as presented by the Executive Director.

2. A single company, except mutual funds, shall neither exceed 10% of the market value of an equity Manager's total portfolio at purchase nor increase to 15% of the Manager's total portfolio.

3. No purchase shall be made by a Manager, which would cause a holding to exceed 10% of the market value of the issue outstanding.

4. There shall be no short selling, securities lending, use of financial futures or other specialized investment activity without the prior approval of PSRSSTL.

5. Equity Managers may invest up to 10% of their portfolios in reserve and cash equivalent investments. However, these investments should be made primarily on the basis of safety and liquidity and only secondarily by yield available. Such securities shall carry ratings the equivalent of Standard & Poor's Corporation A1 or Moody's Investors Service, Inc. P-1.

C. Domestic Fixed-Income Managers

1. Fixed-income securities are to be selected and managed to ensure appropriate quality and maturity exposure, consistent with these guidelines and current money market and economic conditions. "Active" bond management (both for the fixed-income portion of the balanced portfolios and within fixed-income specialist portfolios) is encouraged, as deemed appropriate by the Managers. Fixed-income specialists, except the fixed-income portion of balanced portfolios, may vary their bond commitments from 90-100% of assets under their discretion.

2. As provided in the PSRSSTL Rule XIV, domestic debt securities may include U.S. Government and Agency obligations, corporate bonds, asset backed securities, agency guaranteed mortgage pass-through securities, and low risk collateralized mortgage obligations of comparable or lower risk, such as Planned Amortizations Class Level 1 and Sequentials, commercial paper, certificates of deposit and other instruments deemed prudent by the Managers.

3. No security, except issues of the U.S. Government or its agencies or mutual funds, shall comprise more than 6% of the Manager's total portfolio of assets, measured at market. Further, no individual portfolio shall purchase more than 6% or hold more than 10% of its assets in the securities of any single issuer, excepting issues of the U.S. Government or its agencies. (For mortgage-backed securities, an issuer is defined as a separate trust.)

4. The average duration (interest rate sensitivity) of an actively managed portfolio shall not exceed seven years. (See Appendix I for an explanation of "duration".)

5. The diversification of securities by maturity, quality, sector and coupon is the responsibility of the Manager.

6. There shall be no use of options, financial futures or other specialized investment activity without the prior approval of PSRSSTL.

7. The overall average quality of each high-grade fixed income portfolio shall be AA or better. The average quality rating of the securities held in a high yield portfolio shall be "B" or better. For split rated issues, for the purposes of meeting credit quality standards, the middle rating shall be considered (if rated by all three agencies), and the lower of the two ratings shall be considered (if rated by only two agencies). For issues rated by only one agency, that agency's rating shall be considered for the purposes of meeting credit quality standards.

APPENDIX I - Glossary

This appendix to the Investment and Operating Guidelines for the Public School Retirement System of the City of St. Louis ("PSRSSTL") is written to provide additional background regarding the selection and interpretation of various standards contained within the guidelines.

- **Policy Index** - Total return should meet or exceed the System's Policy Index . . .
  (Revised 04-15-13)

  The Policy Index is constructed by using target asset class percentages applied to market rates of return. The Policy Index for the System is calculated using the following target allocations and indices:

Asset Class	Target %	Rating Index
Equities		
Domestic Large Cap	21.0	S&P 500/Russell 1000
Domestic Mid Cap	3.0	S&P 400
Domestic Small Cap	7.0	Russell 2000/Micro
Established International	9.0	MSCI-EAFE
Emerging International	5.0	MSCI-Emerging Markets
Global Asset Allocation	12.0	MCSI World/CITI WGBI/Barclays Aggregate
Fixed-Income		
Domestic Core Bonds	10.0	Barclays Capital Aggregate
Domestic High-Yield	5.0	Barclays High Yield
Global Bonds	6.0	Citigroup World Governments
Credit Opportunities	2.0	Barclays Corp & High Yield/S&P/LSTA
Market Neutral	4.0	S&P 500 Market Neutral Index
Hedge Fund Strategies	5.0	HFRI Funds of Funds
Real Estate	5.0	NCREIF
Private Equity Investments	3.0	Based On Strategy and Vintage Year
Real Assets	3.0	Wellington DIH Actual Index

- **Risk-adjusted Returns** - Should be consistent . . .

  Risk-adjusted returns are usually calculated by isolating the return earned in excess of the risk free rate (the T-bill rate), and evaluating that return in relation to the additional risk (volatility, or standard deviation) incurred in earning the incremental return.

  For example:

	Return	Risk	Excess Return	Excess Return Divided By Risk
T-Bills	8%	--	--	
S&P 500	12%	16%	4%	4/16 = 0.25
Manager A	12%	20%	4%	4/20 = 0.20

  In this example, both the Equity Manager and the market earned 4% over T-Bills, but the Equity Manager incurred somewhat more risk and had lower risk-adjusted return - not a desirable situation. A higher risk adjusted return indicates that more return was achieved for the amount of risk taken.

APPENDIX III – Performance Benchmarks (Revised 04-15-13)

This Appendix provides specific guidance regarding individual Manager assignments for classifications, benchmarks and guideline exceptions. Combined with the applicable sections of the Investment and Operating Guidelines and PSRSSTL Rule XIV, this Appendix provides a complete statement of investment objectives, rules and guidelines for each investment Manager, exclusive of rules or guidelines directly incorporated into contracts or other similar agreements.

Asset Class/ Managers/ Product Names	Rating Index/ Benchmark	Peer Group Assignment	Guideline Exceptions & Clarifications
U.S. EQUITY MANAGERS			
Small Cap Managers	Russell 2000/Micro Index	The IFU*of Small Capitalization Managers	
Mid Cap Managers	S&P 400 Mid Cap Index	The IFU* of Mid-Capitalization Managers	
Large Cap Growth Managers	Russell 1000 Growth Index	The IFU* of Large Capitalization Growth Managers	
Large Cap Value Managers	Russell 1000 Value Index	The IFU* of Large Capitalization Value Managers	
Large Cap Core Managers	S&P 500 Index	The IFU* of Large Capitalization Core Managers	
U.S. BOND MANAGERS			
High Grade Core Managers	Barclays Capital Aggregate Bond Index	The IFU* of Core Fixed Income Managers	
High Yield Bond Managers	Barclays High Yield Index	The IFU* of High Yield Fixed Income Managers	
NON-U.S. EQUITY MANAGERS			
International Equity Managers	MSCI-EAFE/MSCI EM Index	The IFU* International Equity Managers	
GLOBAL BOND MANAGERS			
Global Bond Manager	Citigroup World Government Bond Index	The IFU* of Global Bond Managers	
CREDIT OPPORTUNITY MANAGERS			
Existing Manager	50% Barclays Corporate/ 25% Barclays High Yield/ 25% S&P/LSTA Lev Loan	The IFU* of Credit Opportunity Managers	Excluded from certain guidelines by agreement
GLOBAL ASSET ALLOCATION MANAGERS			
Existing Manager	60% MCSI World/40% CITI WGBI	The IFU* of Balanced Managers	Excluded from certain guidelines by agreement
Existing Manager	65% MSCI World/ 35% Barclays Aggregate	The IFU* of Balanced Managers	Excluded from certain guidelines by agreement
REAL ESTATE MANAGERS			
Existing Manager	NCREIF	The IFU* of Real Estate Managers	Excluded from certain guidelines by agreement
ALTERNATIVE INVESTMENTS			
Private Equity Managers	Venture Economic Private Equity	Internal Rate of Return based on Vintage Year	Excluded from certain guidelines by agreement
MARKET NEUTRAL MANAGERS			
Existing Manager	S&P 500 Market Neutral Index	The IFU* of Short-Term Bond Managers	Excluded from certain guidelines by agreement
HEDGE FUND MANAGERS			
Existing Managers	HFRI Fund of Funds Index	Variable – Depending on the Manager's Style	Excluded from certain guidelines by agreement
REAL ASSETS MANAGERS			
Real Assets Managers	Wellington DIH Actual Index	Variable – Depending on the Manager's Style	Excluded from certain guidelines by agreement

* Investor Force Universe