

**PUBLIC SCHOOL RETIREMENT SYSTEM  
OF THE CITY OF ST. LOUIS**  
**MINUTES OF THE BOARD OF TRUSTEES REGULAR MEETING**  
**April 16, 2018**

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**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 just past 4:30 p.m., Monday, April 16, 2018. The meeting was held in the 2<sup>nd</sup> 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, Paula Bentley, Joseph Clark, Louis Cross, Sheila Goodwin, Bobbie Richardson, Rick Sullivan and Eural Thomas were present. The Board of Trustees had a quorum at the meeting. Trustees Darnetta Clinkscale and Yvette Levy joined the meeting in progress. Trustee Christina Bennett was absent.

Executive Director, Andrew Clark, Accounting Specialist, Terry Mayes, PSRSSTL Attorney Representative, Matt Gierse, PSRSSTL Auditors, Thomas Helm and Brenda Shepherd, and several interested parties were also in attendance.

**II. APPROVAL OF MINUTES FROM LAST MEETING**

Sheila Goodwin made a motion, seconded by Louis Cross, to approve the minutes of the Board of Trustees Regular Meeting of February 26, 2018.

By voice vote, motion carried.

**III. READING OF COMMUNICATIONS TO THE BOARD OF TRUSTEES**

None

**IV. PRESENTATIONS BY INTERESTED PARTIES**

None

**V. CONSENT AGENDA**

Louis Cross made a motion, seconded by Sheila Goodwin, to approve the Retirements and Benefits of March and April 2018.

By voice vote, motion carried.

Louis Cross made a motion, seconded by Sheila Goodwin, to approve the Refunds and Bills of February and March 2018.

By voice vote, motion carried.

**VI. UNFINISHED BUSINESS**

None

## **VII. REPORT OF THE CHAIRPERSON**

None

## **VIII. REPORT OF THE EXECUTIVE DIRECTOR**

The Executive Director introduced the accounting firm, Anders Minkler Huber & Helm LLP, for a presentation on the retirement system's audited financial statements. The Auditor, Thomas Helm, introduced himself and another representative from his firm, Brenda Shepherd. The Auditors presented the audited financial statements for December 31, 2017 and December 31, 2016, by reviewing and highlighting important information in the pages of the Financial Statements report distributed at the meeting. The Auditor and representative spent time explaining their opinions and various line items in the financial statements. There was discussion regarding several components of the financial statements until all questions and issues were addressed to the satisfaction of the Board of Trustees. Overall, the Auditor reported on a good, clean audit, and thanked the Trustees and staff for allowing the firm to conduct the audit. The Trustees thanked the Auditor for the presentation.

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.

Louis Cross made a motion, seconded by Bobbie Richardson, to accept the renewal of the fiduciary liability and crime insurance with Travelers as presented by the Executive Director. All questions and issues were clarified by the Executive Director.

A roll call vote was taken.

Angela Banks	Yes	Paula Bentley	Yes	Joseph Clark	Yes
Louis Cross	Yes	Darnetta Clinkscale	Yes	Sheila Goodwin	Yes
Yvette Levy	Yes	Bobbie Richardson	Yes	Rick Sullivan	Yes
Eural Thomas	Yes				

With ten yes votes, motion carried.

The Executive Director reported on Trustee travel by referring the Trustees to the 2016 Trustee Travel Report from the board meeting packet.

## **IX. REPORT OF THE INVESTMENT CONSULTANT**

None

## **X. REPORT OF THE ACTUARY**

The Executive Director informed the Trustees of the Actuary's absence and that the 2018 Actuarial Valuation Report should be presented at the next Board of Trustees Regular Meeting.

## **XI. REPORTS OF COMMITTEES OF THE BOARD OF TRUSTEES**

The Chairman asked for reports from the Committees.

**Benefits Committee**

None

**Trustee Business Committee**

None

**Investment Committee**

Joe Clark, Chair of the Committee, reported on the meeting of March 15, 2018, and informed the Trustees that one recommendation was being brought forward by the Committee for consideration by the Board of Trustees.

Eural Thomas made a motion, seconded by Paula Bentley, to hire Landmark Partners and Glendower Capital, and commit \$10 million and \$5 million to Landmark Equity Partners XVI and Glendower Capital Secondary Opportunities Fund IV, L.P., respectively, as recommended by the investment Committee.

A roll call vote was taken.

Angela Banks	Yes	Paula Bentley	Yes	Joseph Clark	Yes
Louis Cross	Yes	Darnetta Clinkscale	Yes	Sheila Goodwin	Yes
Yvette Levy	Yes	Bobbie Richardson	Yes	Rick Sullivan	Yes
Eural Thomas	Yes				

With ten yes votes, motion carried.

**Legislative, Rules & Regulations Committee**

None

**Professional Contracts Committee**

None. The Chairman reminded the Chair of the Committee that meetings need to be scheduled to interview candidates from the Investment Consulting Services RFP.

**XII. NEW BUSINESS**

Sheila Goodwin made a motion, seconded by Louis Cross, to allow reimbursement of travel expenses for the Trustees to attend the 2018 NEPC Client Conference. There was brief discussion.

By voice vote, motion carried.

**XIII. REPORT OF THE ATTORNEY**

The Attorney Representative attempted to make a brief report on the status of the SB 62 lawsuit by addressing items that are a matter of public record. There were questions from the Trustees that needed to be addressed in closed session.

Yvette Levy made a motion, seconded by Sheila Goodwin, to close the meeting pursuant to R.S.Mo. §610.021(1), to discuss a legal matter with the Attorney.

A roll call vote was taken.

Angela Banks	Yes	Paula Bentley	Yes	Joseph Clark	Yes
Louis Cross	Yes	Darnetta Clinkscale	Yes	Sheila Goodwin	Yes
Yvette Levy	Yes	Bobbie Richardson	Yes	Rick Sullivan	Yes
Eural Thomas	Yes				

With ten yes votes, motion carried, and the meeting closed around 5:25 p.m.

No motions were considered by the Trustees during the closed portion of the meeting.

Louis Cross made a motion, seconded by Sheila Goodwin, to open the meeting.

A roll call vote was taken.

Angela Banks	Yes	Joseph Clark	Yes	Louis Cross	Yes
Darnetta Clinkscale	Yes	Sheila Goodwin	Yes	Yvette Levy	Yes
Bobbie Richardson	Yes	Rick Sullivan	Yes	Eural Thomas	Yes

With nine yes votes, motion carried, and the meeting opened at around 5:45 p.m.

#### **XIV. ADJOURNMENT**

Louis Cross made a motion, seconded by Bobbie Richardson, to adjourn the meeting.

By voice vote, motion carried, and the meeting adjourned at around 5:45 p.m.

Attachments:

- Retirements Paid: March and April 2018
- Refunds & Bills Paid: February and March 2018
- December 31, 2017 and 2016 Financial Statements
- Fiduciary & Crime Insurance Renewal Memorandum
- Updated 2016 Trustee Travel Expenses

## APPLICATIONS FOR RETIREMENT

NAME \ POSITION	RETIREMENT DATE	TYPE	CREDITED SERVICE	FINAL AVG SALARY	MONTHLY BENEFIT
Evelyn Givens Teacher	1/1/2018	Normal	17.6012	\$69,887.38	\$2,050.17
Gary Brinkman ECSE ICA	2/1/2018	Normal	29.8333	\$39,413.16	\$1,959.71
Melva Curtis Teacher	2/1/2018	Disability	26.3444	\$71,556.02	\$3,141.83
Carolyn Davis Teacher	2/1/2018	Normal	20.3044	\$50,516.68	\$1,709.52
Rita Ewell Teacher Assistant	2/1/2018	Disability	11.2722	\$26,546.26	\$553.05
Anthony Flower Custodian	2/1/2018	Early	5.4488	\$34,045.68	\$225.01
Carol Glaza Teacher	2/1/2018	Normal	18.7100	\$64,411.97	\$2,008.58
Aferdita Hall Teacher	2/1/2018	Normal	16.6000	\$57,443.72	\$1,589.28
Sorrell Harvey Teacher	2/1/2018	Early	12.1278	\$59,134.75	\$956.21
Kathryn Scanlon Teacher	2/1/2018	Normal	18.0611	\$61,527.49	\$1,852.09
Bridget Stegall Teacher	2/1/2018	Normal	18.0000	\$55,613.94	\$1,668.42
Julia Woods School Nurse	2/1/2018	Normal	28.0056	\$67,494.47	\$3,150.37

To be Authorized and Approved  
by the Board of Trustees

## APPLICATIONS FOR RETIREMENT

NAME \ POSITION	RETIREMENT DATE	TYPE	CREDITED SERVICE	FINAL AVG SALARY	MONTHLY BENEFIT
Jerome Adams Lead Custodian	3/1/2018	Early	6.7073	\$47,072.97	\$385.88
Paula Collins Positive Behavior Interventionist	3/1/2018	Normal	30.0000	\$41,049.60	\$1,695.35
Cassie Gorecki Teacher	3/1/2018	Disability	8.5222	\$50,087.86	\$852.54
Christine Powers Teacher	3/1/2018	Normal	5.5947	\$57,677.67	\$537.82
Susan Raney Science Curriculum Specialist	3/1/2018	Early	5.6000	\$76,619.10	\$488.64
Glenn Robinson Teacher	3/1/2018	Early	16.8163	\$75,406.92	\$1,725.95
Shirley Robinson-Morant Early Childhood Teaching Assistant	3/1/2018	Normal	20.9667	\$29,926.43	\$1,045.76
Charles Shannon Director of Research & Evaluation	3/1/2018	Normal	19.7087	\$95,378.40	\$3,132.97

# Distributions - February, 2018

CHECK NUMBER	CHECK DATE	LAST NAME	FIRST NAME/MI	GROSS PAY	FEDERAL TAXES W/H	NET PAY	A(ctive) R(etired)	D(eath) S(eparation)	NOTES
073184	08/18/17	TAYLOR	COLLEEN	(1,876.02)		(1,876.02)	A	S	PREC VOID AND REISSUE
073612	12/07/17	COREY	HILLARY	(2,517.24)		(2,517.24)	A	S	VOID AND REISSUE
073788	02/08/18	BAILEY	SARAH	6,283.46		6,283.46	A	S	GSA
073789	02/08/18	BLUE	STEPHANIE	33,015.56	6,603.11	26,412.45	A	S	LFL
073790	02/08/18	DORRIS	STEVEN	2,502.45	500.49	2,001.96	A	S	GSASTL SLPS
073791	02/08/18	ETZKORN	CYNTHIA	10,263.73		10,263.73	A	S	CA
073792	02/08/18	MELENDEZ	ISAIAH	2,897.59	579.52	2,318.07	A	S	KIPP
073793	02/08/18	OFFNER	CATHERINE	712.58	142.52	570.06	A	S	SLIS
073794	02/08/18	PETERSON	STEPHAN	257.76	51.55	206.21	A	S	CGMCS
073795	02/08/18	REBECK	PATRICK	21,831.00	4,366.20	17,464.80	A	S	CA PREMIER
073796	02/08/18	SHY	TAYLOR	481.22	96.24	384.98	A	S	SLIS
073797	02/08/18	VINCENT	LATRICE	563.21	112.64	450.57	A	S	PREC
073798	02/08/18	WHITE	KEELY	824.36	164.87	659.49	A	S	LFL
073799	02/08/18	BENTRUP	ANGELA M	4,782.43	956.49	3,825.94	A	S	
073800	02/08/18	COWGILL	ERIN	2,977.47		2,977.47	A	S	
073801	02/08/18	BAUTISTA-CUADRA	MARIA	13,763.88	2,752.78	11,011.10	A	S	
073802	02/08/18	EVANS	ANNICE	40,025.33	8,005.07	32,020.26	A	S	
073803	02/08/18	GREER II	DEVI	7,120.74	1,424.15	5,696.59	A	S	
073804	02/08/18	HAMMER	ALEXANDRA	5,117.96		5,117.96	A	S	
073805	02/08/18	HESTER	STEVEN	5,619.43	1,123.89	4,495.54	A	S	
073806	02/08/18	JACKSON JR	BOOKER T	3,348.73	669.75	2,678.98	A	S	
073807	02/08/18	LANGE	SARAH	500.00		500.00	A	S	
073808	02/08/18	LANGE	SARAH	4,505.75	901.15	3,604.60	A	S	
073809	02/08/18	MCCARTHY	LISA	4,950.90		4,950.90	A	S	
073810	02/08/18	MIHM	ELIZABETH	5,873.89		5,873.89	A	S	
073811	02/08/18	MIMS	GORDON	2,861.71	572.34	2,289.37	A	S	
073812	02/08/18	SMITH	MAZIE	1,782.38	356.48	1,425.90	A	S	
073813	02/08/18	SIMMONS	MAUREEN	1,462.81		1,462.81	A	S	
073814	02/08/18	RUTTER	JILL	21,884.10		21,884.10	A	D	DEC: B RUTTER
073815	02/08/18	COREY	HILLARY	2,517.24		2,517.24	A	S	VOID AND REISSUE
073816	02/08/18	TAYLOR	COLLEEN	1,876.02		1,876.02	A	S	PREC VOID AND REISSUE
073838	02/22/18	BROWN	KRISTIN	860.56	172.11	688.45	A	S	KIPP SLPS
073839	02/22/18	BURGESS	STEVE	7,441.08	1,488.22	5,952.86	A	S	GCAA
073840	02/22/18	CARDONA -LOPEZ	JESSICA	11,120.03	2,224.01	8,896.02	A	S	SLIS
073841	02/22/18	COCKRELL	CAITLIN	222.07	44.42	177.65	A	S	EAGLE
073842	02/22/18	DAVIS	KEITH	11,943.20		11,943.20	A	S	CA
073843	02/22/18	CANETE RAMIREZ	LUCIA	6,205.66		6,205.66	A	S	SLIS

# Distributions - February, 2018

CHECK NUMBER	CHECK DATE	LAST NAME	FIRST NAME/MI	GROSS PAY	FEDERAL TAXES W/H	NET PAY	A(ctive) R(etired)	D(eath) S(eparation)	NOTES
073844	02/22/18	PLESHE	DEBRA	10,578.20		10,578.20	A	S	KIPP SLPS
073845	02/22/18	LANIER	HILLARY	993.17	198.63	794.54	A	S	KIPP
073846	02/22/18	SMITH	AUDREY	908.85	181.77	727.08	A	S	KIPP
073847	02/22/18	BOWEN	DANIELLE	4,049.46		4,049.46	A	S	
073848	02/22/18	BURNETT	LISA	3,275.76	655.15	2,620.61	A	S	
073849	02/22/18	BUCHANAN	ANNIE	20,022.31	4,004.46	16,017.85	A	S	
073850	02/22/18	HENDRICKS	ADRIAN	11,901.99	2,380.40	9,521.59	A	S	
073851	02/22/18	SEWARD	RACHEL	32,770.58		32,770.58	A	S	
073852	02/22/18	STEWART	DANIELLE	3,198.37	639.67	2,558.70	A	S	
073853	02/22/18	WHEELIS-PERRY	ANGELA	78,516.04	15,703.21	62,812.83	A	S	
073854	02/22/18	WRIGHT	JARVIS	4,061.04	812.21	3,248.83	A	S	
<b>TOTAL</b>				<b>\$ 414,278.80</b>	<b>\$ 57,883.50</b>	<b>\$ 356,395.30</b>			



# Distributions - March, 2018

CHECK NUMBER	CHECK DATE	LAST NAME	FIRST NAME/MI	GROSS PAY	FEDERAL TAXES W/H	NET PAY	A(Active) R(Retired)	D(eath) S(eparation)	NOTES
073876	03/07/18	BURNS	RICHARD	1,150.34	230.07	920.27	A	S	CA
073877	03/07/18	COLEMAN	ANESHIA	868.82	173.76	695.06	A	S	KIPP
073878	03/07/18	CROSBY	VIVIAN	1,299.13		1,299.13	A	S	CA
073879	03/07/18	DITILLO	JOHN	2,142.58		2,142.58	A	S	CGMS
073880	03/07/18	FLETCHER	CHARRISSE	219.42	43.88	175.54	A	S	KIPP
073881	03/07/18	FREEDMAN	KATHRYN	2,191.85	438.37	1,753.48	A	S	KIPP
073882	03/07/18	GOVIER	KAREN	4,036.64	807.33	3,229.31	A	S	CA
073883	03/07/18	HARDEN	DAVID	7,788.43	1,557.69	6,230.74	A	S	CA
073884	03/07/18	LUSTER	ROBIN	11,048.25	2,209.65	8,838.60	A	S	CA
073885	03/07/18	MCCLELLAND	MICHAEL	3,234.67	646.93	2,587.74	A	S	LMS
073886	03/07/18	MOBLEY	TONI	4,891.36		4,891.36	A	S	GCAA
073887	03/07/18	STRZELEC	KATIE	2,292.77	458.55	1,834.22	A	S	HSLG
073888	03/07/18	SULLIVAN	NICOLE	5,394.83		5,394.83	A	S	PREM
073889	03/07/18	WEBBER	JAQUISE	322.00	64.40	257.60	A	S	HLSG
073890	03/07/18	DELMONTE	ALMA	22,700.54		22,700.54	A	S	
073891	03/07/18	JOHNSON	JOHN W	34,626.75		34,626.75	A	S	
073892	03/07/18	KONSEWICZ	AMY	8,285.20		8,285.20	A	S	
073893	03/07/18	MILLER	PATRICIA	1,904.46	380.89	1,523.57	A	S	
073894	03/07/18	RIECK	EVAN	1,125.00	225.00	900.00	A	S	
073895	03/07/18	ROBERTS	HEATHER	15,436.41	3,087.28	12,349.13	A	S	
073896	03/07/18	SEIM	BRITNEE	328.70	65.74	262.96	A	S	
073897	03/07/18	STEWARD	CLAUDE	1,362.22	272.44	1,089.78	A	S	
073898	03/07/18	CURRANS	DENNIS	73,345.39		73,345.39	A	D	DEC: A CURRANS
073927	03/22/18	CRENSHAW	CHERRI	103.10		103.10	A	S	GSASTL
073928	03/22/18	DAVIS	BRENDA	1,444.10	288.82	1,155.28	A	S	CA
073929	03/22/18	HAN	HACER	2,023.08	404.62	1,618.46	A	S	GSASTL
073930	03/22/18	IVY	KASI	795.08	159.02	636.06	A	S	LFL
073931	03/22/18	LURTEN	KEVIN	3,881.82	776.36	3,105.46	A	S	PREC, SLPS
073932	03/22/18	NORTH	BROOKE	475.57	95.11	380.46	A	S	KIPP
073933	03/22/18	SOBOTKA	ANNA	6,285.28		6,285.28	A	S	GCAA
073934	03/22/18	WILLIAMS	KAKENYA	4,271.85	854.37	3,417.48	A	S	CA SLPS
073935	03/22/18	BABCOCK	KEVIN	1,125.00		1,125.00	A	S	
073936	03/22/18	BARBIERI	RICHARD	4,639.30	927.86	3,711.44	A	S	
073937	03/22/18	CLELAND	HOPE	5,289.82		5,289.82	A	S	
073938	03/22/18	DAMPIER	JAMILA S	3,960.47	792.09	3,168.38	A	S	
073939	03/22/18	DOYLE	ZUNCHERRIE	7,260.54	1,452.11	5,808.43	A	S	

# Distributions - March, 2018

CHECK NUMBER	CHECK DATE	LAST NAME	FIRST NAME/MI	GROSS PAY	FEDERAL TAXES W/H	NET PAY	A(ctive) R(etired) S(eparation)	D(eath)	NOTES
073940	03/22/18	EDMOND	CLEVELAND	50,000.00		50,000.00	A	S	
073941	03/22/18	EDMOND	CLEVELAND	5,652.48	1,130.50	4,521.98	A	S	
073942	03/22/18	FORD	LONNIE	1,359.68	271.94	1,087.74	A	S	
073943	03/22/18	JAMES-WALLER	MICHELLE	2,095.07	419.02	1,676.05	A	S	
073944	03/22/18	JONES	KARYN	1,068.40	213.68	854.72	A	S	
073945	03/22/18	LAMOND	SHONA	30,000.00		30,000.00	A	S	
073946	03/22/18	LAMOND	SHONA	6,615.46	1,323.09	5,292.37	A	S	
073947	03/22/18	NICHOLS	MOLLI	2,433.58	486.72	1,946.86	A	S	
073948	03/22/18	PIATT	STEPHANIE	13,750.90	2,750.18	11,000.72	A	S	
073949	03/22/18	REESE	JOSHUA	5,117.98	1,023.60	4,094.38	A	S	
073950	03/22/18	WALLACE	CAROLYN	14,417.91	2,883.58	11,534.33	A	S	
073951	03/22/18	WEST	MICHAEL	25,484.40	5,096.88	20,387.52	A	S	
073952	03/22/18	EWING	RONNIE	44,942.88	4,494.29	40,448.59	A	D	DEC: R JACKSON-EWING
<b>TOTAL</b>				<b>\$ 450,489.51</b>	<b>\$ 36,505.82</b>	<b>\$ 413,983.69</b>			

**Public School Retirement System of the City of St. Louis**  
**Checks Written During the Month of February, 2018**

<u>Payee</u>	<u>Ck. Number</u>	<u>Description</u>	<u>Amount</u>
<b>Date Paid February 2, 2018</b>			
Office Payroll	ACH	Office Payroll	10,642.55
AXA Equitable	ACH	457 Contributions	2,223.00
Diana S. Daugherty, Chapter 13 Trustee	73760	Case No. xx-xx907	555.00
<b>Date Paid February 5, 2018</b>			
Ameren Missouri	73762	Electric Service	3,288.96
AT&T	73763	U-Verse Internet	66.21
OffsiteDataSync	73764	Online Backups	259.88
Windstream Communications	73765	Telephone, Data	672.09
Office Essentials	73766	Office Supplies	608.27
Office Essentials	73767	Printer	596.00
Minuteman Press	73768	Envelopes	460.86
Specialty Mailing	73769	Postage - Insurance Letters, 1099Rs	3,624.78
Purchase Power	73770	Postage	2,063.16
Gallagher Benefit Services, Inc.	73771	Group Ins. Consulting Services Monthly Fee	3,320.25
Anders CPAs & Advisors	73772	Trustee Elections, Audit of Financial Statements	8,026.00
BarnesCare	73773	Rita Y. Ewell	100.00
The Berwyn Group	73774	Death Check Verification Services	275.00
Tech Electronics, Inc.	73775	Repairs CCTV	140.00
MVP Security LLC - SRG	73776	Nov. 2017 - Jan. 2018 Parking 2 Emps.	390.00
MVP Security LLC - SRG	73777	February 2018 Parking - 2 Employees	130.00
Causeway Capital Management LLC	73778	4th Quarter 2017 Management Fee	86,492.23
Mellon Capital Management Corporation	73779	4th Quarter 2017 Management Fee	68,313.07
Mellon Capital Management Corporation	73780	4th Quarter 2017 Management Fee	1,736.79
Piedmont Investment Advisors, LLC	73781	4th Quarter 2017 Management Fee	8,660.21
Progress Investment Management Co., LLC	73782	4th Quarter 2017 Management Fee	83,702.90
Westfield Capital Management Company, LP	73783	4th Quarter 2017 Management Fee	65,675.07
Board of Education St. Louis Benefits Trust	73784	Office Employees Insurance - Dental	212.33
Board of Education St. Louis Benefits Trust	73785	Office Employees Insurance - Vision	15.55
Board of Education St. Louis Benefits Trust	73786	Office Employees Insurance - Life	87.35
Manulife Asset Management U.S. LLC	73787	4th Quarter 2017 Management Fee	32,291.42
<b>Date Paid February 16, 2018</b>			
Office Payroll	ACH	Office Payroll	10,642.55
AXA Equitable	ACH	457 Contributions	2,223.00
<b>Date Paid February 20, 2018</b>			
Absopure Water Company	73817	Water Cooler Service	131.55
Conduent HR Consulting, LLC	73818	Acturial & Consulting Services - January 2018	7,066.00
AT&T	73819	Monthly Service Charge	147.37
Blade Technologies, Inc.	73820	Professional Services	1,339.84
Crossroads Courier, Inc.	73821	Courier Service	7.22
Office Essentials	73822	Office Supplies	520.07
BuildingStars STL Operations, Inc.	73823	Janitorial Services	1,386.00
Hartnett Gladney Hetterman, L.L.C.	73824	Legal Fees	13,955.55
Specialty Mailing	73825	Postage - Daily Pickup	200.00
Access	73826	Export Infoport Images to Disk for Microtek	3,000.00
Gallagher Benefit Services, Inc.	73827	Group Ins. Consulting Services Monthly Fee	3,320.25
The Berwyn Group	73828	Annual Payment - Access to Berwyn Death Audit	2,025.00
MAPERS	73829	Plan Sponsor Membership Dues - 2018	100.00
CBRE - 60884	73830	Management Fee - January 2018	1,108.00
CBRE - 60884	73831	Engineer Services	482.00
St. Louis Mat & Linen Company	73832	Floor Mats	106.00
Full Care	73833	Snow & Ice Mgmt. - 12/23/17 - 1/15/18	3,162.50
Manulife Asset Management U.S. LLC	73834	3rd Quarter 2017 Management Fee	32,124.45
The Edgar Lomax Company	73835	4th Quarter 2017 Management Fee	42,154.42
Fidelity Institutional Asset Mgmt Trust Company	73836	4th Quarter 2017 Management Fee	75,419.90
US Bank	73837	4th Quarter 2017 Custodial Fee	28,913.23
		<b>TOTAL</b>	<b><u>\$614,163.83</u></b>

**Public School Retirement System of the City of St. Louis**  
**Checks Written During the Month of March, 2018**

<u>Payee</u>	<u>Ck. Number</u>	<u>Description</u>	<u>Amount</u>
<b>Date Paid March 2, 2018</b>			
Office Payroll	ACH	Office Payroll	10,663.77
AXA Equitable	ACH	457 Contributions	2,223.00
<b>Date Paid March 5, 2018</b>			
Ameren Missouri	73855	Electric Service	2,620.95
AT&T	73856	U-Verse Internet	65.98
Windstream Communications	73857	Telephone, Data	322.89
Office Essentials	73858	Chairs For Conference Room	3,444.00
Minuteman Press	73859	Newsletters, Envelopes	1,751.23
Specialty Mailing	73860	Service - Insurance Letters, 1099Rs	1,042.21
Anders CPAs & Advisors	73861	Trustee Elections, Audit of Financial Statements	1,691.00
BarnesCare	73862	Cassie Gorecki	100.00
MVP Security LLC - SRG	73863	March 2018 Parking - 2 Employees	130.00
Diana S. Daugherty, Chapter 13 Trustee	73864	Case No. xx-xx907	555.00
BuildingStars STL Operations, Inc.	73865	Janitorial Supplies	675.13
GCI Security, Inc.	73866	Security Guard 02/26/2018	144.00
Charter Communications	73867	Charter Internet and Voice	189.96
MSD	73868	Sewer Service	52.26
Konika Minolta Business Solutions USA Inc.	73869	Service - Copier C364E	599.72
Andrew Clark	73870	Office Expense	17.65
NEPC, LLC	73871	4th Quarter 2017 Consulting Fee	34,571.72
NEPC, LLC	73872	4th Quarter 2017 Alt. Investment Mgmt. Fee	12,500.00
Board of Education St. Louis Benefits Trust	73873	Office Employees Insurance - Dental	212.33
Board of Education St. Louis Benefits Trust	73874	Office Employees Insurance - Vision	15.55
Board of Education St. Louis Benefits Trust	73875	Office Employees Insurance - Life	87.35
<b>Date Paid March 16, 2018</b>			
Office Payroll	ACH	Office Payroll	10,663.77
AXA Equitable	ACH	457 Contributions	2,223.00
<b>Date Paid March 20, 2018</b>			
Absopure Water Company	73899	Water Cooler Service	60.80
Conduent HR Consulting, LLC	73900	Actuarial & Consulting Services - February 2018	12,066.00
AT&T	73901	Monthly Service Charge	145.04
Blade Technologies, Inc.	73902	Professional Services	1,338.34
Crossroads Courier, Inc.	73903	Courier Service	6.01
Office Essentials	73904	Office Supplies	323.96
BuildingStars STL Operations, Inc.	73905	Janitorial Services	1,386.00
Hartnett Gladney Hetterman, L.L.C.	73906	Legal Fees	8,037.00
Gallagher Benefit Services, Inc.	73907	Group Ins. Consulting Services Monthly Fee	3,320.25
Charter Communications	73908	Charter Internet and Voice	189.96
MSD	73909	Sewer Service	48.29
BarnesCare	73910	Annie L. Hickman	100.00
OffsiteDataSync	73911	Online Backups	259.88
Jupiter Consulting Services, LLC	73912	Programming Consulting	5,796.00
Pitney Bowes Global Financial Services LLC	73913	Lease Charges	1,410.00
Softchoice Corporation	73914	Software - Microsoft License	1,188.00
Tech Electronics, Inc.	73915	Repair and Replace Security Cameras	3,461.21
Andrew Clark	73916	Printing and Supplies	14.72
Republic Services #346	73917	Trash Pick-Up	298.15
CBRE - 60884	73918	Management Fee - January and February 2018	2,276.94
CBRE - 60884	73919	Engineer Services	873.64
Full Care	73920	Snow & Ice Mgmt. - 02/04/2018 thru 02/21/2018	1,595.00
Jarrell Mechanical Contractors	73921	HVAC Equipment Inspection	1,128.12
St. Louis Mat & Linen Company	73922	Floor Mats	244.00
Blue Chip Pest Services	73923	Pest Control	44.00
Tech Electronics, Inc.	73924	Central Monitoring of Fire Alarm System	99.00
Royal Papers	73925	Paper Towels for Touchless Dispenser	243.45

**Public School Retirement System of the City of St. Louis**  
**Checks Written During the Month of March, 2018**

<u>Payee</u>	<u>Ck. Number</u>	<u>Description</u>	<u>Amount</u>
<b>Date Paid March 21, 2018</b>			
Specialty Mailing	73926	Winter Newsletter, 2018	2,176.75
<b>Date Paid March 30, 2018</b>			
Office Payroll	ACH	Office Payroll	10,663.77
AXA Equitable	ACH	457 Contributions	2,223.00
Diana S. Daugherty, Chapter 13 Trustee	73953	Case No. xx-xx907	555.00
		TOTAL	<b><u><u>\$148,134.75</u></u></b>

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

**FINANCIAL STATEMENTS  
WITH REQUIRED SUPPLEMENTARY INFORMATION  
AND OTHER SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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## **Independent Auditors' Report**

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Public School Retirement System of the City of St. Louis (the "System"), which comprise the statements of fiduciary net position as of December 31, 2017 and 2016, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of Public School Retirement System of the City of St. Louis as of December 31, 2017 and 2016, and the changes in it's fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter - GASB**

In the 2016 statements, the System adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter. See Note 3 in the Notes to the Financial Statements for further information.

### ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the System's basic financial statements. The other supplementary information on pages 45 - 50 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Anders Minkler Huber & Helms LLP*

April 13, 2018

**Public School Retirement System of the City of St. Louis**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

The Management Discussion and Analysis ("MD&A") for the Public School Retirement System of the City of St. Louis ("PSRSSTL") provides an overview of PSRSSTL financial activities for the fiscal year ended December 31, 2017. This MD&A is presented as required supplementary information to the financial statements and should be read in conjunction with the PSRSSTL financial statements, notes to the financial statements, required supplementary information, and other supplementary information.

The basic financial statements contained in this section of the MD&A consist of:

- The Condensed Statements of Fiduciary Net Position illustrate the System's assets, liabilities, and resulting fiduciary net position where  $\text{Assets} - \text{Liabilities} = \text{Fiduciary Net Position}$  held in trust for pension benefits available at the end of a fiscal year. These statements are a snapshot of the financial position of the System at specific points in time.
- The Condensed Statements of Changes in Fiduciary Net Position summarize the System's financial transactions throughout a fiscal year where  $\text{Additions} - \text{Deductions} = \text{Change in Fiduciary Net Position}$ . These statements support the change from the prior year's net position on the Statements of Fiduciary Net Position.
- The Notes to the Financial Statements are an integral part of these basic financial statements and contain information that helps better understand them.
- The required supplementary Management Discussion and Analysis information, the Required Supplementary Information, and Other Supplementary Information following the Notes to the Financial Statements provide detailed historical information that is useful in evaluating the condition of the retirement plan administered by PSRSSTL.

The System's fiduciary net position was \$914,082,260 at December 31, 2017, which represents an increase of \$63,901,838 from December 31, 2016. This increase is primarily due to higher than assumed investment returns during the 2017 fiscal year, which resulted in higher asset values for certain investment categories at December 31, 2017.

The System's investment returns were 16.2% in fiscal year 2017, 6.3% in fiscal year 2016, and (0.5%) in fiscal year 2015. The System's investment return in fiscal year 2017, when compared to fiscal year 2016, represents an upturn in investment values for certain asset categories as experienced by the financial markets during the one-year time period. Predicting conditions in the marketplace is always challenging yet the Board of Trustees stands behind a sound Asset Allocation Policy by remaining focused on active monitoring of its money managers and long-term investment objective. The Board of Trustees reduced the actuarial assumed rate of return to 7.5% from 8% for fiscal year 2017.

Additions to fiduciary net position, including other income (expenses), were \$178.5 million, \$96.7 million, and \$47.0 million for fiscal years 2017, 2016, and 2015, respectively. The primary additions to fiduciary net position in 2017 were \$124.2 million of net investment income and employer contributions of \$41.1 million. The main additions to fiduciary net position in 2016 were \$43.3 million of net investment income and \$39.5 million of employer contributions. The key additions to fiduciary net position during 2015 were employer contributions of \$40.7 million and member contributions of \$11.7 million.

**Public School Retirement System of the City of St. Louis**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

Deductions from fiduciary net position were \$114.6, \$115.2, and \$114.9 million in fiscal years 2017, 2016, and 2015, respectively. The decrease of \$598,746 in deductions from fiduciary net position between fiscal years 2017 and 2016 was mostly due to the decrease in contribution refunds paid to terminated or deceased members in fiscal year 2017. The \$312,133 increase in deductions between fiscal years 2016 and 2015 was primarily due to increased refunds paid to terminated or deceased members in fiscal year 2016.

## **FINANCIAL STATEMENTS**

The PSRSSTL financial report consists of two financial statements, (1) the Statements of Fiduciary Net Position, and (2) the Statements of Changes in Fiduciary Net Position. The Statements of Fiduciary Net Position provide details concerning PSRSSTL assets and liabilities other than long-term benefit obligations. However, PSRSSTL assets are the only source available to the System to pay pension benefits. The Statements of Changes in Fiduciary Net Position provide details regarding PSRSSTL financial activity during fiscal year 2017 that caused the change in fiduciary net position from fiscal year 2016 to fiscal year 2017.

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

## **FINANCIAL ANALYSIS**

On December 31, 2017, total assets and deferred outflow of resources of the System were \$915,788,335 and consisted of cash, receivables, investments, and an office building. Total assets and deferred outflows in fiscal year 2017 increased by 7.5%, or \$64,122,207, compared to fiscal year 2016, which can be attributed to higher than expected investment market returns.

On December 31, 2017, total liabilities and deferred inflow of resources of the System were \$1,706,075 and consisted of accounts payable and accrued expenses and net pension liability. Total liabilities and deferred inflows in fiscal year 2017 increased by 14.8%, or \$220,369, from fiscal year 2016, primarily from the increase of the System's net pension liability as required by GASB Statement No. 68.

On December 31, 2017, the fiduciary net position restricted for pensions was \$914,082,260, an increase of 7.5%, or \$63,901,838, from fiscal year 2016.

On December 31, 2016, total assets and deferred outflow of resources for the System were \$851,666,128 and consisted of cash, receivables, investments, and an office building. Total assets and deferred outflows in fiscal year 2016 decreased by 2.1%, or \$18,381,651, compared to fiscal year 2015, which can be attributed to lower than expected investment market returns.

On December 31, 2016, total liabilities and deferred inflow of resources for the System were \$1,485,706 and consisted of accounts payable, accrued expenses and net pension liability. Total liabilities and deferred inflows in fiscal year 2016 increased by 8.5%, or \$116,976, from fiscal year 2015, primarily from the increase of the System's net pension liability as required by GASB Statement No. 68.

On December 31, 2016, the fiduciary net position restricted for pensions was \$850,180,422, a decrease of 2.1%, or \$18,498,627, from fiscal year 2015.

**Public School Retirement System of the City of St. Louis**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

**Condensed Statements of Fiduciary Net Position**

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2017</u> <u>% Change</u>	<u>FY 2016</u> <u>% Change</u>
<b>Assets</b>					
Cash	\$ 10,108,913	\$ 9,815,722	\$ 9,960,497	3.0 %	(1.5)%
Receivables	803,961	1,816,539	1,884,189	(55.7)%	(3.6)%
Investments	902,745,605	837,967,631	856,171,074	7.7 %	(2.1)%
Property and building, net	<u>1,747,704</u>	<u>1,815,142</u>	<u>1,882,580</u>	(3.7)%	(3.6)%
Total Assets	<u>915,406,183</u>	<u>851,415,034</u>	<u>869,898,340</u>	7.5 %	(2.1)%
<b>Deferred Outflows of Resources</b>					
Deferred outflows of resources	<u>382,152</u>	<u>251,094</u>	<u>149,439</u>	52.2 %	68.0 %
Total Assets and Deferred Outflows of Resources	<u>915,788,335</u>	<u>851,666,128</u>	<u>870,047,779</u>	7.5 %	(2.1)%
<b>Liabilities</b>					
Accounts payable and accrued expenses	800,653	780,536	798,498	2.6 %	(2.2)%
Net pension liability	<u>876,434</u>	<u>649,399</u>	<u>570,232</u>	35.0 %	13.9 %
Total Liabilities	<u>1,677,087</u>	<u>1,429,935</u>	<u>1,368,730</u>	17.3 %	4.5 %
<b>Deferred Inflows of Resources</b>					
Deferred inflows of resources	<u>28,988</u>	<u>55,771</u>	<u>-</u>	(48.0)%	100.0 %
Total Liabilities and Deferred Inflows of Resources	<u>1,706,075</u>	<u>1,485,706</u>	<u>1,368,730</u>	14.8 %	8.5 %
<b>Fiduciary Net Position</b>	<u><u>\$ 914,082,260</u></u>	<u><u>\$ 850,180,422</u></u>	<u><u>\$ 868,679,049</u></u>	7.5 %	(2.1)%

**REVENUES – ADDITIONS TO FIDUCIARY NET POSITION**

The assets available to finance PSRSSTL pension benefits are accumulated through receipt of employer and member contributions as well as through earnings on investments. For fiscal year 2017, employer contributions were approximately \$41.1 million; member contributions were approximately \$12.6 million; and net investment income was approximately \$124.2 million. For fiscal year 2016, employer contributions were approximately \$39.5 million; member contributions were approximately \$12.7 million; and net investment income was approximately \$43.3 million.

**Public School Retirement System of the City of St. Louis**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

Employer and member contributions combined increased by \$1.5 million in fiscal year 2017 as compared to the fiscal year 2016 decrease of \$201,206. These fluctuations were due to the increase in the required employer contribution rate from 15.14% of covered compensation in fiscal year 2016 to 15.73% in fiscal year 2017 and from 15.87% of covered compensation in fiscal year 2015 to 15.14% in fiscal year 2016. 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 covered compensation has been in effect since July 1, 1999.

Net investment income was \$80.9 million more in fiscal year 2017 than in fiscal year 2016 because investment earnings were 16.2% for fiscal year 2017 as compared to 6.3% for fiscal year 2016. Net investment income was \$50 million more in fiscal year 2016 than in fiscal year 2015 because investment earnings were a positive 6.3% in fiscal year 2016 as compared to a negative 0.5% for fiscal year 2015.

Net investment income (loss) of \$124,169,513, \$43,310,266 and \$(6,891,983) in fiscal years 2017, 2016, and 2015, respectively, reflect gross investment income (loss) less investment related expenses, such as investment manager, investment advisor, and custodial fees.

**EXPENSES – DEDUCTIONS FROM FIDUCIARY NET POSITION**

The primary deductions from fiduciary net position were payments of retirement benefits, survivor benefits, disability benefits, retiree healthcare subsidies and refunds to members who have retired or terminated employment. PSRSSTL operating expenses in fiscal year 2017 and 2016 were each approximately 0.18% of assets, while in fiscal year 2015, these same expenses were approximately 0.17% of assets.

**Condensed Statements of Changes in Fiduciary Net Position**

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2017</u> <u>% Change</u>	<u>FY 2016</u> <u>% Change</u>
<b>Additions</b>					
Employer contributions	\$ 41,077,344	\$ 39,519,979	\$ 40,708,503	3.9 %	(2.9)%
Member contributions	12,591,552	12,652,029	11,664,711	(0.5)%	8.5 %
Net investment income					
(loss)	124,169,513	43,310,266	(6,891,983)	186.7 %	728.4 %
Rental income	153,544	150,427	146,007	2.1 %	3.0 %
Other income	473,862	1,031,395	1,403,325	(54.1)%	(26.5)%
Total Additions	<u>178,465,815</u>	<u>96,664,096</u>	<u>47,030,563</u>	84.6 %	105.5 %
<b>Deductions</b>					
Retirement benefits	99,499,140	99,419,975	99,634,429	0.1 %	(0.2)%
Survivor benefits	3,056,046	2,973,225	2,877,844	2.8 %	3.3 %
Disability benefits	3,512,352	3,479,852	3,510,745	0.9 %	(0.9)%
Health care subsidies	2,442,339	2,515,000	2,600,225	(2.9)%	(3.3)%
Operating expenses	1,613,506	1,554,314	1,466,261	3.8 %	6.0 %
Refunds to members	4,440,594	5,220,357	4,761,086	(14.9)%	9.6 %
Total Deductions	<u>114,563,977</u>	<u>115,162,723</u>	<u>114,850,590</u>	(0.5)%	0.3 %
<b>Change in Fiduciary</b>					
<b>Net Position</b>	<u>\$ 63,901,838</u>	<u>\$ (18,498,627)</u>	<u>\$ (67,820,027)</u>	445.4 %	(72.7)%

**Public School Retirement System of the City of St. Louis**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2017**

**FINANCIAL SUMMARY**

For more than 21 years, the PSRSSTL Investment Consultant has consistently calculated the System's investment performance; thereby, providing a valid basis on which performance can be compared with other public pension funds. For instance, PSRSSTL investment returns have performed consistently when compared to other public pension funds with the cumulative PSRSSTL returns ranking in the top 30% of public plans during the last 21 years for the period ended December 31, 2017.

The fiduciary net position over this same timeframe has fluctuated from a low of \$780 million in fiscal year 1997 to a high of \$1.15 billion in fiscal year 2007. At the end of fiscal year 2017, the fiduciary net position was \$914 million. These fluctuations in the value of the System's fiduciary net position can be attributed to volatile financial market conditions that caused substantial losses of investment returns in several fiscal years followed by large investment gains in other fiscal years.

Until fiscal year 2017, the funded status of PSRSSTL, using the Governmental Accounting Standards Board ("GASB") calculation method implemented in 1992, has remained stable, fluctuating within the range of 80.5% to 88.6% for 25 fiscal years. The funded ratio of a plan compares its assets to its liabilities; thereby, on an actuarial basis, measuring a plan's ability to fulfill future financial obligations to its members. The funded ratios of the PSRSSTL for fiscal years 2017, 2016, and 2015 were 79.5%, 84.9%, and 84.8%, respectively. The large dip in the PSRSSTL funded ratio from fiscal year 2016 to fiscal year 2017 is primarily due to the change in the System's actuarial assumed rate of return (discount rate) from 8.0% to 7.5%.

The Board of Trustees and the PSRSSTL Actuary assume that the PSRSSTL 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 dodge sustained volatility. However, during fiscal year 2017, the Missouri General Assembly, in cooperation with Governor Eric Greitens, enacted changes to the System's calculations for the required annual employer and member contributions. Unless overturned, and as actuarially determined, these changes will have adverse effects on the actuarial soundness of the System and its ability to meet future financial obligations to its members. It is assumed that the Board of Trustees will fulfill its fiduciary duty to its members by monitoring these changes and by taking the appropriate action to maintain the System's actuarial soundness.

**REQUESTS FOR INFORMATION**

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

**Public School Retirement System of the City of St. Louis**  
**Statements of Fiduciary Net Position**  
**December 31, 2017 and 2016**

<b>Assets</b>	<u>2017</u>	<u>2016</u>
Cash	\$ 10,108,913	\$ 9,815,722
Receivables		
Accrued interest and dividends	778,383	1,788,561
Other receivable	<u>25,578</u>	<u>27,978</u>
Total Receivables	<u>803,961</u>	<u>1,816,539</u>
Investments, at fair value		
Cash equivalents	40,773,921	47,040,304
Bonds		
U.S. Government and agency issues	28,241,695	38,004,981
Corporate	33,283,520	57,455,994
Foreign investments (bonds and stocks)	91,518,408	106,066,223
Common and preferred stocks	216,329,735	210,678,307
Mutual and co-mingled funds	411,565,601	306,141,170
Real estate partnerships	55,324,668	52,710,452
Limited partnerships	25,708,057	19,649,576
Venture capital partnerships	<u>-</u>	<u>220,624</u>
Total Investments	902,745,605	837,967,631
Property and Building, net	<u>1,747,704</u>	<u>1,815,142</u>
Total Assets	<u>915,406,183</u>	<u>851,415,034</u>

**Deferred Outflows of Resources**

Deferred Outflows of Resources Related to Pensions	<u>382,152</u>	<u>251,094</u>
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**Liabilities**

Accounts Payable and Accrued Expenses	800,653	780,536
Net Pension Liability	<u>876,434</u>	<u>649,399</u>
Total Liabilities	<u>1,677,087</u>	<u>1,429,935</u>

**Deferred Inflows of Resources**

Deferred Inflows of Resources Related to Pensions	<u>28,988</u>	<u>55,771</u>
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**Net Position**

Net Position Restricted for Pensions	<u>\$ 914,082,260</u>	<u>\$ 850,180,422</u>
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**Public School Retirement System of the City of St. Louis**  
**Statements of Changes in Fiduciary Net Position**  
**Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Additions</b>		
Employer contributions		
St. Louis Public Schools	\$ 30,459,434	\$ 29,007,501
Sick leave conversion	412,970	714,818
Charter Schools	10,130,296	9,718,163
Retirement System	74,644	79,497
Plan member contributions		
St. Louis Public Schools	9,289,039	9,429,585
Charter Schools	3,275,759	3,196,537
Retirement System	<u>26,754</u>	<u>25,907</u>
	53,668,896	52,172,008
 Investment income		
Cash equivalents	294,142	241,229
Bonds		
U.S. Government and agency issues	1,165,283	680,456
Corporate	2,048,420	7,296,052
Foreign investments	24,292,282	(582,949)
Common and preferred stock	48,544,033	18,161,863
Mutual and co-mingled funds	47,184,871	18,347,234
Limited partnerships	2,622,170	1,010,105
Real estate partnerships	3,103,993	3,855,694
Venture capital partnerships	<u>(26,146)</u>	<u>(623,073)</u>
	129,229,048	48,386,611
Less investment expenses	<u>5,059,535</u>	<u>5,076,345</u>
Net investment income	124,169,513	43,310,266
 Rental income	153,544	150,427
Other miscellaneous income	<u>473,862</u>	<u>1,031,395</u>
Net Additions	178,465,815	96,664,096
 <b>Deductions</b>		
Benefits paid		
Retirement benefits	99,499,140	99,419,975
Survivor benefits	3,056,046	2,973,225
Disability benefits	3,512,352	3,479,852
Health care subsidies	<u>2,442,339</u>	<u>2,515,000</u>
	108,509,877	108,388,052
 Operating expenses	1,613,506	1,554,314
Contribution refunds due to death or resignation	<u>4,440,594</u>	<u>5,220,357</u>
Total Deductions	<u>114,563,977</u>	<u>115,162,723</u>
 Net Increase (Decrease) in Net Position	63,901,838	(18,498,627)
 Net Position Restricted for Pensions, Beginning of Year	<u>850,180,422</u>	<u>868,679,049</u>
 Net Position Restricted for Pensions, End of Year	<u>\$ 914,082,260</u>	<u>\$ 850,180,422</u>

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

**General**

The Public School Retirement System of the City of St. Louis (the "System") is the administrator of a cost-sharing multiple-employer defined benefit pension plan existing under provisions of the Revised Statutes of the State of Missouri (the "Statutes") to provide retirement benefits for all employees of the Board of Education of the City of St. Louis, of the Charter Schools located within the St. Louis School District, and of all employees of the System. The System issues an annual Comprehensive Annual Financial Report ("CAFR"), a publicly available financial report that can be obtained at [www.psrstl.org](http://www.psrstl.org).

An eleven member Board of Trustees is responsible for general administration of the System and investing the System's assets. Trustees are appointed by plan members and the Board of Education of the City of St. Louis.

**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, 2017	January 1, 2016
Active members	5,101	5,034
Inactive members	<u>2,554</u>	<u>2,271</u>
Total members not retired	7,655	7,305
Retired members		
Service and survivors	4,310	4,333
Disability	<u>251</u>	<u>254</u>
	<u>4,561</u>	<u>4,587</u>
Total membership	<u><u>12,216</u></u>	<u><u>11,892</u></u>

**Vesting**

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

**Funding Policy**

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

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

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

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

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

Benefits are recorded when paid.

**Return of Contributions Upon Death**

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

**Contributions by Participants**

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

**Contributions by Employers**

The System's contractually required contribution rate for the years ended December 31, 2017 and 2016 was 15.73% and 15.14%, respectively, of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan for System employees were \$74,644 and \$79,497 for the years ended December 31, 2017 and 2016, respectively.

**Expenses**

Operating expenses are paid out of investment income.

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**Investment Policy**

The System's policy in regards to the allocation of invested assets is established and may be amended by the System's Board. Investments are managed on a total return basis with a long-term objective of maintaining a fully funded status for the benefits provided through the pension plan. The following was the System Board's adopted asset allocation policy as of February 27, 2017.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Equity	22.0 %	6.2 %
Non-U.S. Equity	19.0 %	7.5 %
Global Equity	5.0 %	6.9 %
Fixed Income	21.0 %	2.2 %
Real Estate	7.0 %	4.6 %
Private Markets	9.0 %	7.8 %
Hedge Funds	7.0 %	4.1 %
Global Asset Allocation	10.0 %	4.6 %
Total	<u>100.0 %</u>	<u>5.4 %</u>

**2. Summary of Significant Accounting Policies**

**Basis of Presentation and Accounting**

The financial statements of the System have been prepared in accordance with the criteria established by the Governmental Accounting Standards Board ("GASB"), which is the source of authoritative accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental units. The System's financial statements are prepared using the accrual basis of accounting.

**Use of Estimates**

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

**Receivables**

Receivables consist of pending interest and dividends payable on investments held at the end of the year. Other receivable is an amount due to the System from a member for overpaid benefits.

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**Investment Valuation and Income Recognition**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 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 where no readily ascertainable fair value exists, management, in consultation with their investment advisors, values these investments in good faith based upon audited financial statements, 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.

**Investment Income**

Investment income 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.

**Investment Expenses**

Investment expenses consist of investment manager, investment advisor, and custodial bank fees.

**Fair Value Measurements**

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

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**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 uses the straight-line method for the depreciation of the building and improvements over the estimated life of 40 years.

**Long-Lived Asset Impairment**

The System evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2017 and 2016.

**Deferred Outflows and Inflows of Resources**

In addition to assets and liabilities, the statements of fiduciary net position will sometimes include separate sections for deferred outflows and inflows of resources. These separate financial statement elements represent the use or acquisition of net position that applies to a future period or periods and will not be recognized as an outflow or inflow of resources until then. The System has deferred outflows and inflows in the statements of fiduciary net position that relate to pension related deferrals required by the implementation of GASB Statement No. 68.

**Pensions**

Pension-related expenses, liabilities, deferred outflows of resources, and deferred inflows of resources have been determined on the same basis as they are reported by the System. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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**Recent Accounting Pronouncements**

**Statement No. 75: *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that are provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. Based on a preliminary analysis, the Plan has yet to determine what impact, if any, this new guidance will have on its financial statements.

**Statement No. 82: *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73***

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Based on a preliminary analysis, the Plan has yet to determine what impact, if any, this new guidance will have on its financial statements.

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**3. Adoption of New Accounting Standards**

During the year ended December 31, 2016, the System adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of 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. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

**4. Investments**

At December 31, 2017 and 2016, investments consisted of the following:

	2017	
	<u>Fair Value</u>	<u>Cost</u>
Cash equivalents	\$ 40,773,921	\$ 40,773,921
Bonds		
U.S. Government and agency issues	28,241,695	35,684,055
Corporate	33,283,520	33,198,524
Foreign investments (bonds and stocks)	91,518,408	77,783,061
Common and preferred stocks	216,329,735	159,263,388
Mutual and co-mingled funds	411,565,601	312,847,221
Real estate partnerships	55,324,668	40,567,585
Limited partnerships	25,708,057	23,450,683
	<u>\$902,745,605</u>	<u>\$723,568,438</u>

  

	2016	
	<u>Fair Value</u>	<u>Cost</u>
Cash equivalents	\$ 47,040,304	\$ 47,040,304
Bonds		
U.S. Government and agency issues	38,004,981	52,366,085
Corporate	57,455,994	56,006,840
Foreign investments (bonds and stocks)	106,066,223	110,167,559
Common and preferred stocks	210,678,307	170,465,392
Mutual and co-mingled funds	306,141,170	245,794,152
Real estate partnerships	52,710,452	38,682,509
Limited partnerships	19,649,576	17,931,643
Venture capital partnerships	220,624	-
	<u>\$837,967,631</u>	<u>\$738,454,484</u>



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**5. Fair Value Measurements**

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

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical instruments in active markets.
- Level 2      Inputs to the valuation methodology include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, inputs other than quoted prices that are observable for the instrument, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Investments that are measured at fair value using the net asset value ("NAV") per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The fair value amounts presented in the tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of fiduciary net position. The instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Carrying amounts of certain financial instruments such as cash, receivables, accounts payable, and accrued expenses approximate fair value due to their short maturities or because the terms are similar to market terms. There have been no changes in the methodologies used at December 31, 2017 and 2016.

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

- Level 1      Investments consist of publicly traded common and preferred stocks and mutual funds. These investments are valued using the closing price reported on the active market on which the individual securities are traded.
- Level 2      Investments consist of corporate and foreign bonds and stocks, U.S. government securities and agency issues, and cash equivalent accounts. These securities are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.
- Level 3      Investments consist of real estate partnerships, limited partnerships, and venture capital partnerships. Real estate partnerships are valued at fair value as determined by the general partner. Limited partnerships are valued based on valuations of the underlying companies of the limited partnerships as reported by the general partner. Venture capital partnerships are valued by investment advisors based upon audited financial statements, other practices, and other information provided by the underlying investment advisor.

Investments also consist of co-mingled funds. These securities are valued at the NAV based on shares held by the System at year-end. The NAV is used as a practical expedient to estimate fair value.

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 other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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The following table presents the fair value measurements of instruments recognized in the accompanying statements of fiduciary net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements are categorized at December 31, 2017 and 2016:

	2017			
	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Cash equivalents	\$ 40,773,921	\$ -	\$ 40,773,921	\$ -
U.S. Government and agency issues	28,241,695	-	28,241,695	-
Corporate bonds	33,283,520	-	33,283,520	-
Foreign investments	91,518,408	-	91,518,408	-
Common and preferred stocks	216,329,735	216,329,735	-	-
Mutual funds	271,553,680	271,553,680	-	-
Real estate partnerships	55,324,668	-	-	55,324,668
Limited partnerships	25,708,057	-	-	25,708,057
Total assets in fair value hierarchy	762,733,684	<u>\$487,883,415</u>	<u>\$193,817,544</u>	<u>\$ 81,032,725</u>
Investments measured at NAV	<u>140,011,921</u>			
	<u>\$902,745,605</u>			

  

	2016			
	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Cash equivalents	\$ 47,040,304	\$ -	\$ 47,040,304	\$ -
U.S. Government and agency issues	38,004,981	-	38,004,981	-
Corporate bonds	57,455,994	-	57,455,994	-
Foreign investments	106,066,223	-	106,066,223	-
Common and preferred stocks	210,678,307	210,678,307	-	-
Mutual funds	212,606,386	212,606,386	-	-
Real estate partnerships	52,710,452	-	-	52,710,452
Limited partnerships	19,649,576	-	-	19,649,576
Venture capital partnerships	220,624	-	-	220,624
Total assets in fair value hierarchy	744,432,847	<u>\$423,284,693</u>	<u>\$248,567,502</u>	<u>\$ 72,580,652</u>
Investment measured at NAV	<u>93,534,784</u>			
	<u>\$837,967,631</u>			

Investments measured at fair value based on NAV per share practical expedient as of December 31, are as follows:

December 31, 2017	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Co-mingled funds	\$ 140,011,921	N/A	Daily	30 days

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<u>December 31, 2016</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Co-mingled funds	\$ 93,534,784	N/A	Daily	30 days

The following table provides a summary of changes in fair value of the System's Level 3 assets for the years ended December 31, 2017 and 2016, as follows:

	<u>Venture Capital Partnerships</u>	<u>Limited Partnerships</u>	<u>Real Estate Partnerships</u>	<u>Total</u>
December 31, 2015	\$ 843,696	\$ 17,940,871	\$ 49,354,157	\$ 68,138,724
Realized gains	-	667,248	28,962	696,210
Unrealized gains (losses)	(429,352)	154,434	1,541,810	1,266,892
Purchases, sales, issuances, and settlements (net)	-	698,600	-	698,600
Investment income (loss), net	(193,720)	188,423	2,284,922	2,279,625
Management fees	-	-	(499,399)	(499,399)
December 31, 2016	220,624	19,649,576	52,710,452	72,580,652
Realized gains (losses)	(26,146)	625,641	33,219	632,714
Unrealized gains	-	1,570,404	729,140	2,299,544
Purchases, sales, issuances, and settlements (net)	(194,478)	3,436,311	-	3,241,833
Investment income, net	-	426,125	2,341,634	2,767,759
Management fees	-	-	(489,777)	(489,777)
December 31, 2017	<u>\$ -</u>	<u>\$ 25,708,057</u>	<u>\$ 55,324,668</u>	<u>\$ 81,032,725</u>

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.

<u>December 31, 2017</u>	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Inputs</u>
Limited Partnerships	\$ 25,708,057	Basis in LLC	Undistributed Income
Real Estate Partnerships	\$ 55,324,668	Basis in LLC	Undistributed Income

<u>December 31, 2016</u>	<u>Fair Value</u>	<u>Valuation Technique(s)</u>	<u>Unobservable Inputs</u>
Limited Partnerships	\$ 19,649,576	Basis in LLC	Undistributed Income
Real Estate Partnerships	\$ 52,710,452	Basis in LLC	Undistributed Income
Venture Capital Partnerships	\$ 220,624	Basis in LLC	Undistributed Income

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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, 2017 and 2016 could result in a significantly higher or lower fair value measurement.

**6. Risks and Uncertainties**

**Custodial Credit Risk**

Financial instruments that potentially subject the System to concentrations of custodial credit and market risk consist principally of cash and investments. The System places its temporary cash investments with major financial institutions. At December 31, 2017 and 2016, the System had approximately \$10,581,000 and \$10,220,000, respectively, in cash on deposit at US Bank. These balances were insured by the Federal Deposit Insurance Corporation ("FDIC") for \$250,000. The remaining balances are collateralized by US Bank's assets held jointly in the name of US Bank, N.A. and the System, held by the Federal Home Loan Bank of Cincinnati 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 fair value of the collateralized securities at December 31, 2017 and 2016 was \$11,000,000. A significant portion of the System's investments are held in trust by US Bank of St. Louis, N.A.

On December 28, 2017 and December 30, 2016, the System received \$30,872,404 and \$29,722,319, respectively, from the St. Louis Board of Education for the 2017 and 2016 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 invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of fiduciary net position.

**Concentration of Credit Risk**

At December 31, 2017, 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 position held in trust for pension benefits.

Investments	Fair Value	Percentage of Total Net Assets
UBS Global Asset Management	\$ 55,324,668	6.1%
Chicago Equity Partners	\$ 49,022,013	5.4%
Fidelity Institutional Asset Mgmt	\$ 51,006,515	5.6%
Causeway	\$ 50,767,531	5.6%

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**Credit Risk of Debt Securities**

The System's rated debt investments as of December 31, 2017 were rated by Moody's Investor Services ("Moody's") and the ratings are presented using the Moody's rating scale. The System's policy to limit credit risk is that the overall average quality of each high-grade domestic fixed income portfolio shall be AA or better and the average quality rating of securities held in a domestic high-yield portfolio shall be B or better. The overall average quality of each global fixed income portfolio shall be A or better. Non-rated issues are allowed as long as the quality is sufficient to maintain the overall average rating noted.

As of December 31, 2017, the System held the following fixed income investments with respective Moody's quality ratings or equivalent rating. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk. Foreign investments not considered to have credit risk such as stocks and cash equivalents are not included in the following:

Quality Rating	Corporate bonds	Foreign government and corporate obligations	U.S. Government and agency issues	Total
Aaa	\$ 4,694,128	\$ 146,472	\$ 9,937,511	\$ 14,778,111
Aa1	91,198	-	118,798	209,996
Aa2	568,208	-	76,511	644,719
Aa3	491,667	106,524	111,206	709,397
A1	1,049,992	-	90,944	1,140,936
A2	359,558	119,239	-	478,797
A3	1,239,911	40,981	-	1,280,892
Baa1	2,149,809	-	-	2,149,809
Baa2	3,162,237	72,946	-	3,235,183
Baa3	4,302,446	538,239	-	4,840,685
Ba1	1,227,023	359,647	-	1,586,670
Ba2	659,964	71,557	-	731,521
Ba3	775,485	142,735	-	918,220
B1	418,644	85,000	-	503,644
B2	208,055	153,200	-	361,255
B3	454,304	40,200	-	494,504
Caa1	194,175	26,180	-	220,355
Caa2	59,468	-	-	59,468
Not rated	11,177,248	2,052,141	17,906,725	31,136,114
Total	<u>\$ 33,283,520</u>	<u>\$ 3,955,061</u>	<u>\$ 28,241,695</u>	<u>\$ 65,480,276</u>

**Public School Retirement System of the City of St. Louis**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

As of December 31, 2016, the System held the following fixed income investments with respective Moody's quality ratings or equivalent rating.

Quality Rating	Corporate bonds	Foreign Government and corporate obligations	U.S. Government and agency issues	Total
Aaa	\$ 4,432,351	\$ 3,470,686	\$ 20,107,145	\$ 28,010,182
Aa1	89,218	-	143,598	232,816
Aa2	870,499	2,790,702	-	3,661,201
Aa3	634,870	-	-	634,870
A1	614,890	7,717,244	-	8,332,134
A2	927,692	1,766,675	-	2,694,367
A3	1,829,245	1,446,270	-	3,275,515
Baa1	2,103,872	1,660,931	-	3,764,803
Baa2	2,301,146	2,603,750	-	4,904,896
Baa3	4,976,288	1,501,019	-	6,477,307
Ba1	3,442,504	1,579,640	-	5,022,144
Ba2	2,715,589	1,173,834	-	3,889,423
Ba3	4,758,970	770,701	-	5,529,671
B1	4,680,439	678,669	-	5,359,108
B2	2,147,898	651,332	-	2,799,230
B3	3,901,055	978,886	-	4,879,941
Caa1	2,129,637	1,025,805	-	3,155,442
Caa2	446,615	504,008	-	950,623
Caa3	276,454	64,750	-	341,204
Ca	24,570	-	-	24,570
Not rated	<u>14,152,192</u>	<u>3,573,553</u>	<u>17,754,238</u>	<u>35,479,983</u>
Total	<u>\$ 57,455,994</u>	<u>\$ 33,958,455</u>	<u>\$ 38,004,981</u>	<u>\$ 129,419,430</u>

**Public School Retirement System of the City of St. Louis**  
**Notes to Financial Statements**  
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**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The System does not have a formal policy to limit foreign currency risk. The System's exposure to foreign currency risk in U.S. Dollars as of December 31, 2017 is as follows:

Currency	Cash Equivalents	Fixed Income	Equities	Total
Australian Dollar	\$ -	\$ -	\$ 1,023,508	\$ 1,023,508
British Pound Sterling	1	-	19,751,162	19,751,163
Canadian Dollar	-	-	5,870,942	5,870,942
Danish Krone	-	-	480,209	480,209
Euros	-	-	17,558,114	17,558,114
Hong Kong Dollar	-	-	3,908,870	3,908,870
Japanese Yen	-	-	12,357,245	12,357,245
Korean Won	-	-	2,060,016	2,060,016
Singapore Dollar	-	-	34,867	34,867
South African Rand	-	-	27,952	27,952
Swedish Krona	-	-	494,944	494,944
Swiss Franc	-	-	6,924,710	6,924,710
Thai Baht	-	-	218,288	218,288
	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 70,710,827</u>	<u>70,710,828</u>
Foreign investment denominated in U.S. Dollars				<u>20,807,580</u>
				<u>\$ 91,518,408</u>



**Public School Retirement System of the City of St. Louis**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

The System's exposure to foreign currency risk in U.S. Dollars as of December 31, 2016 is as follows:

Currency	Cash Equivalents	Fixed Income	Equities	Total
Australian Dollar	\$ -	\$ -	\$ 884,987	\$ 884,987
British Pound Sterling	-	-	12,002,393	12,002,393
Canadian Dollar	-	-	2,067,056	2,067,056
Columbian Peso	-	451,799	-	451,799
Danish Krone	-	-	850,024	850,024
Euros	-	4,830,343	15,456,926	20,287,269
Hong Kong Dollar	-	-	2,528,608	2,528,608
Indian Rupee	-	180,777	-	180,777
Israeli New Sheqel	-	-	161,686	161,686
Japanese Yen	-	7,427,833	9,233,728	16,661,561
Korean Won	-	-	2,194,771	2,194,771
Malaysian Ringgit	76,599	658,239	-	734,838
Mexican Peso	48,995	3,464,443	-	3,513,438
New Zealand Dollar	-	2,609,588	-	2,609,588
Polish Zloty	-	2,374,278	-	2,374,278
South African Rand	20	-	133,349	133,369
Swedish Krona	-	-	215,252	215,252
Swiss Franc	-	-	7,435,601	7,435,601
Thai Baht	-	-	227,179	227,179
	<u>\$ 125,614</u>	<u>\$ 21,997,300</u>	<u>\$ 53,391,560</u>	<u>75,514,474</u>

Foreign investment denominated in U.S. Dollars	<u>30,551,749</u>
	<u><u>\$106,066,223</u></u>

**Public School Retirement System of the City of St. Louis**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System's fixed income investments are managed in accordance with policies established by the Board that are specific as to the degree of interest rate risk that can be taken. The System's policies established by the Board manage the interest rate risk within the portfolio using various methods, including effective duration, option adjusted duration, average maturity, and segmented time distribution, which reflects total fair value of investments maturing during a given time period. The System does not have a specific investment policy on interest rate risk. However, domestic bond managers are limited to seven years average duration and global bond managers cannot differ from the passive benchmark by more than two years as a means of managing its exposure to fair value losses arising from increasing interest rates.

The segmented time distribution of the various investment types of the System's debt securities at December 31, 2017 is as follows:

Type	2017 Fair Value	Less Than 1 year	1 to 5 years	6 to 10 years	More than 10 years
Corporate bonds	\$ 33,283,520	\$ 390,972	\$ 12,748,167	\$ 8,057,221	\$ 12,087,160
Foreign Government and corporate obligations	3,955,061	-	856,096	1,569,985	1,528,980
U.S. Government and agency issues	<u>28,241,695</u>	<u>-</u>	<u>2,348,572</u>	<u>4,599,638</u>	<u>21,293,486</u>
Total	<u>\$ 65,480,276</u>	<u>\$ 390,972</u>	<u>\$ 15,952,835</u>	<u>\$ 14,226,844</u>	<u>\$ 34,909,626</u>

The segmented time distribution of the various investment types of the System's debt securities at December 31, 2016 is as follows:

Type	2016 Fair Value	Less Than 1 year	1 to 5 years	6 to 10 years	More than 10 years
Corporate bonds	\$ 57,455,994	\$ 285,273	\$ 22,777,527	\$ 17,904,512	\$ 16,488,682
Foreign Government and corporate obligations	33,958,455	2,096,513	12,684,429	9,990,864	9,186,649
U.S. Government and agency issues	<u>38,004,981</u>	<u>-</u>	<u>10,891,911</u>	<u>5,412,443</u>	<u>21,700,627</u>
Total	<u>\$ 129,419,430</u>	<u>\$ 2,381,786</u>	<u>\$ 46,353,867</u>	<u>\$ 33,307,819</u>	<u>\$ 47,375,958</u>

**Public School Retirement System of the City of St. Louis**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

**7. Property and Building**

Property and building as of December 31, 2017 and 2016 consists of:

	<u>2017</u>	<u>2016</u>
Land	\$ 229,451	\$ 229,451
Building	2,065,061	2,065,061
Tenant improvements	<u>158,120</u>	<u>158,120</u>
	2,452,632	2,452,632
Less accumulated depreciation	<u>704,928</u>	<u>637,490</u>
Property and Building, net	<u>\$ 1,747,704</u>	<u>\$ 1,815,142</u>

Depreciation expense totaled \$67,438 for each of the years ended December 31, 2017 and 2016.

**8. Occupancy**

The System occupies offices in a building it owns. Occupancy expenses for the years ended December 31, 2017 and 2016 were \$28,112 and \$30,875, 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 was five years with five one-year renewal options with annual rent ranging from \$144,047 to \$158,821 through May 2019. Rental income received for the years ended December 31, 2017 and 2016 totaled \$153,544 and \$150,427, respectively.

**9. Tax Status of Plan**

The Internal Revenue Service has determined and informed the System by a letter dated December 15, 2016, that the System and related trust and amendments are designed in accordance with the applicable sections of the Internal Revenue Code ("IRC"). Management believes that the System is designed and is currently being operated in compliance with the applicable requirements of the IRC and therefore believes that the System is qualified and the related trust is tax-exempt.

**10. Retirement Plan of the System**

**Pension Liabilities, Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

At December 31, 2017 and 2016, the System reported a liability of \$876,434 and \$649,399, respectively, as its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Public School Retirement System of the City of St. Louis**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

The System's proportionate share of the net pension liability was based on the System's actual employer's compensation relative to the actual compensation of all participating employers for the System's plan years ended December 31, 2016 and 2015. At December 31, 2016 and 2015, the System's portion was 0.21% and 0.20%, respectively.

There were no changes in benefit terms during the System's plan year ended December 31, 2015 that affected the measurement of total pension liability. Assumption changes effective as of December 31, 2016 are as follows:

1. Revised investment return assumption of 7.50% based on analysis of asset allocation.
2. Updated withdrawal assumption based on Plan experience for the 5 years ending December 31, 2015.
3. Updated retirement assumption based on Plan experience for the 5 years ending December 31, 2015.
4. Revised salary increase assumption.
5. Updated mortality assumption, reflecting most recent mortality improvements.

Cumulative impact on the System's net pension liability at December 31, 2016 is an increase of approximately \$148,000.

For the year ended December 31, 2017, the System recognized pension expense of \$143,838. At December 31, 2017, the System reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 10,108	\$ 11,576
Changes in assumptions	111,534	-
Net difference between projected and actual earnings on pension plan investments	168,747	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,119	17,412
System contributions subsequent to the measurement date of December 31, 2016	<u>74,644</u>	<u>-</u>
Total	<u>\$ 382,152</u>	<u>\$ 28,988</u>

**Public School Retirement System of the City of St. Louis**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

For the year ended December 31, 2016, the System recognized pension expense of \$112,780. At December 31, 2016, the System reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 171,597	\$ -
System contributions subsequent to the measurement date of December 31, 2015	79,497	-
Difference between expected and actual experience	-	15,674
Changes in proportionate share	<u>-</u>	<u>40,097</u>
Total	<u>\$ 251,094</u>	<u>\$ 55,771</u>

The System's total pension liability in the December 31, 2016 and 2015 actuarial valuation was determined using the actuarial assumptions disclosed in Note 11.

Deferred outflows of resources of \$74,644 resulting from the System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the System's year ending December 31 as follows:

Amortization Schedule	
<u>Year</u>	<u>Amount</u>
2018	\$ 94,071
2019	94,072
2020	80,922
2021	<u>9,455</u>
Total	<u>\$ 278,520</u>

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.5 percent and 8.0 percent at December 31, 2017 and 2016, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Public School Retirement System of the City of St. Louis**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

**Sensitivity of the System's proportionate share of the net pension liability to changes in the discount rate**

The following presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent and 8.0 percent for the years ended December 31, 2017 and 2016, respectively, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

System's proportionate share of the net pension liability for the year ended December 31,	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
2017	\$ 1,136,291	\$ 876,434	\$ 649,465

  

System's proportionate share of the net pension liability for the year ended December 31,	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
2016	\$ 862,460	\$ 649,399	\$ 457,020

**11. Funding Status**

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

	2017	2016
Actuarial value of assets	\$ 901,076,683	\$ 915,391,079
Actuarial accrual liability (AAL)	\$ 1,133,555,454	\$ 1,077,693,143
Unfunded AAL (UAAL)	\$ 232,478,771	\$ 162,302,064
Funded ratio	79.5 %	84.9 %
Annual covered payroll	\$ 260,223,066	\$ 252,127,288
UAAL as a percentage of payroll	89.3 %	64.4 %

The funded ratio decreased 5.4% from the previous year. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents similar information but uses a multi-year format to show trend information. These trends indicate whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The trend information was obtained from the annual valuation report of the independent actuary retained by the System.

**Public School Retirement System of the City of St. Louis**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

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

	<u>January 1, 2017</u>	<u>January 1, 2016</u>
Actuarial cost method	Frozen entry age	Frozen entry age
Rate of investment return	7.50%, net of expenses	8.00%, net of expenses
Participant account interest crediting rate	5.00%	5.00%
Turnover or withdrawal rates	Various by age and year of membership based on actual	Various by age and year of membership based on actual
Mortality and death rates	a) RP-2014 Combined Healthy Mortality table (rolled back to 2006) for active Members, and deferred vested Members, projected fully generationally using projection scale MP-2015. b) RP-2014 Combined Healthy Mortality Table (rolled back to 2006) for Inactive (In Receipt) Members adjusted by an additional 10% to account for the higher mortality experienced by the Plan, projected fully generationally using projection scale MP-2015.	Mortality tables mandated by the Pension Protection Act as specified in IRS Regulation 1.430(h)(3)-1 applied on a static basis, projected 7 years from the valuation date for annuitants and 15 years for non-annuitants
Disability rates	RP-2014 Disability Mortality Table (rolled back to 2006), projected fully generationally using projection scale MP-2015	RP-2000 Disability Mortality Table
Rates of retirement between the ages of 55 and 70	Various based on actual experience of the System	Various based on actual experience of the System
Rate of salary increases	Salaries are assumed to increase at the rate of 5.0% per year for the first 5 years of employment and at the rate of 3.5% per year thereafter	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 assumed yield method of valuing assets

**Public School Retirement System of the City of St. Louis**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

**12. Annual Required Contribution**

As determined by the actuary, the annual required contribution is as follows at January 1, 2017:

	Board of Education	Retirement System	Charter Schools	Total
Normal Cost contribution	\$ 19,818,916	\$ 53,325	\$ 6,477,946	\$ 26,350,187
Actuarial accrued liability contribution	<u>17,557,407</u>	<u>47,240</u>	<u>5,738,755</u>	<u>23,343,402</u>
Annual required contribution (ARC)	<u>\$ 37,376,323</u>	<u>\$ 100,565</u>	<u>\$ 12,216,701</u>	<u>\$ 49,693,589</u>
Covered compensation	\$ 195,723,057	\$ 526,616	\$ 63,973,393	\$ 260,223,066
ARC as % of covered compensation	19.10 %	19.10 %	19.10 %	19.10 %

The actuarial determined contribution is determined from the prior year census; therefore the contributions are recognized one year in arrears.

As determined by the actuary, the annual required contribution is as follows at January 1, 2016:

	Board of Education	Retirement System	Charter Schools	Total
Normal Cost contribution	\$ 17,762,876	\$ 43,530	\$ 5,320,726	\$ 23,127,132
Actuarial accrued liability contribution	<u>12,696,558</u>	<u>31,114</u>	<u>3,803,152</u>	<u>16,530,824</u>
Annual required contribution (ARC)	<u>\$ 30,459,434</u>	<u>\$ 74,644</u>	<u>\$ 9,123,878</u>	<u>\$ 39,657,956</u>
Covered compensation	\$ 193,647,262	\$ 474,551	\$ 58,005,475	\$ 252,127,288
ARC as % of covered compensation	15.73 %	15.73 %	15.73 %	15.73 %

The actuarial determined contribution is determined from the prior year census; therefore the contributions are recognized one year in arrears.



**Public School Retirement System of the City of St. Louis**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

**13. Employers' Net Pension Liability**

The components of the net pension liability (the retirement system's liability determined in accordance with GASB Statement No. 67 less the fiduciary net position) as of December 31, 2017, are shown in the *Schedule of Net Pension Liability* below.

Actuarial valuation of an ongoing plan involves estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was performed in 2012. The net pension liability as of December 31, 2017 and 2016 is \$759,039,931 and \$415,681,778, respectively, based on actuarial valuations. The 2017 valuation was performed as of May 2017, with a measurement date of January 1, 2017, rolled forward and updated to December 31, 2017 using generally accepted actuarial procedures. The 2016 valuation was performed as of June 2016, with a measurement date of January 1, 2016, rolled forward and updated to December 31, 2016 using generally accepted actuarial procedures.

**Schedule of Net Pension Liability**

The components of the net pension liability of all participating employers at December 31, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Total pension liability	\$ 1,673,122,191	\$ 1,265,862,200
Less: Fiduciary net position	<u>914,082,260</u>	<u>850,180,422</u>
Employers' net pension liability	<u>\$ 759,039,931</u>	<u>\$ 415,681,778</u>
Plan net position as a percentage of total pension liability	54.63 %	67.16 %

**Sensitivity of Net Pension Eligibility to Changes in the Discount Rate**

The following presents the net pension liability at December 31, 2017 and 2016, calculated using the discount rate of 4.78 percent and 7.50 percent, respectively, as well as what the net pension liability would have been if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease (3.78%)</u>	<u>Current Discount Rate (4.78%)</u>	<u>1% Increase (5.78%)</u>
Net pension liability - 2017	\$ 961,985,980	\$ 759,039,931	\$ 590,565,070
	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net pension liability - 2016	\$ 541,091,150	\$ 415,681,778	\$ 309,269,186

**Public School Retirement System of the City of St. Louis**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

The projection of cash flows used to determine the discount rate assumed that System contributions will continue to follow the current funding policy. Based on those assumptions, the System's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. See page 49.

Under GASB Statement No. 68, employers participating in the plan could recognize a proportionate share of total pension expense of \$193,026,507 and \$78,088,817 for their fiscal years beginning after June 15, 2017 and 2016, respectively.

Required schedules of changes of employer net pension liability for the years ended December 31, 2017 and 2016, are provided on page 36.

A schedule of projected fiduciary net position is provided on page 50.

The System selected the assumptions used for the accounting results on page 36. Management believes that these assumptions are reasonable and comply with the requirements of GASB Statement No. 67 as applicable.

**14. Subsequent Events**

The System has evaluated subsequent events through April 13, 2018, the date the financial statements were available to be issued.

The System was notified that a hearing is scheduled in May 2018 related to a lawsuit filed by the System against the State of Missouri and other defendants to overturn Senate Bill 62. Senate Bill 62 changed the System's calculations for the required annual employer and participant contributions and the benefit calculation. These changes, effective January 1, 2018, will have an adverse effect on the actuarial soundness of the System and its ability to meet future financial obligations to its members.

**Public School Retirement System of the City of St. Louis**  
**Required Supplementary Information**  
**Schedules of Changes of Employer Net Pension Liability**  
**For The Years Ended December 31,**

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 19,950,269	\$ 19,260,511	\$ 19,136,245	\$ 18,728,870
Interest	92,276,865	92,358,115	93,242,628	93,305,719
Changes of benefit terms	18,979,978	-	-	-
Difference between expected and actual experience	(8,215,370)	6,392,416	(10,065,347)	-
Changes of assumptions	397,218,720	70,532,232	-	-
Benefit payments	<u>(112,950,471)</u>	<u>(113,608,409)</u>	<u>(113,384,329)</u>	<u>(113,082,656)</u>
Net change in total pension liability	407,259,991	74,934,865	(11,070,803)	(1,048,067)
Total pension liability - beginning	<u>1,265,862,200</u>	<u>1,190,927,335</u>	<u>1,201,998,138</u>	<u>1,203,046,205</u>
Total pension liability - ending	<u><u>\$1,673,122,191</u></u>	<u><u>\$1,265,862,200</u></u>	<u><u>\$1,190,927,335</u></u>	<u><u>\$1,201,998,138</u></u>
Plan fiduciary net position				
Employer contributions	\$ 41,077,344	\$ 39,519,979	\$ 40,708,503	\$ 41,757,458
Employee contributions	12,591,552	12,652,029	11,664,711	11,887,933
Net investment income	124,796,919	44,492,088	(5,342,651)	35,000,792
Benefit payments including refunds of employee contributions	(112,950,471)	(113,608,409)	(113,384,329)	(113,082,656)
Administrative expense	(1,613,506)	(1,554,314)	(1,466,261)	(1,350,393)
Other	<u>-</u>	<u>-</u>	<u>(431,423)</u>	<u>-</u>
Net change in plan fiduciary net position	63,901,838	(18,498,627)	(68,251,450)	(25,786,866)
Plan fiduciary net position - beginning	<u>850,180,422</u>	<u>868,679,049</u>	<u>936,930,499</u>	<u>962,717,365</u>
Plan fiduciary net position - ending	<u><u>\$ 914,082,260</u></u>	<u><u>\$ 850,180,422</u></u>	<u><u>\$ 868,679,049</u></u>	<u><u>\$ 936,930,499</u></u>
Net pension liability - ending	<u><u>\$ 759,039,931</u></u>	<u><u>\$ 415,681,778</u></u>	<u><u>\$ 322,248,286</u></u>	<u><u>\$ 265,067,639</u></u>
Total pension liability	\$1,673,122,191	\$1,265,862,200	\$1,190,927,335	\$1,201,998,138
Less: Plan fiduciary net position	<u>914,082,260</u>	<u>850,180,422</u>	<u>868,679,049</u>	<u>936,930,499</u>
Employer net pension liability	<u><u>\$ 759,039,931</u></u>	<u><u>\$ 415,681,778</u></u>	<u><u>\$ 322,248,286</u></u>	<u><u>\$ 265,067,639</u></u>
Plan fiduciary net position as a percentage of the total pension liability	54.63 %	67.16 %	72.94 %	77.95 %
Covered employee payroll	\$ 260,223,066	\$ 252,127,288	\$ 245,699,583	\$ 243,280,015
Employer net pension liability as a percentage of covered employee payroll	292 %	165 %	131 %	109 %

\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**Public School Retirement System of the City of St. Louis**  
**Required Supplementary Information**  
**Schedules of Changes of Employer Net Pension Liability**  
**For The Year Ended December 31, 2017**

**Benefit Changes**

1. Reduce the "Rule of 85" to "Rule of 80"
2. Change the percent of pay benefit multiplier from 2.00 percent of Average Final Compensation to 1.75 percent of Average Final Compensation for members hired on or after January 1, 2018

**Contribution Changes**

1. Increase the employee contribution requirement from a flat 5.00 percent of compensation during 2017 to 9.00 percent in 0.50 percent annual increments for employees hired before January 1, 2018
2. Set employee contribution rate to a flat 9.00 percent for employees hired on or after January 1, 2018
3. Set the employer contribution rate to a flat 16.00 percent of covered payroll for plan year 2018 with annual decreases of 0.50 percent until reaching 9.00 percent of covered payroll

**Assumption Changes**

1. Revised investment return assumption of 7.50 percent to a blended discount rate of 4.78 percent. Blended discount rate is a municipal bond rate of 3.16 percent and long-term rate of return of 7.50 percent

**Public School Retirement System of the City of St. Louis**  
**Required Supplementary Information**  
**Schedules of the System's Proportionate Share of the Net Pension Liability**  
**For The Years Ended December 31,**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
System's proportion of the net pension liability	0.21 %	0.20 %	0.22 %	0.22 %
System's proportionate share of the net pension liability	\$ 876,434	\$ 649,399	\$ 570,232	\$ 517,013
System's covered-employee payroll	\$ 478,280	\$ 454,115	\$ 472,849	not available
System's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	183.25 %	143.00 %	120.59 %	not available
Plan fiduciary net position as a percentage of the total pension liability	67.16 %	72.94 %	77.95 %	72.30 %

\* The amounts presented for each fiscal year were determined as of December 31 of the previous year.

The goal is to provide a full 10-year history as the information becomes available.

**Public School Retirement System of the City of St. Louis**  
**Required Supplementary Information**  
**Schedules of Annual Money-Weighted Rate of Return on Investments**  
**For The Years Ended December 31,**

The System began tracking the annual money-weighted rate of return during the fiscal year ended December 31, 2014. The annual money-weighted rate of return for future years will appear in the following schedule as they occur. The goal is to provide a full 10-year history as the information becomes available.

<u>Year Ended December 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense, adjusted for the changing amounts actually invested	<u>15.55 %</u>	<u>5.52 %</u>	<u>(1.00)%</u>	<u>3.93 %</u>

**Public School Retirement System of the City of St. Louis**  
**Required Supplementary Information**  
**Schedules of Employer Contributions**  
**December 31, 2017**

**Board of Education**

Year Ended December 31	Actuarially Determined Contribution	Contributions Recognized by the Plan	Contributions Deficiency (Excess)	Covered Employee Payroll	Contributions Recognized by the Plan as a Percentage of Covered Payroll
2008	\$19,091,518	\$ 19,091,518	\$ -	\$201,971,702	9.45 %
2009	19,274,150	19,274,150	-	202,754,929	9.51 %
2010	16,790,176	16,790,176	-	202,943,889	8.27 %
2011	19,933,761	19,933,761	-	198,775,945	10.03 %
2012	20,786,075	20,786,075	-	175,009,885	11.88 %
2013	27,962,472	27,962,472	-	185,606,968	15.07 %
2014	31,555,696	31,555,696	-	191,273,081	16.50 %
2015	31,072,850	31,072,850	-	195,853,519	15.87 %
2016	29,007,501	29,007,501	-	191,534,175	15.14 %
2017	30,459,434	30,459,434	-	193,647,262	15.73 %

The actuarial determined contribution is determined from the prior year census; therefore the contributions are recognized one year in arrears.

**Retirement System**

Year Ended December 31	Actuarially Determined Contribution	Contributions Recognized by the Plan	Contributions Deficiency (Excess)	Covered Employee Payroll	Contributions Recognized by the Plan as a Percentage of Covered Payroll
2008	\$ 47,364	\$ 47,364	\$ -	\$ 501,066	9.45 %
2009	51,995	51,995	-	546,968	9.51 %
2010	48,617	48,617	-	587,617	8.27 %
2011	57,964	57,964	-	578,006	10.03 %
2012	73,902	73,902	-	622,220	11.88 %
2013	91,361	91,361	-	606,427	15.07 %
2014	85,590	85,590	-	518,799	16.50 %
2015	83,960	83,960	-	529,203	15.87 %
2016	79,497	79,497	-	524,915	15.14 %
2017	74,644	74,644	-	474,551	15.73 %

The actuarial determined contribution is determined from the prior year census; therefore the contributions are recognized one year in arrears.

**Public School Retirement System of the City of St. Louis**  
**Required Supplementary Information**  
**Schedules of Employer Contributions**  
**December 31, 2017**

**Charter Schools**

Year Ended December 31	Actuarially Determined Contribution	Contributions Recognized by the Plan	Contributions Deficiency (Excess)*	Covered Employee Payroll	Contributions Recognized by the Plan as a Percentage of Covered Payroll
2008	\$ 1,875,688	\$ 3,145,999	\$ (1,270,311) *	\$19,843,158	15.85 %
2009	2,074,020	3,377,789	(1,303,769) *	21,817,708	15.48 %
2010	2,568,929	3,843,486	(1,274,557) *	31,050,800	12.38 %
2011	4,272,457	4,521,680	(249,223) *	42,604,182	10.61 %
2012	5,068,681	5,533,481	(464,800) *	42,676,134	12.97 %
2013	7,313,765	6,765,907	547,858 *	48,546,696	13.94 %
2014	5,625,992	8,527,507	(2,901,515) *	34,101,634	25.01 %
2015	7,440,420	8,445,676	(1,005,256) *	46,897,293	18.01 %
2016	8,123,754	9,718,163	(1,594,409) *	53,640,493	18.12 %
2017	9,123,878	10,130,296	(1,006,418) *	58,005,475	17.46 %

\*Charter Schools report and pay employer contributions in the current year as service is credited.

The actuarial determined contribution is determined from the prior year census; therefore the contributions are recognized one year in arrears.

**Harris-Stowe College**

Year Ended December 31	Actuarially Determined Contribution	Contributions Recognized by the Plan	Contributions Deficiency (Excess)	Covered Employee Payroll	Contributions Recognized by the Plan as a Percentage of Covered Payroll
2008	\$ 6,746	\$ -	\$ 6,746	\$ 71,363	- %
2009	6,784	6,746	38	71,363	9.45 %

Harris-Stowe College ceased participating in the plan in 2009.

The actuarial determined contribution is determined from the prior year census; therefore the contributions are recognized one year in arrears.



**Public School Retirement System of the City of St. Louis**  
**Required Supplementary Information**  
**Schedules of Employer Contributions**  
**December 31, 2017**

Employer Contributions

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
2008	\$ 21,021,316	132.5
2009	21,406,949	133.6
2010	19,407,722	134.4
2011	24,264,182	118.4
2012	25,928,658	114.0
2013	35,367,598	104.7
2014	37,267,278	109.2
2015	38,597,230	102.4
2016	37,210,752	110.4
2017	39,657,956	*

\* 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 Conduent Human Resource Services as of January 1, 2017.

**Public School Retirement System of the City of St. Louis**  
**Required Supplementary Information**  
**Schedules of Employer Contributions**  
**December 31, 2017**

Additional information related to the actuarial valuation on the previous page follows:

Actuarial cost method:	Frozen entry age
Rate of investment return:	7.5%, which includes a 2.75% allowance for inflation, for 2017 and 8.00% for 2016, net of expenses
Participant account interest crediting rate:	5.00% for 2017 and 2016
Turnover or withdrawal rates:	Various by age and year of membership based on actual
Mortality and death rates:	Mortality tables issued by the SOA, the RP-2014 Combined Healthy Table (rolled back to 2006), projected fully generationally using projection scale MP-2015 for the 2017 plan year. The mortality assumption for Inactive participants receiving benefits is increased by an additional 10% to account for the higher mortality experienced by the Plan for the 2017 plan year. Mortality tables mandated by the Pension Protection Act as specified in IRS Regulation 1.430(h)(3)-1 applied on a static basis, projected 7 years from the valuation date for annuitants and 15 years for non-annuitants updated to IRS Static Mortality Table mandated for use by private pension plans for the 2016 plan year.
Disability rates:	RP-2014 Disabled Mortality Table (rolled back to 2006) projected fully generationally using projection scale MP-2015 for the 2017 plan year. RP-2000 Disability Mortality Table for the 2016 plan year.
Rates of retirement between the ages of 55 and 70:	Various based on actual experience of the System
Rate of salary increases:	Salaries are assumed to increase at the rate of 5.0% per year for the first 5 years of employment and 3.5% thereafter for the 2017 plan year. Salaries are assessed to increase at the rate of 4.5% per year for the 2016 plan year.
Asset valuation method:	The assumed yield method of valuing assets

The 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.

The impact of changes from the prior valuation was an increase in the Entry Age Normal Liability by approximately \$72.7 million.

**Public School Retirement System of the City of St. Louis**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
(in millions)  
**December 31, 2017**

Actuarial Valuation Date January 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Frozen Entry Age (b)	Unfunded AAL (UAAL) (b - a)
2008	\$ 1,014.9	\$ 1,158.9	\$ 144.0
2009	963.9	1,099.9	136.0
2010	950.7	1,076.0	125.3
2011	944.4	1,066.3	121.9
2012	925.4	1,090.3	164.9
2013	914.5	1,085.1	170.6
2014	922.9	1,093.4	170.5
2015	926.9	1,093.6	166.7
2016	915.4	1,077.7	162.3
2017	901.1	1,133.6	232.5

Actuarial Valuation Date January 1,	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c
2008	87.6 %	\$ 225.2	63.9 %
2009	87.6	234.6	58.0
2010	88.4	242.0	51.8
2011	88.6	218.3	55.8
2012	84.9	234.8	70.3
2013	84.3	225.9	75.5
2014	84.4	243.3	70.1
2015	84.8	245.7	67.8
2016	84.9	252.1	64.4
2017	79.5	260.2	89.3

**Public School Retirement System of the City of St. Louis**  
**Other Supplementary Information**  
**Schedules of Operating Expenses**  
**Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Actuarial services	\$ 129,078	\$ 120,489
Accounting and auditing fees	80,335	73,722
Computer programming and consulting	99,855	124,812
Conventions, conferences, seminars		
Trustees (see below)	23,914	36,793
Depreciation expense	67,438	67,438
Dues and subscriptions	5,812	6,619
Employee benefits	2,960	1,115
Furniture and equipment	-	8,736
Health insurance consulting	39,843	39,843
Insurance - group health	75,646	73,314
Insurance - casualty and bonding	92,654	91,041
Legal fees and expenses	85,051	63,943
Medical fees	800	700
Miscellaneous expense	8,500	7,648
Occupancy expense	28,112	30,875
Office repairs and maintenance	42,213	33,048
Office supplies and expenses	31,241	14,296
Payroll taxes	36,182	35,239
Pension contribution	143,838	112,780
Postage	74,424	81,647
Printing and publishing	31,745	30,330
Salaries - administrative and clerical	472,967	460,643
Telephone	11,988	10,969
Utilities	<u>28,910</u>	<u>28,274</u>
 Total Operating Expenses	 <u>\$ 1,613,506</u>	 <u>\$ 1,554,314</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>2017</u>	<u>2016</u>
Lodging, meals, and miscellaneous	\$ 10,665	\$ 20,082
Transportation and registration	<u>13,249</u>	<u>16,711</u>
Total Trustees Expenses	<u>\$ 23,914</u>	<u>\$ 36,793</u>

**Public School Retirement System of the City of St. Louis**  
**Other Supplementary Information**  
**Schedules of Investment Expenses**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
Investment management fees		
Ativo Capital Management	\$ 79,039	\$ 68,840
Arga Investment Management	87,520	-
Brown Capital Management Global	17,709	-
Brown Capital Management	2	66,874
Causeway Capital Management	321,400	264,366
Channing Capital Management	15,450	-
Chicago Equity Partners	163,247	153,816
Earnest Partners	30,408	33,100
Edgar Lomax Company	170,650	164,645
Entrust Capital Diversified Fund LTD	268,334	284,938
Fidelity Institutional Asset Management	284,479	251,439
Holland Capital Management	129,207	180,753
Intech Investment Management	123,709	118,692
Lazard Asset Management	229,675	198,882
Loomis Sayles & Company, LP	164,360	208,175
Manulife Asset Management	127,460	128,235
Mellon Capital Management	272,770	283,169
Mondrian Investment Partners	81,505	167,910
NCM Capital	33,926	31,322
New Amsterdam Partners	-	74,193
OFI Global Asset Management	198,579	166,285
Passport II LP	335,200	179,797
Standard Global Equity	-	151,657
Strategic Global	109,210	129,771
Systematic Financial Management	277,103	239,196
TCW Asset Management Company	194,741	183,335
UBS Realty Investors LLC	489,776	499,400
US Bank Trust	124,326	146,399
Wellington Trust Company	-	46,947
Westfield Capital Management	245,144	207,799
Whitebox Multi-Strategy Fund, L.P.	267,637	229,518
	<u>4,842,566</u>	<u>4,859,453</u>
Total Investment Management Fees		
	4,842,566	4,859,453
NEPC, LLC	186,013	181,187
Banking services	30,956	35,705
	<u>186,013</u>	<u>181,187</u>
	<u>30,956</u>	<u>35,705</u>
Total Investment Expenses	<u>\$ 5,059,535</u>	<u>\$ 5,076,345</u>

**Public School Retirement System of the City of St. Louis**  
**Other Supplementary Information**  
**Schedules of Professional/Consultant Fees**  
**Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Actuarial services	\$ 129,078	\$ 120,489
Accounting and auditing fees	80,335	73,722
Building property management	28,112	30,875
Health insurance consulting	39,843	39,843
Legal expenses	85,051	63,943
Technology consulting	<u>99,855</u>	<u>124,812</u>
 Total Fees	 <u><u>\$ 462,274</u></u>	 <u><u>\$ 453,684</u></u>

**Public School Retirement System of the City of St. Louis**  
**Other Supplementary Information**  
**Schedules of Limited Partnerships**  
**Years Ended December 31, 2017 and 2016**

Partnership Name	Style	Investments at Fair Value as of December 31, 2017
Fort Washington Private Equity Investors IX, L.P.	Private Equity & Private Debt	\$ 2,841,231
Landmark Equity Partners XIV, L.P.	Private Equity & Private Debt	1,638,796
Landmark Equity Partners XV, L.P.	Private Equity & Private Debt	3,814,561
Lighthouse Capital Partners VI, L.P.	Private Equity & Private Debt	338,287
Mesirow Financial Private Equity Partnership Fund III, L.P.	Private Equity & Private Debt	1,422,412
Monroe Capital Private Credit Fund II LP	Private Equity & Private Debt	8,461,843
Pantheon Global Secondary Fund III B, L.P.	Private Equity & Private Debt	1,433,961
Siguler Guff Distressed Opportunities Fund II, L.P.	Private Equity & Private Debt	96,453
SW Pelham Fund III, L.P.	Private Equity & Private Debt	620,688
Vista Foundation Fund II, L.P.	Private Equity & Private Debt	5,039,825
		<u>\$ 25,708,057</u>

Partnership Name	Style	Investments at Fair Value as of December 31, 2016
Landmark Equity Partners XIV, L.P.	Private Equity & Private Debt	\$ 1,999,809
Landmark Equity Partners XV, L.P.	Private Equity & Private Debt	3,029,023
Lighthouse Capital Partners VI, L.P.	Private Equity & Private Debt	412,584
Mesirow Financial Private Equity Partnership Fund III, L.P.	Private Equity & Private Debt	1,941,877
Monroe Capital Private Credit Fund II LP	Private Equity & Private Debt	3,133,986
Pantheon Global Secondary Fund III B, L.P.	Private Equity & Private Debt	2,228,852
Siguler Guff Distressed Opportunities Fund II, L.P.	Private Equity & Private Debt	231,607
SW Pelham Fund III, L.P.	Private Equity & Private Debt	1,833,472
Vista Foundation Fund II, L.P.	Private Equity & Private Debt	4,838,366
		<u>\$ 19,649,576</u>

**Public School Retirement System of the City of St. Louis**  
**Other Supplementary Information**  
**Schedule of Actuarial Present Values of Projected Benefit Payments**  
**000's omitted**  
**December 31, 2017**

Fiscal Year Ending 12/31	Beginning Fiduciary Net Position	Benefit Payments			Present Value			Using a Single Discount Rate of 4.78%
		Benefit Payments	Funded Portion	Unfunded Portion	Funded Portion at 7.50%	Unfunded Portion at 3.16%		
2018	\$ 914,082	\$ 110,114	\$ 110,114	\$ -	\$ 106,203	\$ -	\$	107,573
2019	\$ 924,076	\$ 110,496	\$ 110,496	\$ -	\$ 99,137	\$ -	\$	103,022
2020	\$ 922,112	\$ 109,535	\$ 109,535	\$ -	\$ 91,418	\$ -	\$	97,466
2021	\$ 916,137	\$ 108,420	\$ 108,420	\$ -	\$ 84,174	\$ -	\$	92,074
2022	\$ 907,154	\$ 108,784	\$ 108,784	\$ -	\$ 78,565	\$ -	\$	88,168
2023	\$ 894,120	\$ 108,929	\$ 108,929	\$ -	\$ 73,181	\$ -	\$	84,258
2024	\$ 877,407	\$ 108,440	\$ 108,440	\$ -	\$ 67,770	\$ -	\$	80,054
2025	\$ 857,629	\$ 108,140	\$ 108,140	\$ -	\$ 62,867	\$ -	\$	76,190
2026	\$ 834,579	\$ 106,896	\$ 106,896	\$ -	\$ 57,808	\$ -	\$	71,878
2027	\$ 809,142	\$ 106,997	\$ 106,997	\$ -	\$ 53,826	\$ -	\$	68,664
2028	\$ 779,891	\$ 106,141	\$ 106,141	\$ -	\$ 49,670	\$ -	\$	65,007
2029	\$ 747,658	\$ 105,483	\$ 105,483	\$ -	\$ 45,918	\$ -	\$	61,657
2030	\$ 712,125	\$ 105,755	\$ 105,755	\$ -	\$ 42,825	\$ -	\$	58,996
2031	\$ 672,202	\$ 104,730	\$ 104,730	\$ -	\$ 39,451	\$ -	\$	55,759
2032	\$ 628,978	\$ 104,119	\$ 104,119	\$ -	\$ 36,485	\$ -	\$	52,905
2033	\$ 581,884	\$ 104,187	\$ 104,187	\$ -	\$ 33,961	\$ -	\$	50,524
2034	\$ 530,005	\$ 103,649	\$ 103,649	\$ -	\$ 31,429	\$ -	\$	47,970
2035	\$ 473,996	\$ 103,825	\$ 103,825	\$ -	\$ 29,286	\$ -	\$	45,859
2036	\$ 412,839	\$ 102,251	\$ 102,251	\$ -	\$ 26,830	\$ -	\$	43,104
2037	\$ 347,992	\$ 102,199	\$ 102,199	\$ -	\$ 24,945	\$ -	\$	41,117
2038	\$ 277,647	\$ 101,253	\$ 101,253	\$ -	\$ 22,990	\$ -	\$	38,878
2039	\$ 202,362	\$ 100,678	\$ 100,678	\$ -	\$ 21,264	\$ -	\$	36,893
2040	\$ 121,420	\$ 99,894	\$ 99,894	\$ -	\$ 19,627	\$ -	\$	34,936
2041	\$ 34,654	\$ 98,355	\$ -	\$ 98,355	\$ -	\$ 47,346	\$	32,829
2042	\$ (57,559)	\$ 98,092	\$ -	\$ 96,231	\$ -	\$ 45,772	\$	31,247



**Public School Retirement System of the City of St. Louis**  
**Other Supplementary Information**  
**Schedule of Projection of Fiduciary Net Position**  
**000's omitted**  
**December 31, 2017**

Year	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2018	\$ 914,082	\$ 55,209	\$ 110,114	\$ 64,899	\$ 924,076
2019	\$ 924,076	\$ 42,943	\$ 110,496	\$ 65,590	\$ 922,112
2020	\$ 922,112	\$ 38,113	\$ 109,535	\$ 65,446	\$ 916,137
2021	\$ 916,137	\$ 34,422	\$ 108,420	\$ 65,016	\$ 907,154
2022	\$ 907,154	\$ 31,440	\$ 108,784	\$ 64,310	\$ 894,120
2023	\$ 894,120	\$ 28,905	\$ 108,929	\$ 63,311	\$ 877,407
2024	\$ 877,407	\$ 26,600	\$ 108,440	\$ 62,061	\$ 857,629
2025	\$ 857,629	\$ 24,514	\$ 108,140	\$ 60,576	\$ 834,579
2026	\$ 834,579	\$ 22,577	\$ 106,896	\$ 58,881	\$ 809,142
2027	\$ 809,142	\$ 20,788	\$ 106,997	\$ 56,958	\$ 779,891
2028	\$ 779,891	\$ 19,124	\$ 106,141	\$ 54,785	\$ 747,658
2029	\$ 747,658	\$ 17,568	\$ 105,483	\$ 52,381	\$ 712,125
2030	\$ 712,125	\$ 16,136	\$ 105,755	\$ 49,696	\$ 672,202
2031	\$ 672,202	\$ 14,776	\$ 104,730	\$ 46,730	\$ 628,978
2032	\$ 628,978	\$ 13,524	\$ 104,119	\$ 43,502	\$ 581,884
2033	\$ 581,884	\$ 12,350	\$ 104,187	\$ 39,958	\$ 530,005
2034	\$ 530,005	\$ 11,561	\$ 103,649	\$ 36,078	\$ 473,995
2035	\$ 473,995	\$ 10,806	\$ 103,825	\$ 31,862	\$ 412,839
2036	\$ 412,839	\$ 10,078	\$ 102,251	\$ 27,326	\$ 347,992
2037	\$ 347,992	\$ 9,397	\$ 102,199	\$ 22,457	\$ 277,647
2038	\$ 277,647	\$ 8,759	\$ 101,253	\$ 17,210	\$ 202,362
2039	\$ 202,362	\$ 8,158	\$ 100,678	\$ 11,579	\$ 121,420
2040	\$ 121,420	\$ 7,595	\$ 99,894	\$ 5,532	\$ 34,654
2041	\$ 34,654	\$ 7,065	\$ 98,355	\$ (923)	\$ (57,559)
2042	\$ (57,559)	\$ 6,593	\$ 98,092	\$ (7,833)	\$ (156,891)

# MEMORANDUM

**To:** Angela Banks  
Joe Clark  
Sheila Goodwin  
Rick Sullivan  
Christina Bennett  
Darnetta Clinkscale  
Yvette Levy  
Eural Thomas  
Paula Bentley  
Louis Cross  
Bobbie Richardson

**FROM:** Andrew Clark

**RE:** **Fiduciary Liability & Crime Insurance Renewals**

**DATE:** April 16, 2018

The insurance broker, Arthur J. Gallagher Risk Management Services, Inc., has submitted the renewal of the retirement system's Fiduciary Liability and Crime Insurance for the period from May 20, 2017 - May 20, 2018. If accepted by the Board of Trustees, the insurance carrier and coverage for both types of insurance will remain the same as in 2017 according to this summary:

Carrier	Coverage Type	Coverage Limit	Coverage Retention	Current (2017) Premium/Fee	Renewal (2018) Premium/Fee
Travelers	Fiduciary Liability	\$10,000,000	\$0	\$58,180	\$58,144
Travelers	Crime	\$2,000,000 / \$100,000	\$15,000 / \$5,000	\$ 1,881	\$ 1,881
Broker Fee				\$15,000	\$15,000
Total Cost				\$75,061	\$75,025

The Crime Insurance annual premium was negotiated in 2017 for a three-year term ending in 2020. The 2018 total renewal cost for the three components above is slightly less than the 2017 cost, and 3.5% (\$2,745) less than the budgeted amount for 2018.

Arthur J. Gallagher Risk Management Services, Inc., in cooperation with Travelers Casualty and Surety Co., has managed to constrain the system's annual liability insurance premium increases for ten years when compared to the highest premium of \$71,518 paid by the system in 2008 for the same type of coverage.

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

**Public School Retirement System of the City of St. Louis  
Travel Activity and Expenses - Calendar Year 2016**

NAME	SPONSOR	DATES		LOCATION	ADVANCES TO	REIMBURSEMENTS		TOTAL COST	EXP RPT	VOUCHER STATUS*	NOTES
Bennett, Christina	NASP	06/12/2016	06/15/2016	Atlanta, GA		\$1,636.22		\$1,636.22	Y	Approved	Monday, December 19, 2016
Bentley, Paula	NASP	06/12/2016	06/15/2016	Atlanta, GA	\$1,770.00	\$236.09		\$2,006.09	Y	Approved	Monday, December 19, 2016
	MAPERS	07/11/2016	07/13/2016	Osage Beach, MO	\$958.76	\$5.43		\$964.19	Y	Approved	Monday, December 19, 2016
	NCTR	07/24/2016	07/27/2016	Berkley, CA	\$1,769.00	\$3.13		\$1,772.13	Y	Approved	Monday, December 19, 2016
	NEPC	05/09/2016	05/11/2016	Boston, MA		\$2,111.55		\$2,111.55	Y	Approved	Monday, December 19, 2016
Goodwin, Sheila	NASP	06/13/2016	06/15/2016	Atlanta, GA		\$2,058.31		\$2,058.31	Y	Approved	Monday, December 19, 2016
	MAPERS	07/11/2016	07/13/2016	Osage Beach, MO		\$905.74		\$905.74	Y	Approved	Monday, December 19, 2016
	NCTR	07/24/2016	07/27/2016	Berkley, CA		\$2,197.70		\$2,197.70	Y	Approved	Monday, December 19, 2016
	NCTR	10/08/2016	10/12/2016	Providence, RI		\$2,428.90		\$2,428.90	Y	Approved	Monday, December 19, 2016
Levy, Yvette	NEPC	05/09/2016	05/11/2016	Boston, MA	\$1,475.00	\$6.33		\$1,481.33	Y	Approved	Monday, December 19, 2016
	NASP	06/13/2016	06/15/2016	Atlanta, GA	\$2,000.00		\$84.63	\$1,915.37	Y	Pending	Received reimbursement 4-17-18
Moten, John	NEPC	05/09/2016	05/11/2016	Boston, MA		\$1,446.52		\$1,446.52	Y	Approved	Monday, December 19, 2016
	NASP	06/12/2016	06/15/2016	Atlanta, GA		\$1,011.88		\$1,011.88	Y	Approved	Monday, December 19, 2016
	NEPC	05/09/2016	05/11/2016	Boston, MA	\$1,921.00	\$441.40		\$2,362.40	Y	Approved	Monday, December 19, 2016
Shelton, Charles	NASP	06/13/2016	06/15/2016	Atlanta, GA	\$1,422.97	\$388.73		\$1,811.70	Y	Approved	Monday, December 19, 2016
	NCTR	10/08/2016	10/12/2016	Providence, RI	\$2,080.00	\$340.43		\$2,420.43	Y	Approved	Monday, December 19, 2016
	NASP	06/12/2016	06/15/2016	Atlanta, GA		\$1,698.36		\$1,698.36	Y	Approved	Monday, December 19, 2016
Total Cost								\$30,228.82			

MAPERS - Missouri Association of Public Employees Retirement Systems  
NASP - National Association of Securities Professionals  
NCTR - National Council on Teacher Retirement  
NEPC - New England Pension Consultants

\*Pending = pending board approval