

PUBLIC SCHOOL RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS

**SCHEDULES OF PENSION INFORMATION
FOR PARTICIPATING EMPLOYERS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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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 Schedules

We have audited the accompanying schedules of employer allocations for Public School Retirement System of the City of St. Louis (the "System") as of and for the years ended December 31, 2019 and 2018, and the related notes to the schedules. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension plan expense ("specified column totals") included in the accompanying schedules of pension amounts by employer of the System as of and for the years ended December 31, 2019 and 2018, and the related notes to the schedules.

Management's Responsibility for the Schedules

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

Auditors' Responsibility

Our responsibility is to express opinions on the schedules of employer allocations and the specified column totals included in the schedules of pension amounts by employer 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 schedules of employer allocations and specified column totals included in the schedules of pension amounts by employer are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension plan expense for the total of all participating entities of the System as of and for the years ended December 31, 2019 and 2018, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the System as of and for the years ended December 31, 2019 and 2018, and our report thereon, dated April 27, 2020, expressed an unmodified opinion on those financial statements.

Restriction of Use

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

A handwritten signature in blue ink that reads "Anders Minkler Huber & Helms LLP".

December 3, 2020

Public School Retirement System of the City of St. Louis
Schedules of Employer Allocations
As of and for the Years Ended December 31, 2019 and 2018

<u>Employer</u>	<u>Employer Name</u>	<u>2019</u>		<u>2018</u>	
		<u>Compensation</u>	<u>Employer Allocation Percentage</u>	<u>Compensation</u>	<u>Employer Allocation Percentage</u>
1	Public Schools Retirement System of the City of St. Louis	\$ 509,484	0.21 %	\$ 453,896	0.19 %
2	St. Louis Public Schools	174,970,377	72.30	173,914,543	74.05
3	Better Learning Communities Academy	-	-	-	-
4	Carondelet Leadership Academy	2,983,425	1.23	2,873,970	1.22
5	City Garden Montessori School	1,843,892	0.76	1,540,555	0.66
6	Confluence Academy	15,089,353	6.24	13,829,432	5.89
7	Construction Career Center	-	-	-	-
8	EAGLE College Preparatory School	2,992,452	1.24	2,326,056	0.99
9	Gateway Science Academy of St. Louis	7,235,214	2.99	6,303,930	2.68
10	Grand Center Arts Academy	1,876,248	0.78	2,258,217	0.96
11	Hawthorn Leadership School for Girls	954,875	0.39	1,269,306	0.54
12	JAMAA Learning Center	-	-	-	-
13	KIPP Inspire Academy	12,301,335	5.08	9,884,630	4.21
14	La Salle Middle School	596,899	0.25	458,971	0.20
15	Lafayette Preparatory Academy	1,575,763	0.65	1,481,246	0.63
16	Lift for Life Academy	4,352,027	1.80	3,579,585	1.52
17	North Side Community School	3,034,712	1.25	2,680,694	1.14
18	Preclarus Mastery Academy	419,162	0.17	417,344	0.18
19	Premier Charter School	6,907,993	2.85	6,239,160	2.66
20	South City Preparatory Academy	696,352	0.29	1,992,826	0.85
21	St. Louis Language Immersion School	2,030,561	0.84	2,296,257	0.98
22	The Arch Community School	407,258	0.17	399,338	0.17
23	The Biome	822,205	0.34	661,292	0.28
24	Kairos Academies	176,946	0.07	-	-
25	The Soulard School	232,276	0.10	-	-
Total Compensation for all Employers		<u>\$ 242,008,809</u>	<u>100.00 %</u>	<u>\$ 234,861,248</u>	<u>100.00 %</u>

Public School Retirement System of the City of St. Louis
Schedule of Pension Amounts by Employer
As of and for the Year Ended December 31, 2019

ER#	Employer Name	<u>Net Pension Liability</u>		<u>Deferred Outflows of Resources</u>				
		Beginning Net Pension Liability	Ending Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
1	Public Schools Retirement System of the City of St. Louis	\$ 1,621,273	\$ 1,051,687	\$ -	\$ 176,050	\$ 146,373	\$ 83,586	\$ 406,009
2	St. Louis Public Schools	621,205,925	273,289,975	-	60,460,180	50,268,474	-	110,728,654
3	Better Learning Communities Academy	-	-	-	-	-	-	-
4	Carondelet Leadership Academy	10,265,542	4,659,875	-	1,030,908	857,129	619,903	2,507,940
5	City Garden Montessori School	5,502,713	2,880,015	-	637,148	529,745	507,560	1,674,453
6	Confluence Academy	49,397,394	23,568,383	-	5,214,054	4,335,127	1,478,333	11,027,514
7	Construction Career Center	-	-	-	-	-	-	-
8	EAGLE College Preparatory School	8,308,448	4,673,975	-	1,034,027	859,723	1,262,333	3,156,083
9	Gateway Science Academy of St. Louis	22,517,028	11,300,835	-	2,500,094	2,078,656	1,971,098	6,549,848
10	Grand Center Arts Academy	8,066,133	2,930,552	-	648,329	539,041	-	1,187,370
11	Hawthorn Leadership School for Girls	4,533,839	1,491,440	-	329,952	274,333	128,771	733,056
12	JAMAA Learning Center	-	-	-	-	-	-	-

Public School Retirement System of the City of St. Louis
Schedule of Pension Amounts by Employer (Continued)
As of and for the Year Ended December 31, 2019

ER#	Employer Name	Net Pension Liability		Deferred Outflows of Resources				
		Beginning Net Pension Liability	Ending Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
13	KIPP Inspire Academy	\$ 35,306,940	\$ 19,213,718	\$ -	\$ 4,250,668	\$ 3,534,137	\$ 5,627,346	\$ 13,412,151
14	La Salle Middle School	1,639,402	932,310	-	206,256	171,487	237,561	615,304
15	Lafayette Preparatory Academy	5,290,869	2,461,217	-	544,497	452,712	292,574	1,289,783
16	Lift for Life Academy	12,785,931	6,797,523	-	1,503,822	1,250,324	1,169,039	3,923,185
17	North Side Community School	9,575,180	4,739,982	-	1,048,630	871,864	982,027	2,902,521
18	Preclarus Mastery Academy	1,490,711	654,698	-	144,839	120,424	31,361	296,624
19	Premier Charter School	22,285,676	10,789,742	-	2,387,024	1,984,646	1,134,228	5,505,898
20	South City Preparatory Academy	7,118,183	1,087,647	-	240,621	200,060	165,958	606,639
21	St. Louis Language Immersion School	8,202,007	3,171,576	-	701,651	583,374	-	1,285,025
22	The Arch Community School	1,426,396	636,104	-	140,726	117,004	240,736	498,466
23	The Biome	2,362,070	1,284,220	-	284,109	236,217	355,548	875,874
24	Kairos Academies	-	276,376	-	61,143	50,836	311,764	423,743
25	The Soulard School	-	362,800	-	80,263	66,733	409,257	556,253
		<u>\$838,901,660</u>	<u>\$378,254,650</u>	<u>\$ -</u>	<u>\$ 83,624,991</u>	<u>\$ 69,528,419</u>	<u>\$ 17,008,983</u>	<u>\$170,162,393</u>

Public School Retirement System of the City of St. Louis
Schedule of Pension Amounts by Employer (Continued)
As of and for the Year Ended December 31, 2019

<u>Deferred Inflows of Resources</u>							
ER#	Employer Name	Difference Between Expected and Actual Experience	Changes in Assumptions	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Total Employer Pension Plan Expense
1	Public Schools Retirement System of the City of St. Louis	\$ (25,912)	\$ (609,061)	\$ (167,888)	\$ (70,761)	\$ (873,622)	\$ 150,372
2	St. Louis Public Schools	(8,898,839)	(209,167,769)	(57,657,273)	(9,908,506)	(285,632,387)	51,641,891
3	Better Learning Communities Academy	-	-	-	-	-	-
4	Carondelet Leadership Academy	(151,734)	(3,566,525)	(983,116)	-	(4,701,375)	880,547
5	City Garden Montessori School	(93,779)	(2,204,275)	(607,610)	(51,039)	(2,956,703)	544,218
6	Confluence Academy	(767,431)	(18,038,518)	(4,972,333)	(335,335)	(24,113,617)	4,453,569
7	Construction Career Center	-	-	-	-	-	-
8	EAGLE College Preparatory School	(152,193)	(3,577,317)	(986,090)	-	(4,715,600)	883,212
9	Gateway Science Academy of St. Louis	(367,977)	(8,649,312)	(2,384,190)	-	(11,401,479)	2,135,448
10	Grand Center Arts Academy	(95,424)	(2,242,955)	(618,272)	(1,588,703)	(4,545,354)	553,768
11	Hawthorn Leadership School for Girls	(48,564)	(1,141,502)	(314,656)	(622,063)	(2,126,785)	281,828
12	JAMAA Learning Center	-	-	-	-	-	-

Public School Retirement System of the City of St. Louis
Schedule of Pension Amounts by Employer (Continued)
As of and for the Year Ended December 31, 2019

Deferred Inflows of Resources							
ER#	Employer Name	Difference Between Expected and Actual Experience	Changes in Assumptions	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Total Employer Pension Plan Expense
13	KIPP Inspire Academy	\$ (625,635)	\$ (14,705,591)	\$ (4,053,609)	\$ -	\$ (19,384,835)	\$ 3,630,696
14	La Salle Middle School	(30,358)	(713,561)	(196,694)	(204,403)	(1,145,016)	176,173
15	Lafayette Preparatory Academy	(80,142)	(1,883,740)	(519,255)	-	(2,483,137)	465,081
16	Lift for Life Academy	(221,340)	(5,202,616)	(1,434,106)	(58,177)	(6,916,239)	1,284,485
17	North Side Community School	(154,343)	(3,627,837)	(1,000,016)	-	(4,782,196)	895,685
18	Preclarus Mastery Academy	(21,318)	(501,086)	(138,125)	(314,050)	(974,579)	123,714
19	Premier Charter School	(351,334)	(8,258,138)	(2,276,363)	(70,982)	(10,956,817)	2,038,870
20	South City Preparatory Academy	(35,416)	(832,452)	(229,466)	(2,391,138)	(3,488,472)	205,526
21	St. Louis Language Immersion School	(103,273)	(2,427,427)	(669,122)	(1,386,368)	(4,586,190)	599,313
22	The Arch Community School	(20,713)	(486,855)	(134,202)	(7,458)	(649,228)	120,201
23	The Biome	(41,817)	(982,902)	(270,938)	-	(1,295,657)	242,671
24	Kairos Academies	(8,999)	(211,529)	(58,308)	-	(278,836)	52,225
25	The Soulard School	(11,814)	(277,678)	(76,542)	-	(366,034)	68,556
		<u>\$ (12,308,355)</u>	<u>\$ (289,308,646)</u>	<u>\$ (79,748,174)</u>	<u>\$ (17,008,983)</u>	<u>\$ (398,374,158)</u>	<u>\$ 71,428,049</u>

Public School Retirement System of the City of St. Louis
Schedule of Pension Amounts by Employer
As of and for the Year Ended December 31, 2018

ER#	Employer Name	Net Pension Liability		Deferred Outflows of Resources				
		Beginning Net Pension Liability	Ending Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
1	Public Schools Retirement System of the City of St. Louis	\$ 1,727,361	\$ 1,621,273	\$ 3,089	\$ 397,711	\$ 215,095	\$ 28,168	\$ 644,063
2	St. Louis Public Schools	567,317,055	621,205,925	1,183,395	152,386,786	82,415,738	-	235,985,919
3	Better Learning Communities Academy	-	-	-	-	-	-	-
4	Carondelet Leadership Academy	7,325,660	10,265,542	19,556	2,518,220	1,361,935	987,759	4,887,470
5	City Garden Montessori School	5,166,708	5,502,713	10,483	1,349,860	730,048	145,588	2,235,979
6	Confluence Academy	45,640,450	49,397,394	94,102	12,117,576	6,553,580	-	18,765,258
7	Construction Career Center	-	-	-	-	-	-	-
8	EAGLE College Preparatory School	7,219,710	8,308,448	15,828	2,038,129	1,102,286	610,785	3,767,028
9	Gateway Science Academy of St. Louis	18,675,029	22,517,028	42,895	5,523,607	2,987,347	1,313,374	9,867,223
10	Grand Center Arts Academy	10,085,765	8,066,133	15,366	1,978,687	1,070,138	101,946	3,166,137
11	Hawthorn Leadership School for Girls	3,907,805	4,533,839	8,637	1,112,187	601,507	400,162	2,122,493
12	JAMAA Learning Center	-	-	-	-	-	8,591	8,591

Public School Retirement System of the City of St. Louis
Schedule of Pension Amounts by Employer (Continued)
As of and for the Year Ended December 31, 2018

ER#	Employer Name	Net Pension Liability		Deferred Outflows of Resources				
		Beginning Net Pension Liability	Ending Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
13	KIPP Inspire Academy	\$ 26,326,036	\$ 35,306,940	\$ 67,260	\$ 8,661,075	\$ 4,684,192	\$ 3,985,359	\$ 17,397,886
14	La Salle Middle School	2,235,616	1,639,402	3,123	402,158	217,500	145,765	768,546
15	Lafayette Preparatory Academy	4,403,741	5,290,869	10,079	1,297,892	701,943	474,381	2,484,295
16	Lift for Life Academy	11,625,850	12,785,931	24,357	3,136,491	1,696,317	69,073	4,926,238
17	North Side Community School	6,864,588	9,575,180	18,241	2,348,868	1,270,345	941,949	4,579,403
18	Preclarus Mastery Academy	2,434,056	1,490,711	2,840	365,683	197,773	76,791	643,087
19	Premier Charter School	19,095,531	22,285,676	42,454	5,466,855	2,956,653	712,809	9,178,771
20	South City Preparatory Academy	6,191,124	7,118,183	13,560	1,746,147	944,373	434,844	3,138,924
21	St. Louis Language Immersion School	10,257,644	8,202,007	15,625	2,012,018	1,088,165	28,596	3,144,404
22	The Arch Community School	569,334	1,426,396	2,717	349,906	189,241	420,407	962,271
23	The Biome	1,970,869	2,362,070	4,500	579,435	313,377	297,535	1,194,847
		<u>\$759,039,932</u>	<u>\$838,901,660</u>	<u>\$ 1,598,107</u>	<u>\$205,789,291</u>	<u>\$111,297,553</u>	<u>\$ 11,183,882</u>	<u>\$329,868,833</u>

Public School Retirement System of the City of St. Louis
Schedule of Pension Amounts by Employer (Continued)
As of and for the Year Ended December 31, 2018

ER#	Employer Name	Deferred Inflows of Resources					Total Employer Pension Plan Expense
		Difference Between Expected and Actual Experience	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources		
1	Public Schools Retirement System of the City of St. Louis	\$ (39,693)	\$ (73,304)	\$ (118,336)	\$ (231,333)	\$	371,203
2	St. Louis Public Schools	(15,208,884)	(28,086,949)	(5,822,283)	(49,118,116)		142,229,840
3	Better Learning Communities Academy	-	-	(135,491)	(135,491)		-
4	Carondelet Leadership Academy	(251,330)	(464,142)	(32,920)	(748,392)		2,350,374
5	City Garden Montessori School	(134,722)	(248,797)	(105,302)	(488,821)		1,259,888
6	Confluence Academy	(1,209,388)	(2,233,433)	(869,009)	(4,311,830)		11,309,911
7	Construction Career Center	-	-	(56,899)	(56,899)		-
8	EAGLE College Preparatory School	(203,414)	(375,655)	-	(579,069)		1,902,283
9	Gateway Science Academy of St. Louis	(551,281)	(1,018,076)	-	(1,569,357)		5,155,446
10	Grand Center Arts Academy	(197,482)	(364,699)	(1,319,299)	(1,881,480)		1,846,803
11	Hawthorn Leadership School for Girls	(111,001)	(204,991)	-	(315,992)		1,038,057
12	JAMAA Learning Center	-	-	(177,923)	(177,923)		-

Public School Retirement System of the City of St. Louis
Schedule of Pension Amounts by Employer (Continued)
As of and for the Year Ended December 31, 2018

		Deferred Inflows of Resources				
		Difference Between Expected and Actual Experience	Difference Between Projected and Actual Investment Earnings	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Total Employer Pension Plan Expense
ER#	Employer Name					
13	KIPP Inspire Academy	\$ (864,414)	\$ (1,596,353)	\$ -	\$ (2,460,767)	\$ 8,083,794
14	La Salle Middle School	(40,137)	(74,123)	(333,445)	(447,705)	375,353
15	Lafayette Preparatory Academy	(129,535)	(239,219)	-	(368,754)	1,211,385
16	Lift for Life Academy	(313,036)	(578,098)	(121,296)	(1,012,430)	2,927,437
17	North Side Community School	(234,428)	(432,928)	-	(667,356)	2,192,311
18	Preclarus Mastery Academy	(36,497)	(67,400)	(526,797)	(630,694)	341,310
19	Premier Charter School	(545,617)	(1,007,615)	(196,163)	(1,749,395)	5,102,476
20	South City Preparatory Academy	(174,273)	(321,839)	(9,625)	(505,737)	1,629,762
21	St. Louis Language Immersion School	(200,808)	(370,842)	(1,359,095)	(1,930,745)	1,877,912
22	The Arch Community School	(34,922)	(64,492)	-	(99,414)	326,584
23	The Biome	(57,830)	(106,798)	-	(164,628)	540,812
		<u>\$ (20,538,692)</u>	<u>\$ (37,929,753)</u>	<u>\$ (11,183,883)</u>	<u>\$ (69,652,328)</u>	<u>\$ 192,072,941</u>

Public School Retirement System of the City of St. Louis
Notes to Schedules
December 31, 2019 and 2018

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 Public School District, and of all employees of the System.

Operations and management of the System are generally prescribed in the Statutes and are supervised by the Board of Trustees. The System's annual reports for December 31, 2019 and 2018 are available at www.psrstl.org.

Membership and Eligibility

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

Benefits

Upon retirement at age 65, or at any age if age plus years of credited service equals or exceeds 80 (Rule of 80) for the years ended December 31, 2019 and 2018, members receive monthly payments for life of yearly benefits equal to years of credited service multiplied by two percent of average final compensation, but not to exceed sixty percent 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 80 would apply for the years ended December 31, 2019 and 2018, 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 member, 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 qualified beneficiaries of members who die after at least 18 months of active membership.

Public School Retirement System of the City of St. Louis
Notes to Schedules
December 31, 2019 and 2018

Contributions by Members

Member contribution rates are established by state laws and are paid by the employee based on Missouri Revised Statutes 169.440 - 169.597. Active members hired before January 1, 2018 contribute 6.00% and 5.50% of covered compensation for the years ended December 31, 2019 and 2018, respectively. This rate increases 0.50% per year until it reaches 9.00%. After this, the contribution rate will remain at 9.00% of covered compensation. Active members hired on or after January 1, 2018 contribute 9.00% of covered compensation.

Accumulated contributions are credited at the rate of interest established by the Board of Trustees. The current crediting rate is 5.00%.

Contributions by Employers

The System's statutory required contribution rate applied to St. Louis Public Schools and the Retirement System for the year ended December 31, 2019 was 16.00% of annual payroll. For Charter School employers, the System's statutory required contribution rate was set at 15.50% of covered payroll for the year ended December 31, 2019. These contribution rates shall be decreased by 0.50% in each subsequent year until reaching 9.00% of covered payroll. After this, the contribution rate will remain at 9.00% of covered payroll.

The System's contractually required contribution rate for the year ended December 31, 2018 was 19.10% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For Charter School employers, the System's statutory required contribution rate for the year ended December 31, 2018 was 16.00% of annual payroll.

2. Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The schedules of the System have been prepared in accordance with the criteria established by the Governmental Accounting Standards Board ("GASB"), 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 schedules are prepared using the accrual basis of accounting.

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

The underlying financial information used to prepare the pension allocation schedules is based on the System's financial statements, accounting, and payroll reporting systems.

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

Total employer compensation as of and for the years ended December 31, 2019 and 2018, was used as the basis for determining each employer's proportionate share of the collective pension amounts reported on the schedules.

Use of Estimates

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

Fair Value Measurements

The System follows guidance issued by the 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.

Subsequent Events

The System has evaluated subsequent events through December 3, 2020, the date the schedules of pension information for participating employers were available to be issued.

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3. Schedules of Employer Allocations

The Schedules of Employer Allocations reflect employer compensation as of and for the years ended December 31, 2019 and 2018 and includes the following for each individual employer:

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

The components of the net pension liability of the participating employers as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 1,271,294,339	\$ 1,658,351,553
Fiduciary net position	<u>893,039,689</u>	<u>819,449,893</u>
Employers' net pension liability	<u>\$ 378,254,650</u>	<u>\$ 838,901,660</u>
Plan net position as a percentage of total pension liability	70.25 %	49.41 %
Covered employee payroll	\$ 242,008,809	\$ 234,861,248
Employers' net pension liability as a percentage of employee covered payroll	156.30 %	357.19 %

4. Schedules of Pension Amounts by Employer

The Schedules of Pension Amounts by Employer include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes in assumptions, net differences between projected and actual investment earnings on pension plan investments, NMV changes in proportion and differences between employer contributions and proportionate share of contributions. The Schedules do not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to measurement date.

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For the year ended December 31, 2019, the System recognized pension expense of \$71,428,049 consisting of the current year contribution, pension liability adjustment, and amortization of deferred outflows and inflows of resources. At December 31, 2019, 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	\$ -	\$ (12,308,355)
Changes in assumptions	83,624,991	(289,308,646)
Net difference between projected and actual earnings on pension plan investments	69,528,419	(79,748,174)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>17,008,983</u>	<u>(17,008,983)</u>
Total	<u>\$ 170,162,393</u>	<u>\$ (398,374,158)</u>

For the year ended December 31, 2018, the System recognized pension expense of \$192,072,941 consisting of the current year contribution, pension liability adjustment, and amortization of deferred outflows and inflows of resources. At December 31, 2018, 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	\$ 1,598,107	\$ (20,538,692)
Changes in assumptions	205,789,291	-
Net difference between projected and actual earnings on pension plan investments	111,297,553	(37,929,753)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>11,183,882</u>	<u>(11,183,883)</u>
Total	<u>\$ 329,868,833</u>	<u>\$ (69,652,328)</u>

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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	
Year	Amount
2020	\$ (27,284,135)
2021	(112,574,254)
2022	(74,737,958)
2023	<u>(13,615,418)</u>
Total	<u><u>\$(228,211,765)</u></u>

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

The following presents the net pension liability as of December 31, 2019 and 2018, calculated using the discount rate of 7.50 percent and 4.78 percent, respectively, as well as what the net pension liability would have been if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability - 2019	\$ 501,254,030	\$ 378,254,650	\$ 273,373,890
	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Net pension liability - 2018	\$ 1,038,507,504	\$ 838,901,660	\$ 673,166,844

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.

Under GASB Statement No. 68, employers participating in the plan could recognize a proportionate share of total pension expense of \$71,428,049 and \$192,072,941 for their fiscal years beginning after June 15, 2019 and 2018, respectively.

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6. Actuarial Methods and Assumptions

The information presented in the aforementioned schedules was determined as part of the 2019 and 2018 actuarial valuation prepared by Buck Global, LLC (Buck) in June 2020 and at June 19, 2019, respectively.

Additional information related to the above actuarial valuation, as applicable for both years presented, is as follows:

	2019	2018
Actuarial cost method	Frozen entry age	Frozen entry age
Rate of investment return	7.50%, net of expenses	4.78%, 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.	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.
Disability rates	RP-2014 Disability Mortality Table (rolled back to 2006) projected fully generationally using projection scale MP-2015.	RP-2014 Disability Mortality Table (rolled back to 2006) projected fully generationally using projection scale MP-2015.

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	<u>2019</u>	<u>2018</u>
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 five years of employment and at the rate of 3.5% per year thereafter	Salaries are assumed to increase at the rate of 5.0% per year for the first five years of employment and at the rate of 3.5% per year thereafter
Asset valuation method	The assumed yield method of valuing assets	The assumed yield method of valuing assets

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