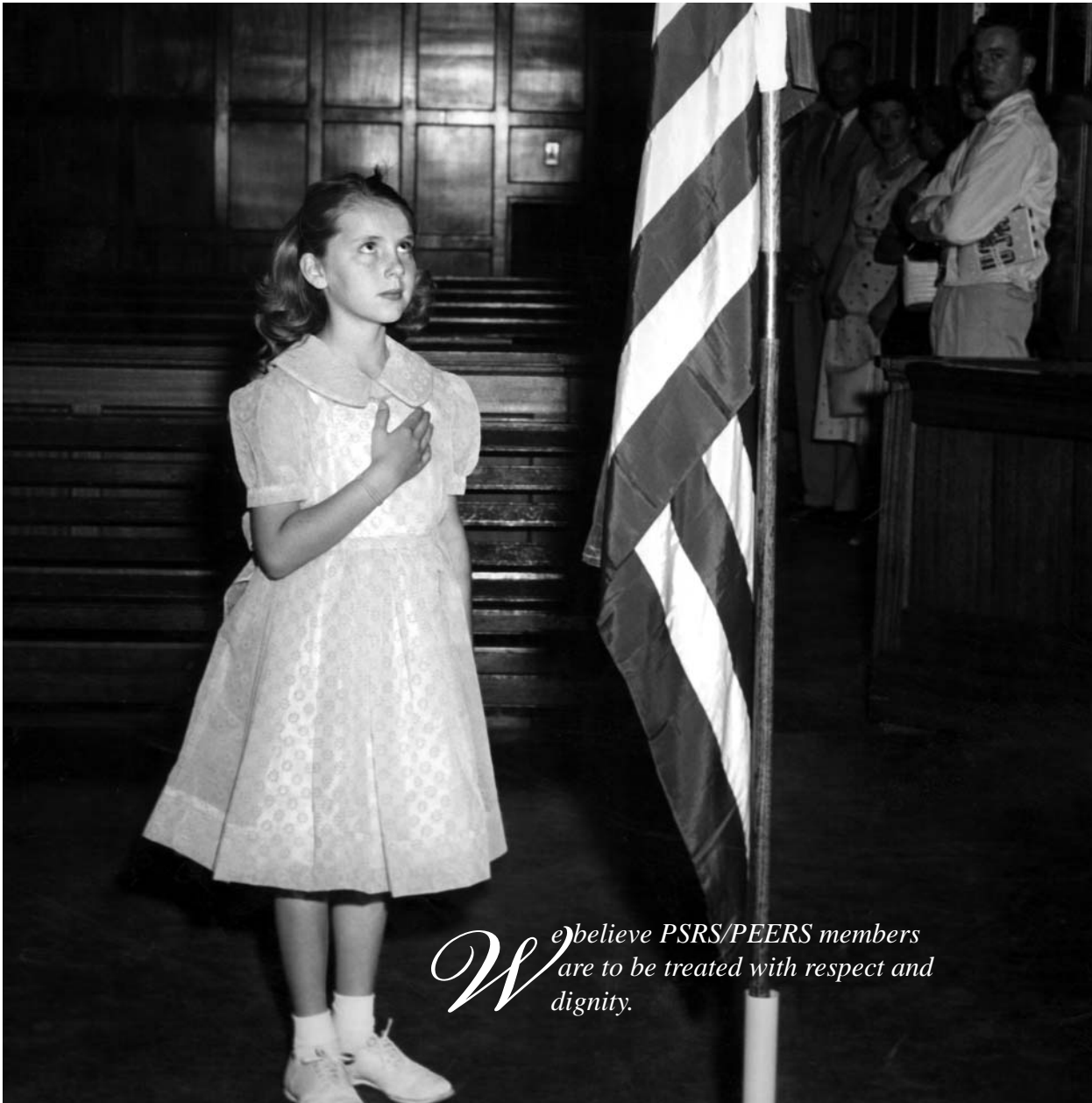

Actuarial Section



*We believe PSRS/PEERS members
are to be treated with respect and
dignity.*

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Actuarial Section

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

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October 18, 2007

Board of Trustees
Public School Retirement System of Missouri
Public Education Employee Retirement System of Missouri
3210 West Truman Boulevard
Jefferson City, MO 65109

Re: Certification of Actuarial Results

Dear Members of the Board:

At your request, we have performed actuarial valuations of the Public School Retirement System and the Public Education Employee Retirement System of Missouri as of June 30, 2007. An actuarial valuation of each System is performed annually.

The actuarial valuation is based upon:

- a. *Data relative to the Members of the Systems* – Data for all members of each System was provided by the staff. Such data is tested for reasonableness by the actuary but is used unaudited.
- b. *Assets of the Fund* – The values of the trust fund assets for each System are provided by the staff. A market related value of assets, with gains and losses recognized ratably over five years, is used to develop actuarial results.
- c. *Actuarial Method* – The actuarial method utilized for each System is the Entry Age Normal Cost Method. The objective of this method is to finance the benefits of the Systems as a level percentage of pay over the entire career of each member. Any Unfunded Actuarial Accrued Liability (UAAL) under this method is separately financed. All actuarial gains and losses under this method are reflected in the UAAL.
- d. *Actuarial Assumptions* – The actuarial assumptions used in the valuation of each System are summarized in the next few pages. The Board adopted this set of assumptions effective for the actuarial valuations as of June 30, 2007 and later.

The actuarial assumptions and methods used are in accordance with paragraph 36 of GASB Statement Number 25.

The trend data in the Financial Section and the schedules and other data in this Section are prepared by the staff with our guidance.



Actuarial Section

Board of Trustees
Public School Retirement System of Missouri
Page 2

The Board's statement of funding policy provides that:

1. The Board of Trustees shall adopt actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience under the System, derived from experience studies conducted every fifth year.
2. The actuarial funding method used shall be the Entry Age Normal Method with normal costs calculated as a percentage of payroll.
3. It shall be the general objective to maintain an amortization period of 30 years or less in the funding of the Unfunded Actuarial Accrued Liability. Whenever a change is made in a System's benefit and contribution rate structures, the amortization period for the System after this change should not exceed 30 years initially. Effective with the 2007 Legislative session, the Unfunded Actuarial Accrued Liabilities for these changes shall be amortized over a 20-year period.
4. If an escalation in future payroll is assumed in determining the amortization payments toward the Unfunded Actuarial Accrued Liability, then the annual rate of such escalation shall not exceed the expected rate of expansion in total System payroll based upon the actuarial assumptions.
5. Assets used in the actuarial valuation shall be valued using adjusted market values averaged over a period of five years.
6. Annual actuarial valuations shall be made of the System's assets and liabilities. The contribution rate shall be established based on the results of these valuations.

The results of the valuations are based on the data and actuarial techniques described above and on the provisions of each System at the valuation date. Based on these items, we certify these results to be true and correct.

Sincerely,



Norman S. Losk, F.S.A.
Senior Consultant



Larry Langer, A.S.A.
Senior Consultant



Alex Rivera, F.S.A.
Senior Consultant

NSL:dw

Actuarial Section

PSRS Calculation of Unfunded Actuarial Accrued Liability

As of June 30, 2007

	Amount
(1) Present value of future benefits for:	
Active members	\$ 23,177,934,589
Service retirees	16,267,015,558
Disability retirees	140,766,782
Tax-sheltered annuitants	1,016,588
Survivors	596,473,255
Death benefits	54,341,306
Inactive members	410,011,270
Total	40,647,559,348
 (2) Present value of future normal costs	 8,250,836,418
 (3) Actuarial accrued liability ((1)-(2))	 32,396,722,930
 (4) Actuarial value of assets	 27,049,004,438
 (5) Unfunded actuarial accrued liability ((3)-(4))	 \$ 5,347,718,492

PSRS Required Contribution Rate and Amortization of Unfunded Liability

As of FY June 30, 2007

	Percentage of Payroll
(1) Total FY 2008 contribution rate, member and employer	25.00%
(2) Normal cost rate	21.60
(3) Approximate rate available for unfunded actuarial accrued liability ((1) - (2))	3.40
(4) Number of years required to amortize unfunded actuarial accrued liability	Never*
(5) Benchmark FY 2008 contribution rate - normal cost plus a rate to fund the UAAL over 30 years	28.24%

* While the current contribution rate will not fund the UAAL in 30 years, the funding process is designed to fund that item over time.

Actuarial Section

PSRS Analysis of Actuarial Gains and Losses

As of June 30, 2007

(Dollar amounts in thousands)

(1) Unfunded actuarial liability as of July 1, 2006		\$ 5,235,486
(2) Normal cost for 2007 plan year		799,551
(3) Contribution expected to be received during year (30-year rate)		(1,117,311)
(4) Interest to year end at 8.00% on (1), (2) & (3)		<u>406,373</u>
(5) Expected unfunded actuarial liability as of June 30, 2007		5,324,099
(6) Contribution shortfall		183,675
(7) Valuation refinements		328,084
(8) Actuarial (gain)/loss during the year		
a. From investment	\$ (726,004)	
b. From actuarial liabilities	<u>237,864</u>	
c. Total		<u>(488,140)</u>
(9) Unfunded actuarial accrued liability as of June 30, 2007		<u><u>\$ 5,347,718</u></u>

Actuarial Section

PEERS Calculation of Unfunded Actuarial Accrued Liability

As of June 30, 2007

	Amount
(1) Present value of future benefits for:	
Active members	\$ 2,863,385,403
Service retirees	1,031,155,736
Disability retirees	19,613,540
Survivors	42,880,939
Inactive members	85,893,736
Total	4,042,929,354
 (2) Present value of future normal costs	 1,060,116,526
 (3) Actuarial accrued liability ((1)-(2))	 2,982,812,828
 (4) Actuarial value of assets	 2,481,562,443
 (5) Unfunded actuarial accrued liability ((3)-(4))	 \$ 501,250,385

PEERS Required Contribution Rate and Amortization of Unfunded Liability

As of June 30, 2007

	Percentage of Payroll
(1) Total FY 2008 contribution rate, member and employer	12.00%
(2) Normal cost rate	11.04
(3) Approximate rate available for unfunded actuarial accrued liability ((1) - (2))	0.96
(4) Number of years required to amortize unfunded actuarial accrued liability	Never*
(5) Benchmark FY 2008 contribution rate - normal cost plus a rate to fund the UAAL over 30 years ²	12.98%

*While the current rate will not fund the UAAL in 30 years, the funding process is designed to fund that item over time.

Actuarial Section

PEERS Analysis of Actuarial Gains and Losses

As of June 30, 2007

(Dollar amounts in thousands)

(1) Unfunded actuarial liability as of July 1, 2006	\$ 538,195,140
(2) Normal cost for 2007 plan year	122,201,932
(3) Contribution expected to be received during year (30-year rate)	(159,180,663)
(4) Interest to year end at 8.00% on (1), (2) & (3).	<u>41,604,918</u>
(5) Expected unfunded actuarial liability as of June 30, 2007	542,821,327
(6) Contribution shortfall	21,638,982
(7) Valuation refinements	(30,257,733)
(8) Actuarial (gain)/loss during the year	
a. From investment	\$ (63,611,098)
b. From actuarial liabilities	<u>30,658,907</u>
c. Total	<u>(32,952,191)</u>
(9) Unfunded actuarial accrued liability as of June 30, 2007	<u><u>\$ 501,250,385</u></u>

Actuarial Section

PSRS Summary of Actuarial Assumptions and Methods

Mortality - Sample rates per 1,000 members by age: (effective 6/30/06)

Active and service retired members, beneficiaries and survivors

	Age	Male	Female
	20	0.430	0.262
	40	0.891	0.551
	60	5.581	2.919
	80	45.171	28.366
	100	268.815	219.655
Active % of Retired -		70%	65%

Investment Return - 8% per annum compound, net of expenses (1980)

Termination - Illustrate per 1,000 members (male and female): (2006)

Service	Rate	Second Year
0	190	110
2	85	100
4	62	90
10	23.5	70
20	5	

Salary Increases - Sample annual rates varying by years of service: (effective 6/30/06)

Service	Increase	Service	Increase
0	10.25%	9	6.5%
3	7.75	10	6.25
6	7.25	15 and over	5.0

Retirement Rates - Sample rates per 1,000 members: (effective 6/30/06)

Age	(1) Age 60+	(2) Below 60	(3) Below 60, less than 30 years	
	5 Years	Service	With 30 Years	Before (1) or (2), After 55/25
60	200	30	350	First Year Eligible 450
62	200	31 and over	300	Thereafter 200
65	300			
67	200			
70+	1,000			



Actuarial Section

Asset Valuation -	Based on five-year average of adjusted market value returns (1994).
Payroll Increase -	Total covered payroll is assumed to increase 5.0% per year. Additional adjustments are made for those with less than five years of service (effective 6/30/06). Membership is not assumed to increase.
Inflation -	3.25% per annum compound (effective 6/30/06).
Actuarial Method -	Entry Age Normal Funding Method is used. Gains and losses are reflected immediately in the unfunded actuarial accrued liability of the System, and amortized in the future as a level percentage of payroll (1947).
Other -	In addition to the above, other assumptions are made with respect to the incidence of disability, the rates of retirement under a special temporary program, mortality of disabled lives, the probability that a member has a spouse, minor children and the ages of the children (effective 6/30/97).
COLA -	3.25% per year (effective 6/30/06).

*Note: Dates reflect the effective date as adopted by the Board of Trustees.
The most recent assumption analysis was performed as of June 30, 2006. The revised assumptions were used for the June 30, 2007 valuation.*

Actuarial Section

PEERS Summary of Actuarial Assumptions and Methods

Mortality - Sample rates per 1,000 members by age: (effective 6/30/06)

Active and service retired members, beneficiaries and survivors

	Age	Male	Female
	20	0.530	0.273
	40	1.156	0.598
	60	8.986	3.359
	80	68.615	31.727
	100	333.461	237.713
Active % of Retired -		70%	60%

Investment Return - 8% per annum compound, net of expenses (1980)

Termination - Illustrate per 1,000 members (male and female): (2006)

Service	Rate	Second Year	Third Year	After Three Years	
				Males	Females
0	300	170	100	66	50
2	150	170	100	66	50
4	100	125	90	61	45
10	48	85	55	39	29
20	18				
25	0				

Salary Increases - Sample annual rates varying by years of service: (effective 6/30/06)

Service	Increase	Service	Increase
0	10.00%	9	5.15%
3	6.05	10 and over	5.0
6	5.60		

Retirement Rates - Sample rates per 1,000 members: (effective 6/30/06)

Age	(1) Age 60+	(2) Below 60	(3) Below 55, with at least 25 years
	5 Years	Service 30 & over	Service With 25+ Years
60	160	160	25
62	240		27
65	260		29
66-74	200		
75+	1,000		



Actuarial Section

- Asset Valuation -** Based on five-year average of adjusted market values (1994).
- Payroll Increase -** Total covered payroll is assumed to increase 5.0% per year. Additional adjustments are made for those with less than five years of service (effective 6/30/06).
- Inflation -** 3.25% per annum compound (effective 6/30/06).
- Actuarial Method -** Entry Age Normal Funding Method is used. Gains and losses are reflected immediately in the unfunded actuarial accrued liability of the System, and amortized in the future as a level percentage of payroll (1966).
- Other -** In addition to the above, other assumptions are made with respect to the incidence of disability, the rates of retirement under a special temporary program, mortality of disabled lives, the probability that a member has a spouse and average work year (effective 6/30/97).
- COLA -** 3.25% per year. (effective 6/30/06).

*Note: Dates reflect the effective date as adopted by the Board of Trustees.
The most recent assumption analysis was performed as of June 30, 2006. The revised assumptions were used for the June 30, 2007 valuation.*

Actuarial Section

PSRS Schedule of Active Member Valuation Data

Actuarial Valuation Date	Number of Members	Covered Annual Payroll (000's)	Average Annual Salary	% Increase in Average Salary	Average Attained Age	Average Years of Service
6/30/1998	68,709	\$ 2,577,594	\$ 37,514	2.7%	42.5	11.9
6/30/1999	70,092	2,690,353	38,383	2.3	42.5	11.7
6/30/2000	71,706	2,836,062	39,581	3.1	42.5	11.6
6/30/2001	72,688	2,982,051	41,025	3.7	42.4	11.3
6/30/2002	73,673	3,213,461	43,618	6.3	42.3	11.2
6/30/2003	74,347	3,373,058	45,369	4.0	42.4	11.3
6/30/2004	73,797	3,408,230	46,184	1.8	42.5	11.4
6/30/2005	73,850	3,540,649	47,944	3.8	42.5	11.4
6/30/2006	75,540	3,775,752	49,983	4.3	42.4	11.2
6/30/2007	77,121	3,980,698	51,616	3.3	42.3	11.1

PEERS Schedule of Active Member Valuation Data

Actuarial Valuation Date	Number of Members	Covered Annual Payroll (000's)	Average Annual Salary	% Increase in Average Salary	Average Attained Age	Average Years of Service
6/30/1998	38,672	\$ 616,303	\$ 15,937	3.0%	44.8	6.7
6/30/1999	41,599	685,272	16,473	3.4	44.6	6.5
6/30/2000	43,533	735,400	16,893	2.5	44.5	6.4
6/30/2001	45,517	814,158	17,887	5.9	44.6	6.3
6/30/2002	46,728	895,420	19,162	7.1	44.8	6.4
6/30/2003	46,863	971,177	20,724	8.2	45.3	6.6
6/30/2004	45,880	984,866	21,466	3.6	46.2	7.0
6/30/2005	46,598	1,055,204	22,645	5.5	46.6	7.1
6/30/2006	48,188	1,190,994	24,716	9.1	46.4	7.1
6/30/2007	49,281	1,275,199	25,876	4.7	46.6	7.2

Actuarial Section

PSRS Solvency Test

(Dollar amounts in thousands)

Actuarial Accrued Liability for:

Actuarial Valuation Date	Member Contributions	Current Retirees & Beneficiaries	Active & Inactive Members Employer Financed Portion	Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Assets for:		
					(1)	(2)	(3)
6/30/1998	\$ 3,541,459	\$ 5,523,768	\$ 5,405,822	\$ 14,979,358	100.00%	100.00%	109.4%
6/30/1999	3,765,854	6,602,915	6,004,376	17,209,870	100.00	100.00	113.9
6/30/2000	3,976,059	7,801,845	6,501,209	19,437,223	100.00	100.00	117.8
6/30/2001	4,129,191	9,504,921	7,648,091	21,146,294	100.00	100.00	98.2
6/30/2002	4,354,507	10,589,546	8,389,885	22,236,105	100.00	100.00	86.9
6/30/2003	4,687,227	11,387,543	8,644,680	20,047,982	100.00	100.00	46.0
6/30/2004	4,954,080	12,625,925	8,645,254	21,501,572	100.00	100.00	45.4
6/30/2005	5,119,055	13,976,901	8,785,557	23,049,441	100.00	100.00	45.0
6/30/2006	5,453,906	15,371,279	9,211,945	24,801,644	100.00	100.00	43.2
6/30/2007	5,787,667	17,059,613	9,549,443	27,049,004	100.00	100.00	44.0

PEERS Solvency Test

(Dollar amounts in thousands)

Actuarial Accrued Liability for:

Actuarial Valuation Date	Member Contributions	Current Retirees & Beneficiaries	Active & Inactive Members Employer Financed Portion	Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Assets for:		
					(1)	(2)	(3)
6/30/1998	\$ 225,454	\$ 350,860	\$ 460,033	\$ 1,150,311	100.00%	100.00%	124.6%
6/30/1999	231,252	396,846	540,413	1,335,308	100.00	100.00	130.9
6/30/2000	274,167	467,653	653,480	1,522,660	100.00	100.00	119.5
6/30/2001	301,936	565,126	769,014	1,686,242	100.00	100.00	106.5
6/30/2002	354,296	651,295	850,391	1,810,619	100.00	100.00	94.7
6/30/2003	394,925	731,059	923,732	1,677,770	100.00	100.00	59.7
6/30/2004	444,318	804,864	972,028	1,837,308	100.00	100.00	60.5
6/30/2005	466,259	904,292	1,043,943	2,011,566	100.00	100.00	61.4
6/30/2006	524,014	1,020,486	1,212,333	2,218,638	100.00	100.00	55.6
6/30/2007	580,853	1,093,650	1,308,310	2,481,562	100.00	100.00	61.7

Actuarial Section

PSRS Schedule of Retirees and Beneficiaries Added to and Removed from Retirement Rolls

	Added to Rolls		Removed from Rolls		Rolls End of Year		Average Annual Allowances	% Increase	
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		in Annual Allowance	in Average Annual Allowance
2006-2007									
Service retirees	2,396	\$ 85,977,276	770	\$ 20,772,324	36,257	\$ 1,271,565,084	35,071	9.66%	4.75%
Disability retirees	41	886,872	29	646,560	683	15,111,252	22,125	5.17	3.32
Beneficiaries	241	5,318,208	161	1,972,128	2,888	61,457,496	21,280	8.95	5.93
2005-2006									
Service retirees	2,441	\$ 85,952,556	811	\$ 19,138,824	34,631	\$ 1,159,504,692	33,482	8.59%	3.48%
Disability retirees	41	855,684	34	594,708	671	14,368,776	21,414	3.95	2.86
Beneficiaries	279	6,109,776	127	1,679,784	2,808	56,410,080	20,089	10.61	4.62
2004-2005									
Service retirees	2,630	91,773,708	681	16,100,976	33,001	1,067,742,636	32,355	10.86	4.31
Disability retirees	58	1,151,928	24	402,816	664	13,823,160	20,818	7.94	2.42
Beneficiaries	226	4,153,424	118	1,426,464	2,656	51,000,276	19,202	9.47	5.02
2003-2004									
Service retirees	2,451	87,108,528	822	17,964,480	31,052	963,188,448	31,019	9.93	4.16
Disability retirees	54	1,155,516	28	442,812	630	12,806,208	20,327	8.04	3.58
Beneficiaries	473	6,153,792	147	1,560,084	2,548	46,586,652	18,284	10.60	-3.55
2002-2003									
Service retirees	2,057	69,930,201	762	16,923,921	29,423	876,214,561	29,780	7.55	2.82
Disability retirees	37	724,718	30	543,617	604	11,852,724	19,624	2.27	1.09
Beneficiaries	194	4,069,979	112	1,564,606	2,222	42,122,623	18,957	6.64	2.70
2001-2002									
Service retirees	2,252	76,277,040	763	16,160,604	28,128	814,713,192	28,964	14.53	8.47
Disability retirees	41	890,640	40	688,908	597	11,589,792	19,413	7.27	7.09
Beneficiaries	246	4,309,632	105	1,452,696	2,140	39,500,232	18,458	15.70	8.08

Actuarial Section

PEERS Schedule of Retirees and Beneficiaries Added to and Removed from Retirement Rolls

	Added to Rolls		Removed from Rolls		Rolls End of Year		Average Annual Allowances	% Increase	
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		in Annual Allowance	in Average Annual Allowance
2006-2007									
Service retirees	1,250	\$ 10,608,864	563	\$ 2,140,032	16,009	\$ 95,809,332	\$ 5,985	11.70%	6.91%
Disability retirees	29	134,592	18	56,736	489	2,010,516	4,111	7.35	4.93
Beneficiaries	120	537,792	39	108,804	1,041	4,290,168	4,121	14.55	5.64
2005-2006									
Service retirees	1,080	\$ 8,500,248	528	\$ 1,834,320	15,322	\$ 85,772,400	\$ 5,598	9.22%	5.28%
Disability retirees	53	217,428	23	96,480	478	1,872,912	3,918	9.62	2.73
Beneficiaries	86	291,804	50	175,392	960	3,745,200	3,901	4.79	0.85
2004-2005									
Service retirees	1,092	7,628,508	481	1,697,460	14,770	78,531,972	5,317	10.76	6.17
Disability retirees	43	203,208	26	101,004	448	1,708,548	3,814	9.49	5.36
Beneficiaries	98	443,100	29	77,064	924	3,573,960	3,868	16.21	7.53
2003-2004									
Service retirees	1,075	8,476,308	535	1,597,860	14,159	70,902,420	5,008	11.03	6.80
Disability retirees	43	174,660	17	91,188	431	1,560,408	3,620	7.72	1.20
Beneficiaries	86	417,644	44	107,736	855	3,075,528	3,597	11.63	6.14
2002-2003									
Service retirees	966	7,800,240	488	1,584,787	13,619	63,860,114	4,689	10.59	6.71
Disability retirees	31	135,547	13	39,611	405	1,448,560	3,577	7.60	2.82
Beneficiaries	96	417,644	25	85,565	813	2,755,081	3,389	14.19	4.21
2001-2002									
Service retirees	970	7,570,872	461	1,280,604	13,141	57,743,412	4,394	22.43	17.68
Disability retirees	30	146,556	21	58,956	387	1,346,280	3,479	17.02	14.29
Beneficiaries	97	352,764	18	33,996	742	2,412,648	3,252	26.76	13.27



Actuarial Section

PSRS Summary Plan Description

The Public School Retirement System of Missouri (PSRS) became operative July 1, 1946. It was established by an Act of the Missouri Legislature and is governed by Chapter 169 of the *Revised Statutes of Missouri*. Its purpose is to provide benefits to members and their dependents at retirement or in the event of death or disability prior to retirement.

PSRS is a defined benefit plan funded on an actuarial reserve basis, which guarantees availability of funds to pay benefits as prescribed by law. The System is established as an independent trust fund and is not subject to direction by any state agency. Administrative expenses are paid entirely out of investment earnings.

Administration – The administration of PSRS is vested in a seven-member Board of Trustees, composed of three elected PSRS members, one elected Public Education Employee Retirement System (PEERS) member, and three appointed trustees. The four elected trustees are selected by vote of the members and retirees of both Systems. Two are elected each even-numbered calendar year to serve four-year terms. The three appointed trustees, one of whom must be a PSRS or a PEERS retiree, are named by the Governor to serve four-year terms. The appointed trustees must be residents of school districts included in the Retirement System but not employees of such districts nor state employees nor a state elected official. The Board appoints an executive director who is responsible for employment of the retirement office staff, routine operation of the System, and advisement of the Board on all matters pertaining to the System.

Member Participation – PSRS membership is automatic, regardless of position, for certificated, full-time employees of public school districts in Missouri (except the St. Louis city and the Kansas City school districts), public junior college districts in Missouri, and of PSRS. Certificated, part-time employees whose services would qualify them for membership in the Public Education Employee Retirement System are contributing members of PSRS unless PEERS membership is elected.

Members working in covered employment are considered *active* members. Such members contribute 12.0% (12.5% effective July 1, 2007) of total compensation to PSRS. The contributions are deducted and remitted by the employer and are credited by PSRS to individual member accounts. Since July 1, 1989, member contributions have been tax-deferred for federal and state income tax purposes under IRS 414(h)(2). Contributions are not considered income for such purposes until they are paid as a lump-sum refund or monthly benefits.

Members not working in covered employment are considered *inactive* members.

Interest at a rate set each year by the Board of Trustees is credited to individual member accounts each June 30 on the previous June 30 balance. The rate credited on June 30, 2007 was 6%. Since PSRS is a defined benefit plan, benefits are based upon the member's final average salary and years of creditable service. The amount of interest credited to a member's account has no bearing on the monthly benefit amount payable at retirement.

In addition to credit earned for covered service, members may purchase credit in various categories including several types of leave, out-of-state school service, other public and private employment, active U.S. military duty, and service under the federal Uniformed Services Employment and Re-employment Rights Act of 1994 (USERRA).

Employer Participation – The employers served by PSRS withhold members' contributions from salary payments and match those contributions at a current rate of 12.0% (12.5% effective July 1, 2007) of payroll. Employer contributions and investment earnings on those funds are placed by PSRS in a general reserve account to pay monthly benefits to retirees and to beneficiaries of deceased members. Employers are responsible for remitting contributions promptly and for furnishing contribution information and new membership records to PSRS. Employers also provide record data when members apply for benefits or for refunds upon termination of employment.

Survivor Benefits – The designated beneficiary of a member who dies before retirement is eligible for a lump-sum refund of the member's contributions and interest. If the beneficiary is an eligible dependent and the member dies while in covered employment with at least two years of credit for such service, or while eligible for disability retirement benefits, monthly survivor benefits based on a percentage of the member's salary for the last full year of covered service can be elected instead of the contribution refund.

In lieu of a lump-sum refund or monthly survivor benefits, survivors with an insurable interest and beneficiaries of disability retirees may elect to receive monthly benefits under the Option 2 retirement plan. Such benefits are payable when the member would have been eligible for early or normal service retirement.



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Refund of Contributions – Member contributions and interest are fully refundable upon termination of service or death. All credit and benefit rights are forfeited upon voluntary withdrawal or automatic termination of membership.

A member may, upon returning to covered employment, reinstate the credit forfeited through termination of a previous membership by repaying the money refunded plus interest.

Membership Termination – Membership is terminated by death, retirement, withdrawal of contributions, or absence from covered employment by a non-vested member for five consecutive school years.

Disability Retirement Benefits – Disability retirement benefits are payable to eligible members who, because of permanent disability, are unable to earn a livelihood in any occupation. In most instances, the disability retirement benefit is calculated at 50% of the member's salary for the last full year of creditable service.

Service Retirement Benefits – Service retirement benefits are payable to members who have terminated covered employment and have met certain eligibility requirements.

Benefit Formula – All service retirement benefits are based on a formula which multiplies final average salary by the applicable formula factor, by the years of credit and, in the case of early retirement, by an age-reduction factor. Final average salary is obtained by dividing the total salaries for the three highest consecutive years of service by 36; the applicable factor is determined by the type of retirement eligibility; total credit is the amount accumulated at retirement for covered service and purchased credit; and the age factor, where applicable, is determined by the age at retirement.

Normal Retirement – A member may retire with benefits calculated under the standard (2.5%) formula factor at age 60 with five years of credit, at any age with 30 years of credit, or when a combination of age and service credit equals 80. Between 7/1/2001-7/1/2013, a member may retire with a 2.55% formula factor with 31 or more years of service.

Early Retirement – A member may retire with benefits calculated under the standard (2.5%) formula with an age-reduction factor applied, at age 55 with five years of credit or at any age with 25 years of credit, as long as they do not qualify for Rule of 80.

A special provision in effect until July 1, 2013 allows members under age 55 with 25.0 to 29.9 years of credit to retire with benefits calculated under a modified formula factor ranging from 2.2% to 2.4% but with no age-reduction factor applied.

Payment Options – A retiring member may elect to receive the maximum benefits payable under the Single Life option, or may elect to receive a reduced benefit under one of three Joint-and-Survivor options or under one of two Term-Certain options, to provide survivor benefit coverage in varying degrees after the retiree's death.

Certain benefit minimums apply to normal or early retirement with 15 or more years of credit. The minimums for 15 but fewer than 25 years of credit are reduced if a Joint-and-Survivor or a Term-Certain option is elected and/or if an age factor is applicable because of early retirement. The minimums for 25 or more years of credit are reduced only if a Joint-and-Survivor or a Term-Certain option is elected.

The Partial Lump Sum Option (PLSO) is available to qualified members. This option allows qualified members to elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time, lump-sum payment at retirement.

Post-Retirement Increases – Cost-of-living adjustments (COLAs) are provided beginning the second January after retirement to service and disability retirees, and to Joint-and-Survivor beneficiaries of deceased retirees. The annual COLA, not to exceed 5%, is based on the increase in the cost of living as measured by the Department of Labor Consumer Price Index for the previous fiscal year and is applied to the current benefit of each eligible recipient. Lifetime COLAs are limited to 80% of the original retirement benefit.

Member Handbook – A Member Handbook containing detailed information concerning the retirement program can be obtained from the retirement office upon request.

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PEERS Summary Plan Description

The Public Education Employee Retirement System of Missouri (PEERS) was established by an Act of the Missouri Legislature effective November 1, 1965, and is governed by Chapter 169 of the Revised Statutes of Missouri. Its purpose is to provide benefits to members and their dependents at retirement or in the event of death or disability prior to retirement.

PEERS is a defined benefit plan funded on an actuarial reserve basis, which guarantees availability of funds to pay benefits as prescribed by law. The System is established as an independent trust fund and is not subject to direction by any state agency. Administrative expenses are paid entirely out of investment earnings.

Administration – The statutes provide that the responsibility for the operation and administration of the retirement system is vested in The Public School Retirement System (PSRS) Board of Trustees sitting as the Board of Trustees for PEERS. The Board is comprised of three elected PSRS members, one elected Public Education Employee Retirement System (PEERS) member and three appointed trustees. The four elected trustees are selected by vote of the members and retirees of both Systems. Two are elected each even-numbered calendar year to serve four-year terms. The three appointed trustees, one of whom must be a PSRS or a PEERS retiree, are named by the Governor to serve four-year terms. The appointed trustees must be residents of school districts included in the Retirement System but not employees of such districts nor state employees nor a state elected official.

The Board appoints an executive director who is responsible for employment of the retirement office staff and routine operation of the system, and who acts as advisor to the Board on all matters pertaining to the System.

Member Participation

Active Members – are currently working in covered employment. Employees contribute 5.75% (6.0% effective July 1, 2007) of their total compensation to PEERS. These amounts are deducted by the employing district and then forwarded to PEERS by the payroll officer and applied to the member's account in PEERS. PEERS membership is automatic, regardless of position, for all persons not covered by the Public School Retirement System who are regularly employed for 20 or more hours a week on a regular basis in a position that normally requires at least 600 hours during the school term by the public school districts in Missouri (except the St. Louis city and the Kansas City school districts), public junior college districts in Missouri, and by the Retirement System.

PEERS membership can be elected by employees with Missouri teaching certificates who work in any position for 20 or more hours weekly but less than full time; however, PSRS membership is automatic if a PEERS election is not made. The election to join PEERS must be filed with the Board of Trustees within 90 days after entering first time, part-time employment.

Since July 1, 1989, member contributions have been tax-deferred for federal and state income tax purposes under IRC 414(h)(2). Contributions are not considered as income for federal or state income tax purposes until they are paid in a lump-sum refund or in monthly benefits.

Individual accounts are maintained for all PEERS members. Interest is credited each June 30 on the previous June 30 balance. The interest rate, set annually by the Board of Trustees, was 6% on June 30, 2007. Since PEERS is a defined benefit plan, benefits are based upon the member's final average salary and years of creditable service. The amount of interest credited to a member's account has no bearing on the monthly benefit amount payable at retirement.

In addition to credit earned for covered service, members may purchase credit in various categories including several types of leave, out-of-state school service, other public and private employment, active U.S. military duty, and service under the federal Uniformed Services Employment and Re-employment Rights Act of 1994 (USERRA).

Inactive Members – have contributions on deposit with PEERS but are not currently working in covered employment.

Member's Survivors – When a member dies before retirement, the designated beneficiary becomes eligible for a lump-sum refund of the employee's contributions and interest. In lieu of the lump-sum refund, beneficiaries with an insurable interest and beneficiaries of disability retirees may elect to receive monthly benefits under the Option 2 retirement plan. Benefits are payable to the beneficiary under the Option 2 plan when the member would have been eligible for early or normal retirement.

Membership Termination – Membership in the System is terminated by death, retirement, withdrawal of contributions, or absence from covered employment by a non-vested member for five consecutive school years.

Employer Participation – The employers served by PEERS withhold members' contributions from salary payments and match employee contributions at a current rate of 5.75% (6.0% effective July 1, 2007) of payroll. Employer contributions and investment earnings on those

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funds are placed in a general reserve account to pay monthly benefits to retirees and to beneficiaries of deceased members. It is the responsibility of the employers to remit contributions to the Retirement System promptly and to supply PEERS with new membership records and members' contribution information. Employers also provide needed data when members apply for benefits or refund of contributions upon termination of employment.

Refund of Contributions – Member contributions plus interest are fully refundable upon termination of service or death. All credit and benefit rights are forfeited upon voluntary withdrawal or automatic membership termination. Voluntary withdrawal is available to members who cease covered employment. Automatic termination occurs when a non-vested member is absent from covered employment for five consecutive years. Only the money the member has contributed and accrued interest are refundable.

A member may, upon returning to covered employment, reinstate the credit forfeited through termination of a previous membership by repaying the money withdrawn plus interest.

Service Retirement Benefits – Service retirement benefits are payable to persons who have terminated employment and who have met age and service requirements.

Benefit Formula – All service retirement benefits are based on a formula which multiplies final average salary by the applicable formula factor, by the years of credit and, in the case of early retirement, by an age-reduction factor. Final average salary is obtained by dividing the total salaries for the three highest consecutive years of service by 36; the applicable factor is determined by the type of retirement eligibility; total credit is the amount accumulated at retirement for covered service and purchased credit; and the age factor, where applicable, is determined by the age at retirement.

Because of the conversion of the System from a formula integrated with Social Security to the present basis, a special "frozen benefit" is in effect for certain members for service prior to July 1, 1973.

Normal Retirement – A member may retire with benefits calculated under the standard (1.61%) formula at age 60 with five years of credit, at any age with at least 30 years of service, and at the point where the member's age plus creditable service equals or exceeds 80 (Rule of 80). A member may retire under the standard (1.61%) formula when the member qualifies for Rule of 80 or 30 and out and will receive an additional .8% multiplier until he/she reaches minimum eligibility age for Social Security benefits (currently age 62).

Early Retirement – A member may retire with benefits calculated under the standard (1.61%) formula with an age-reduction factor applied, at age 55 with five but fewer than 25 years of credit.

A special provision in effect until July 1, 2013 allows members under age 55 with 25.0 to 29.9 years of credit to retire with benefits calculated under a modified formula factor ranging from 1.51% to 1.59% but with no age-reduction factor applied.

Options – A retiring member may elect to receive the maximum benefits payable under the Single Life option, or may elect to receive a reduced benefit under one of three Joint-and-Survivor options or under one of two Term-Certain options, to provide survivor benefit coverage in varying degrees after the retiree's death. Another option, the Accelerated Payment Plan (APP), allows members to receive a higher PEERS benefit prior to minimum Social Security eligibility age (currently age 62). When the minimum Social Security eligibility age is attained, the member's PEERS benefit is reduced and remains at a reduced level for the remainder of their retirement.

The Partial Lump Sum Option (PLSO) is available to qualified members. This option allows qualified members to elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time, lump-sum payment at retirement.

Disability Retirement Benefits – Disability retirement benefits are payable to persons who have met service and eligibility requirements and who, because of permanent disability, are unable to earn a livelihood in any occupation. The disability retirement benefit is calculated at 90% of the normal service retirement benefit.

Cost-of-Living Adjustments – Cost-of-living adjustments (COLAs) are provided starting the fourth January after retirement to service and disability retirees, and to Joint-and-Survivor beneficiaries of deceased retirees. The annual COLA, not to exceed 5%, is based on the increase in the cost of living as measured by the Department of Labor Consumer Price Index for the previous fiscal year and is applied to the current benefit of each eligible recipient. Lifetime COLAs are limited to 80% of the original retirement benefit.

Member Handbook – A Member Handbook which furnishes more complete information concerning provisions of the PEERS law and regulations can be obtained from the retirement office.