

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

**Presentation to the Board of Education of the City of St. Louis**

Susan Kane  
Executive Director

# Introduction

- ▶ Public School Retirement System of the City of St. Louis was created by the Missouri legislature in 1944
  - ▶ Retirement System is organized under Sections 169.410 to 169.540 of the Missouri Revised Statutes
- ▶ Retirement System provides pension benefits to all personnel employed by the St. Louis Public Schools and Charter Schools operating in the City of St. Louis
- ▶ Retirement System has:
  - ▶ 4,984 Active members (who pay into the system)
  - ▶ 4,334 Retired members (who currently receive benefits)
  - ▶ 3,560 Inactive members
- ▶ Funded ratio is currently 73.56%

# Challenges Facing the Retirement System

- ▶ Number of Active members has slowly decreased over the years:
  - ▶ 6,067 in 2000
  - ▶ 5,549 in 2005
  - ▶ 4,825 in 2010
  - ▶ 4,984 in 2021
- ▶ Funded ratio has largely remained flat since 2017
  - ▶ 73.7% in 2017
  - ▶ 73.56% in 2022
- ▶ One of the most important factors for a well funded pension plan is the system receiving the full actuarially required contribution necessary to fund the benefits promised to members
  - ▶ This has not occurred in recent years

# Challenges Facing the Retirement System (cont.)

- ▶ In 2017 the Missouri legislature decreased overall contributions to the Retirement System, while at the same time increasing benefits.
- ▶ Beginning in 2018, the employer contribution was capped at 16% and will decrease 0.5% every year until capped at 9.0% in 2032
  - ▶ These contribution caps have been lower than the ARC contribution
- ▶ Normal Retirement eligibility was lowered to Rule of 80 from the Rule of 85
- ▶ While member contribution was increased to 9.0%, member contributions are treated as liabilities as Missouri law allows terminated members to withdraw their accumulated contributions with interest
- ▶ The cap on contributions puts a much greater emphasis on investment returns
- ▶ However, cap on contributions prevents the Retirement System from making up for years with lower investment returns

# Proposed Legislative Solution

- ▶ Retirement System proposes an agreed upon legislative fix modeled on the legislative proposal agreed to by Kansas City Public School Retirement System and Kansas City Public Schools in 2018
- ▶ In 2013 legislation was passed that similarly limited the KCPSRS to 9% for employer contributions and 9% for member contributions.
  - ▶ These contribution caps were likewise lower than the ARC contribution
- ▶ Looking to have legislation introduced for 2023 legislative session
- ▶ Goal is to stop slide of contribution rate and to increase Retirement System funding, while also limiting costs for contributing employers

# Proposed Legislative Solution (cont.)

- ▶ Overview of proposed legislation:
  - ▶ Employer contribution rate would remain at 14% for 2023
  - ▶ For 2024 and thereafter:
    - ▶ If the funded ratio is less than 100%, then the Employer contribution is the greater of 14% or the difference between the total ARC rate and the 9% Employee rate;
      - ▶ Employer and Employee rates limited to annual 1% increase or 0.5% decrease
    - ▶ If the funded ratio exceeds 100%, and the total ARC rate exceeds 18% then the Employer contribution rate is the difference between the total ARC rate and the 9% Employee rate;
      - ▶ Employer and Employee rates limited to annual 1% increase or 0.5% decrease
    - ▶ If the funded ratio exceeds 100%, and the total ARC is 18% or less, then the contribution rate is allocated equally between Employer and Employee.
      - ▶ (i.e. if 16%, 8% would be paid by employer and 8% by member)
- ▶ Member benefits and Rule of 80 would be unchanged

# Proposed Legislative Solution (cont.)

- ▶ Maintains stability and lower cost for employer contributions
- ▶ Limits increases for employer contributions (increases limited to 1% per year)
- ▶ Provides path for 100% funding
- ▶ Puts Retirement System in better financial footing even if years of lower investment returns
- ▶ Retirement System would be in a better position to consider a COLA

**Public School Retirement System of the City of St. Louis**  
**January 1, 2022 Projections**  
**Scenario 3 – Proposed Plan Provisions: Achieve Expected Return on Assets (EROA) (7.00% Actual Asset Return)**  
**(amounts in thousands)**

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
<b>Liabilities</b>															
Present Value of Future Benefits	1,395,565	1,395,326	1,395,936	1,397,011	1,399,188	1,402,072	1,405,083	1,409,791	1,415,555	1,422,307	1,430,739	1,440,950	1,452,194	1,465,044	1,478,806
Entry Age Normal (EAN) Accrued Liability	1,269,693	1,267,512	1,266,384	1,265,400	1,265,400	1,266,058	1,266,451	1,268,567	1,271,382	1,274,985	1,280,156	1,287,196	1,294,787	1,303,843	1,313,370
Entry Age Normal Funded Ratio*	73.56%	74.57%	75.72%	77.06%	78.61%	80.34%	82.23%	84.33%	86.64%	89.17%	91.94%	94.94%	98.19%	101.71%	105.49%
<b>Salary</b>															
Employees Hired before January 1, 2018	157,483	143,191	130,782	119,735	109,609	100,040	91,169	82,969	75,484	68,636	62,110	56,086	50,463	45,178	40,328
Employees Hired on or after January 1, 2018	70,808	57,700	48,724	42,419	38,219	34,953	32,063	29,603	27,460	25,527	23,741	22,126	20,640	19,267	17,988
New Employees	39,995	70,546	95,794	117,653	137,166	155,171	172,412	189,023	204,687	220,000	234,823	249,429	263,811	277,851	291,489
Total	268,286	271,437	275,300	279,807	284,994	290,164	295,644	301,595	307,631	314,163	320,674	327,641	334,914	342,296	349,805
<b>Employee Contribution Rates</b>															
Employees Hired before January 1, 2018	7.50%	8.00%	8.50%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	7.94%
Employees Hired on or after January 1, 2018	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	7.94%
<b>Employer Contribution Rates</b>															
Calculated Rate in Prior Year	17.10%	13.87%	13.36%	12.85%	12.32%	11.96%	11.58%	11.16%	10.69%	10.19%	9.62%	9.03%	8.36%	7.65%	6.87%
Statutory Rate for Current Year	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	7.94%
Shortfall in Statutory Rate - Board of Education	2.60%	-0.13%	-0.64%	-1.15%	-1.68%	-2.04%	-2.42%	-2.84%	-3.31%	-3.81%	-4.38%	-4.97%	-5.64%	-6.35%	-7.13%
Shortfall in Statutory Rate - All Others	3.10%	-0.13%	-0.64%	-1.15%	-1.68%	-2.04%	-2.42%	-2.84%	-3.31%	-3.81%	-4.38%	-4.97%	-5.64%	-6.35%	-1.07%
<b>Employee Contributions</b>															
Legacy	18,184	16,648	15,502	14,594	13,305	12,149	11,091	10,131	9,265	8,475	7,727	7,039	6,399	5,800	4,627
New Employees	3,600	6,349	8,621	10,589	12,345	13,965	15,517	17,012	18,422	19,800	21,134	22,449	23,743	25,007	23,130
Total Employee Contributions	21,784	22,997	24,123	25,183	25,650	26,114	26,608	27,143	27,687	28,275	28,861	29,488	30,142	30,807	27,757
<b>Employer Contributions</b>															
Calculated	45,877	37,648	36,780	35,955	35,111	34,704	34,236	33,658	32,886	32,013	30,849	29,586	27,999	26,186	24,032
Statutory	38,129	37,694	38,166	38,734	39,394	40,119	40,857	41,644	42,481	43,347	44,260	45,191	46,180	47,203	41,782
Shortfall/(Excess) in Statutory Contribution	7,748	(46)	(1,386)	(2,779)	(4,283)	(5,415)	(6,621)	(7,986)	(9,595)	(11,334)	(13,411)	(15,605)	(18,181)	(21,017)	(17,750)
Cumulative Shortfall Amount/(Excess Funding)	7,748	7,702	6,316	3,537	(746)	(6,161)	(12,782)	(20,768)	(30,363)	(41,697)	(55,108)	(70,713)	(88,894)	(109,911)	(127,661)
<b>Assets</b>															
Market Value (MVA)	963,989	975,210	988,931	1,005,133	1,024,777	1,047,106	1,071,430	1,099,848	1,131,582	1,166,950	1,206,935	1,252,096	1,301,415	1,356,084	1,415,468
Actuarial Value (AVA)	933,984	945,206	958,926	975,128	994,772	1,017,101	1,041,425	1,069,843	1,101,578	1,136,946	1,176,930	1,222,091	1,271,410	1,326,079	1,385,463
<b>Contribution Development for Following Year</b>															
Unfunded Actuarial Accrued Liability	335,709	322,306	307,457	290,272	270,627	248,957	225,026	198,724	169,804	138,039	103,226	65,105	23,377	(22,235)	(72,093)
Amortization of UAAL	34,448	34,443	34,386	34,190	33,843	33,391	32,813	32,101	31,231	30,180	28,930	27,454	25,718	23,694	21,339
Normal Cost	22,583	22,843	23,134	23,475	23,905	24,346	24,804	25,309	25,827	26,385	26,953	27,548	28,185	28,829	29,464
Interest Adjustment	1,962	1,971	1,979	1,984	1,987	1,987	1,983	1,975	1,963	1,946	1,923	1,892	1,855	1,807	1,748
Total Annual Cost**	58,993	59,257	59,500	59,649	59,735	59,724	59,600	59,385	59,021	58,512	57,806	56,894	55,758	54,330	52,551
Employee Contributions	21,783	22,997	24,123	25,183	25,649	26,115	26,608	27,144	27,687	28,275	28,861	29,488	30,142	30,807	27,757
Total Employer Cost**	37,210	36,260	35,377	34,467	34,085	33,609	32,992	32,242	31,335	30,238	28,946	27,406	25,616	23,523	24,794
Employer Contribution Rate	13.87%	13.36%	12.85%	12.32%	11.96%	11.58%	11.16%	10.69%	10.19%	9.62%	9.03%	8.36%	7.65%	6.87%	7.09%

\* Using EAN Liability and AVA

\*\* Totals may differ from summing due to rounding



**Public School Retirement System of the City of St. Louis  
January 1, 2022 Projections**

**Scenario 4 – Proposed Plan Provisions: Adverse Investment Conditions (5.50% Actual Asset Return for 10 years, then 7.00%)  
(amounts in thousands)**

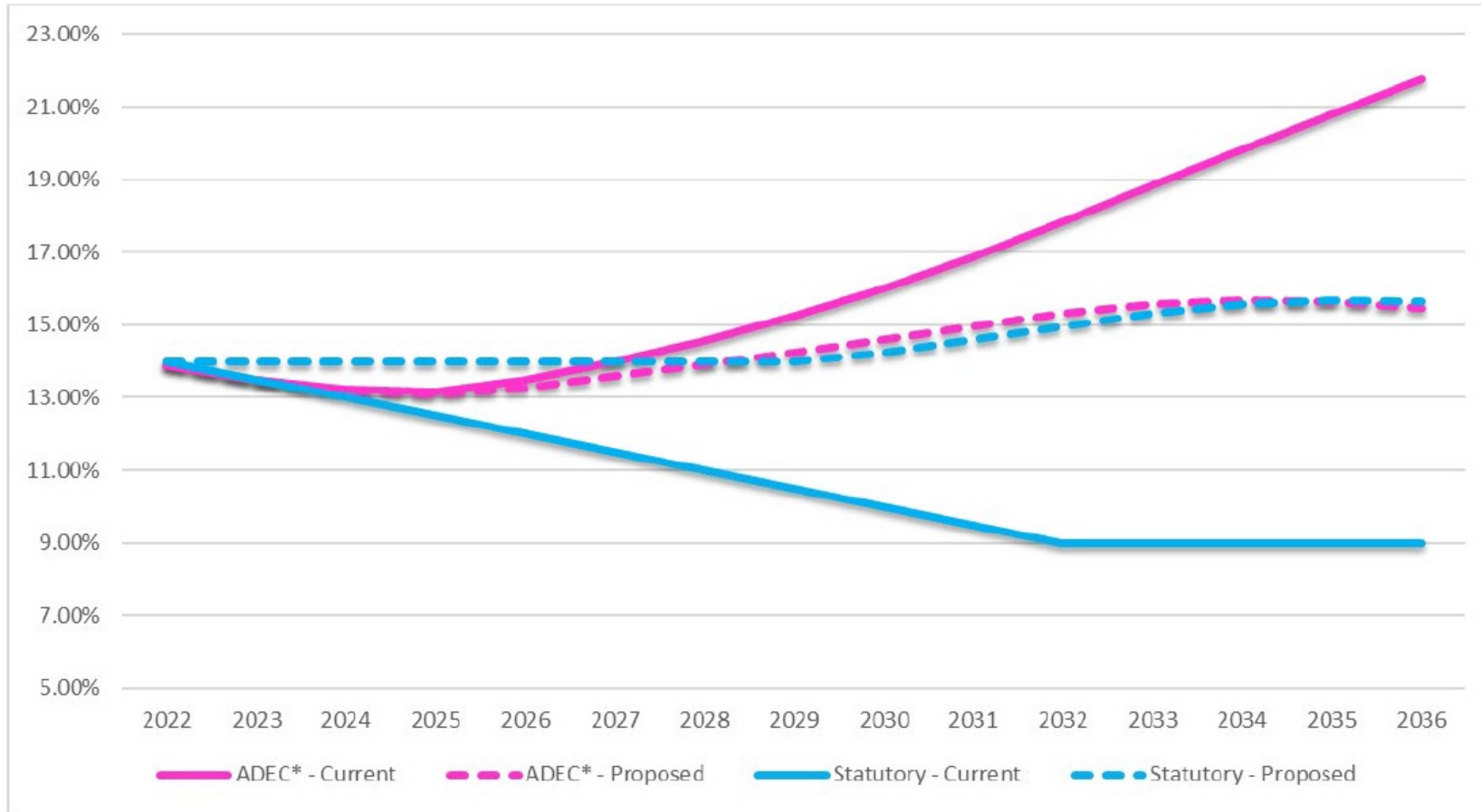
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
<b>Liabilities</b>															
Present Value of Future Benefits	1,395,565	1,395,326	1,395,936	1,397,011	1,399,188	1,402,072	1,405,083	1,409,791	1,415,555	1,422,307	1,430,739	1,440,950	1,452,194	1,465,044	1,478,806
Entry Age Normal (EAN) Accrued Liability	1,269,693	1,267,512	1,266,384	1,265,400	1,265,400	1,266,058	1,266,451	1,268,567	1,271,382	1,274,985	1,280,156	1,287,196	1,294,787	1,303,843	1,313,370
Entry Age Normal Funded Ratio*	73.56%	74.35%	74.99%	75.51%	75.94%	76.23%	76.59%	77.06%	77.62%	78.30%	79.17%	80.49%	82.34%	84.73%	87.63%
<b>Salary</b>															
Employees Hired before January 1, 2018	157,483	143,191	130,782	119,735	109,609	100,040	91,169	82,969	75,484	68,636	62,110	56,086	50,463	45,178	40,328
Employees Hired on or after January 1, 2018	70,808	57,700	48,724	42,419	38,219	34,953	32,063	29,603	27,460	25,527	23,741	22,126	20,640	19,267	17,988
New Employees	39,995	70,546	95,794	117,653	137,166	155,171	172,412	189,023	204,687	220,000	234,823	249,429	263,811	277,851	291,489
Total	268,286	271,437	275,300	279,807	284,994	290,164	295,644	301,595	307,631	314,163	320,674	327,641	334,914	342,296	349,805
<b>Employee Contribution Rates</b>															
Employees Hired before January 1, 2018	7.50%	8.00%	8.50%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Employees Hired on or after January 1, 2018	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
<b>Employer Contribution Rates</b>															
Calculated Rate in Prior Year	17.10%	13.87%	13.47%	13.21%	13.08%	13.27%	13.59%	13.91%	14.24%	14.60%	14.96%	15.33%	15.57%	15.67%	15.63%
Statutory Rate for Current Year	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.24%	14.60%	14.96%	15.33%	15.57%	15.67%	15.63%
Shortfall in Statutory Rate - Board of Education	2.60%	-0.13%	-0.53%	-0.79%	-0.92%	-0.73%	-0.41%	-0.09%	0.24%	0.36%	0.36%	0.37%	0.24%	0.10%	-0.04%
Shortfall in Statutory Rate - All Others	3.10%	-0.13%	-0.53%	-0.79%	-0.92%	-0.73%	-0.41%	-0.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Employee Contributions</b>															
Legacy	18,184	16,648	15,502	14,594	13,305	12,149	11,091	10,131	9,265	8,475	7,727	7,039	6,399	5,800	5,248
New Employees	3,600	6,349	8,621	10,589	12,345	13,965	15,517	17,012	18,422	19,800	21,134	22,449	23,743	25,007	26,234
Total Employee Contributions	21,784	22,997	24,123	25,183	25,650	26,114	26,608	27,143	27,687	28,275	28,861	29,488	30,142	30,807	31,482
<b>Employer Contributions</b>															
Calculated	45,877	37,648	37,083	36,963	37,277	38,505	40,178	41,952	43,807	45,868	47,973	50,227	52,146	53,638	54,675
Statutory	38,129	37,694	38,166	38,734	39,394	40,119	40,857	41,644	42,705	44,434	46,509	48,659	50,812	52,600	53,953
Shortfall/(Excess) in Statutory Contribution	7,748	(46)	(1,083)	(1,771)	(2,117)	(1,614)	(679)	308	1,102	1,434	1,464	1,568	1,334	1,038	722
Cumulative Shortfall Amount/(Excess Funding)	7,748	7,702	6,619	4,848	2,731	1,117	438	746	1,848	3,282	4,746	6,314	7,648	8,686	9,408
<b>Assets</b>															
Market Value (MVA)	963,989	961,333	960,230	960,579	963,242	967,355	972,127	979,539	988,681	999,959	1,014,856	1,048,844	1,087,439	1,131,810	1,180,950
Actuarial Value (AVA)	933,984	942,430	949,634	955,511	960,950	965,103	969,957	977,496	986,815	998,324	1,013,516	1,036,097	1,066,096	1,104,705	1,150,945
<b>Contribution Development for Following Year</b>															
Unfunded Actuarial Accrued Liability	335,709	325,082	316,750	309,888	304,450	300,955	296,494	291,071	284,566	276,661	266,640	251,099	228,691	199,139	162,425
Amortization of UAAL	34,448	34,728	35,351	36,253	37,450	39,016	40,680	42,461	44,364	46,380	48,457	50,267	51,684	52,683	53,270
Normal Cost	22,583	22,843	23,134	23,475	23,905	24,346	24,804	25,309	25,827	26,385	26,953	27,548	28,185	28,829	29,464
Interest Adjustment	1,962	1,981	2,012	2,055	2,111	2,180	2,253	2,332	2,415	2,504	2,595	2,677	2,748	2,805	2,847
Total Annual Cost**	58,993	59,552	60,498	61,784	63,466	65,542	67,738	70,101	72,607	75,269	78,005	80,492	82,616	84,317	85,581
Employee Contributions	21,783	22,997	24,123	25,183	25,649	26,115	26,608	27,144	27,687	28,275	28,861	29,488	30,142	30,807	31,482
Total Employer Cost**	37,210	36,554	36,375	36,601	37,816	39,428	41,130	42,958	44,920	46,995	49,144	51,005	52,474	53,510	54,098
Employer Contribution Rate	13.87%	13.47%	13.21%	13.08%	13.27%	13.59%	13.91%	14.24%	14.60%	14.96%	15.33%	15.57%	15.67%	15.63%	15.47%

\* Using EAN Liability and AVA

\*\* Totals may differ from summing due to rounding

# Contribution Rates

## Adverse Investment Conditions

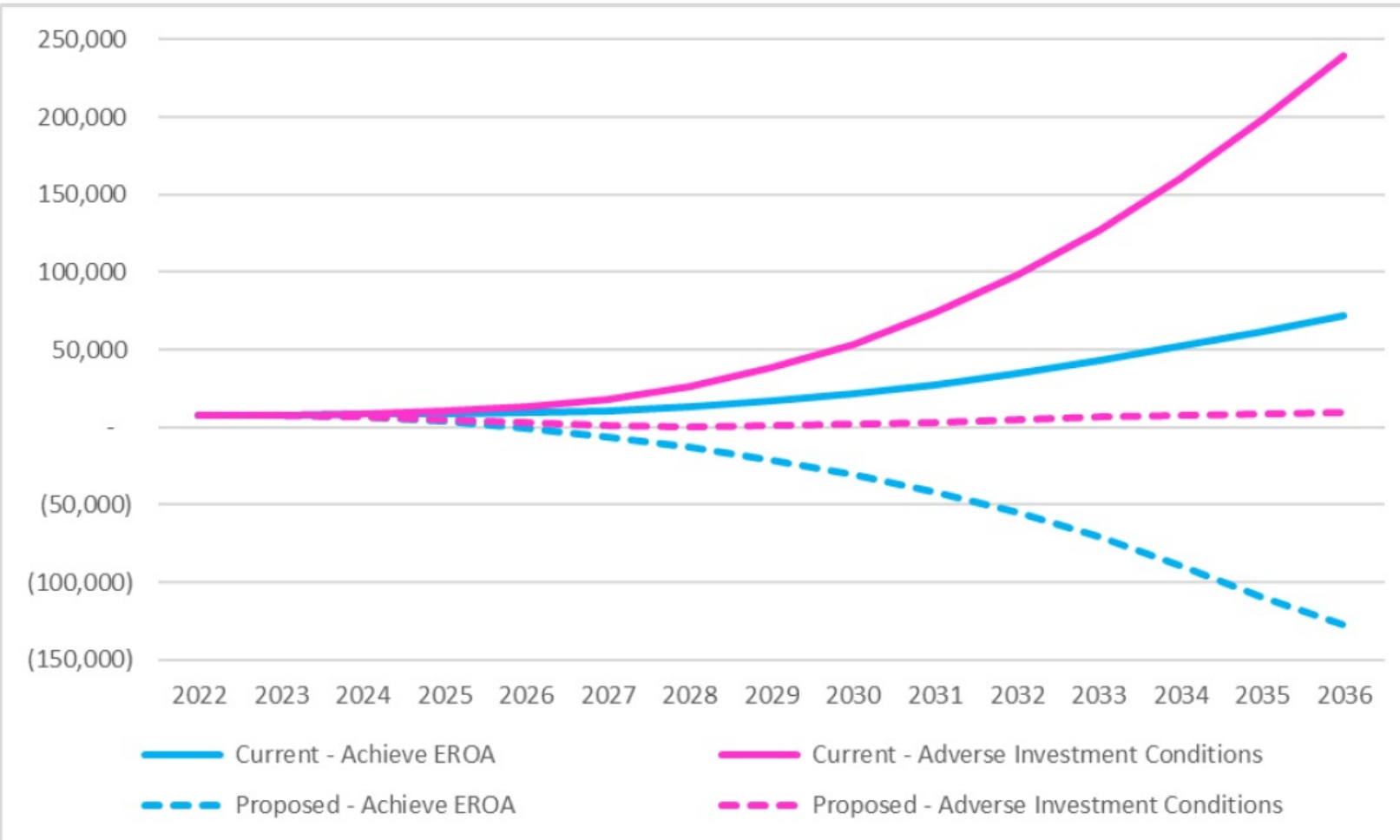


- Graph assumes 5.5% actual investment return for first 10 years of projection, and 7% achieved thereafter
- Demonstrates risk of current statutory funding under adverse investment conditions
  - Much larger gap between amounts needed and amounts received (solid lines)
- Proposed legislation mitigates the impact
  - Small gap between amounts needed and amounts received (dotted lines)
  - Less volatility in amounts needed under proposed legislation (dotted pink line) compared to current legislation (solid pink line)

\*Actuarially Determined Employer Contributions.

# Cumulative Contribution Shortfall/(Excess)

(amount in thousands)



- Contribution Shortfall/(Excess) is difference between amounts needed (ADEC) and amounts received (Statutory)
- Blue lines assume 7% actual investment return each year in projection (Achieve EROA)
- Pink lines assume 5.5% actual investment return for first 10 years and 7% thereafter (Adverse Investment Conditions)
- Significant contribution shortfalls expected based on current statutory funding - significantly worse under adverse investment conditions (solid pink line)
- Proposed legislation limits contribution shortfall when Adverse Investment Conditions occur (dotted pink line)

# Summary of Projections for 2036 Plan Year

(amounts in thousands)

	Scenario 1 - Current Achieve EROA	Scenario 2 - Current Adverse Inv. Conditions	Scenario 3 - Proposed Achieve EROA	Scenario 4 - Proposed Adverse Inv. Conditions
Actuarially Determined Employer Contribution (ADEC)	41,067	72,759	24,032	54,675
Covered Payroll	349,805	349,805	349,805	349,805
ADEC as % of Covered Payroll	11.74%	20.80%	6.87%	15.63%
Statutory Annual Required Contribution Rate	9.00%	9.00%	7.94%	15.63%
Statutory Annual Required Contribution*	31,012	31,012	41,782	53,953
Employee Contribution Rate	9.00%	9.00%	7.94%	9.00%
Cumulative Contribution Shortfall/(Excess Funding)	72,103	239,903	(127,661)	9,408
Actuarial Value of Assets	1,223,717	973,669	1,385,463	1,150,945
Entry Age Normal (EAN) Actuarial Accrued Liability	1,313,370	1,313,370	1,313,370	1,313,370
EAN Funded Ratio – Actuarial Value of Assets	93.2%	74.1%	105.5%	87.6%

\*Reflects one-year lag in Board of Education employer contributions

# Proposed Legislative Solution (cont.)

- ▶ Proposal is preliminary
- ▶ Not looking for a commitment today
- ▶ Looking to have agreement amongst all major stakeholders
- ▶ Retirement System will do the heavy lifting in Jefferson City

# Conclusion

- ▶ Thank you for allowing me to present today.
- ▶ I hope for your support for legislation to improve the funding of the Retirement System to protect the pension benefits of SLPS employees for years to come.