

**EMPLOYEES RETIREMENT SYSTEM  
OF THE CITY OF ST. LOUIS**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2003 AND 2002**

## INDEX

|   | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report                    | 1           |
| Statements of Plan Net Assets                   | 2           |
| Statements of Changes in Plan Net Assets        | 3           |
| Notes to Financial Statements                   | 4 - 9       |
| Supplemental Information                        |             |
| Schedule of Funding Progress                    | 10          |
| Schedule of Employer Contributions              | 11          |
| Actuarial Assumptions and Actuarial Cost Method | 12 - 15     |

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A PROFESSIONAL CORPORATION  
OF CERTIFIED PUBLIC ACCOUNTANTS

### Independent Auditor's Report

To the Board of Trustees of the Employees  
Retirement System of the City of St. Louis  
St. Louis, Missouri

We have audited the accompanying statements of plan net assets of the Employees Retirement System of the City of St. Louis (the "System") as of September 30, 2003 and 2002 and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Employees Retirement System of the City of St. Louis at September 30, 2003 and 2002 and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information, which is also the responsibility of the management of the System, is presented for purposes of additional analysis. It is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. Such supplemental information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

*Huber, Ring, Helm & Co., P.C.*

St. Louis, Missouri  
January 9, 2004

**EMPLOYEES RETIREMENT SYSTEM  
OF THE CITY OF ST. LOUIS**

**STATEMENTS OF PLAN NET ASSETS**

**SEPTEMBER 30, 2003 AND 2002**

| <b>ASSETS</b>   |                |                |
|---|----------------|----------------|
|   | 2003           | 2002           |
| <b>CASH</b>   | \$ 649,272     | \$ 400,845     |
| <b>RECEIVABLES</b>  |                |                |
| Accrued interest receivable   | 1,069,296      | 2,280,117      |
| Accrued dividend receivable   | 201,250        | 85,476         |
| Employers contribution receivable                                       | 57,254         | 803,048        |
| Total receivables   | 1,327,800      | 3,168,641      |
| <b>INVESTMENTS, at fair value</b>                                       |                |                |
| Temporary cash investments  | 2,249,639      | 15,860,642     |
| United States Government and Agency securities                          | 32,702,734     | 63,110,576     |
| Corporate bonds and debentures  | 38,300,772     | 64,789,291     |
| Foreign governmental and corporate obligations                          | 18,859,613     | 46,385,345     |
| Stocks  | 218,240,430    | 123,921,910    |
| Managed international equity fund                                       | 55,473,820     | 33,665,596     |
| Russell 3000 Index fund   |                | 31,727,580     |
| Domestic bond funds   | 73,503,110     |                |
| Total investments   | 439,330,118    | 379,460,940    |
| <b>RECEIVABLE UNDER FORWARD FOREIGN<br/>CURRENCY EXCHANGE CONTRACTS</b> |                | 77,208         |
| Total assets  | 441,307,190    | 383,107,634    |
| <b>LIABILITIES</b>  |                |                |
| <b>ACCOUNTS PAYABLE</b>   | 417,137        | 434,526        |
| <b>PAYABLE UNDER FORWARD FOREIGN<br/>CURRENCY EXCHANGE CONTRACTS</b>    | 1,119,026      |                |
| Total liabilities   | 1,536,163      | 434,526        |
| <b>NET ASSETS HELD IN TRUST FOR<br/>PENSION BENEFITS</b>                | \$ 439,771,027 | \$ 382,673,108 |

(Schedule of funding progress for the plan is presented on page 10.)

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

**EMPLOYEES RETIREMENT SYSTEM  
OF THE CITY OF ST. LOUIS**

**STATEMENTS OF CHANGES IN PLAN NET ASSETS**

**YEARS ENDED SEPTEMBER 30, 2003 AND 2002**

|   | 2003               | 2002               |
|---|--------------------|--------------------|
| <b>ADDITIONS</b>  |                    |                    |
| Contributions   |                    |                    |
| Member contributions  | \$ 50,847          | \$ 11,218          |
| Employer contributions  | 19,115,679         | 12,106,532         |
| Total contributions   | 19,166,526         | 12,117,750         |
| Investment income (loss)  |                    |                    |
| Interest and dividends  | 9,538,281          | 11,702,575         |
| Net appreciation (depreciation)<br>in fair value of investments | 59,200,368         | (35,685,042)       |
|   | 68,738,649         | (23,982,467)       |
| Less investment expenses  | 1,929,695          | 2,067,292          |
| Net investment income (loss)                                    | 66,808,954         | (26,049,759)       |
| Total additions   | 85,975,480         | (13,932,009)       |
| <br><b>DEDUCTIONS</b>   |                    |                    |
| Retirement benefits   | 28,283,777         | 26,346,338         |
| Administrative  | 593,784            | 483,186            |
| Total deductions  | 28,877,561         | 26,829,524         |
| <br><b>NET INCREASE (DECREASE)</b>                              | <br>57,097,919     | <br>(40,761,533)   |
| <br><b>NET ASSETS HELD IN TRUST<br/>FOR PENSION BENEFITS</b>    |                    |                    |
| <br><b>BEGINNING OF YEAR</b>                                    | <br>382,673,108    | <br>423,434,641    |
| <br><b>END OF YEAR</b>  | <br>\$ 439,771,027 | <br>\$ 382,673,108 |

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

**EMPLOYEES RETIREMENT SYSTEM  
OF THE CITY OF ST. LOUIS**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – PLAN DESCRIPTION**

*General*

The System is a cost-sharing multiple-employer public defined benefit employees retirement system for all non-uniformed employees of the City of St. Louis and certain other public entities funded by or providing services to residents of the City of St. Louis. These additional employee groups covered by the System are the employees of the St. Louis Public Library, the Art Museum of St. Louis, the St. Louis Zoological Park, the City of St. Louis Water Division, the Airport Authority, the City Mental Health Board, the System, and civilian employees of the police department and police and firemen's retirement systems. The System became operative April 1, 1960 by municipal ordinance establishing the System under the authority of Senate Bill No. 329 of the 70th General Assembly of the State of Missouri. Responsibility for operation and administration of the System is vested in its Board of Trustees. The Board of Trustees consists of the Comptroller of the City of St. Louis, two members appointed by the Mayor of the City of St. Louis, two members elected by the membership of the System, and one member elected by the retired members of the System.

*Membership*

At September 30, 2003 and 2002, membership consisted of the following:

|  | 2003   | 2002   |
|--|--------|--------|
| Retirees and beneficiaries currently receiving benefits<br>and terminated employees entitled to benefits<br>but not yet receiving benefits | 6,010  | 5,888  |
| Current employees  |        |        |
| Fully vested   | 3,908  | 3,880  |
| Non-vested   | 2,127  | 2,306  |
|  | 12,045 | 12,074 |

*Benefits*

The System provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest to employees covered by the System after the employee has attained five years of creditable service.

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**NOTE 1 – PLAN DESCRIPTION (CONTINUED)***Benefits (Continued)*

Employees retire with full retirement benefits after the age of 65 or if an employee's age and creditable service combined equal or exceed 85. Employees may retire and receive a reduced benefit after age 60 with five years of creditable service, age 55 with at least 20 years of creditable service, or any age with 30 years of creditable service.

The monthly pension benefits of all retirees or their beneficiaries are adjusted according to the changes in the Consumer Price Index of the U.S. Department of Labor. Increases are limited each year, with total increases to retirees or their beneficiaries limited to 25%.

*Contributions*

Employer contribution rates are established annually by the Board of Trustees based on an actuarial study. Deductions from plan net assets are financed from plan additions. The Board of Trustees elected to require employer contributions at a rate of 10.31% of active member payroll effective July 2003. The City of St. Louis contributed 6% of active member payroll effective July 2003. For the year prior to July 2003, the contribution rate was 8.8%.

Employees, who became members of the Retirement System prior to October 14, 1977 and continued to make contributions, may make voluntary contributions to the Retirement System equal to 3% of their compensation until the compensation equals the maximum annual taxable earnings under the Federal Social Security Act in effect on January 1 of the calendar year. Thereafter, employees may contribute 6% of their compensation for the remainder of the calendar year.

*Funding Policy*

The System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. If contributions are necessary, level percentage of payroll employer contribution rates are determined using the projected unit credit actuarial cost method.

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of plan assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of additions and deductions to plan net assets during the reporting period. Actual results could differ from those estimates.

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## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Basis of Accounting*

The financial statements were prepared using the accrual basis of accounting except that retirement benefits are recorded when due to the beneficiary. Employee contributions are recognized as additions in the period in which employee services are performed. Administrative deductions are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

### *Tax Status*

The System has been determined to be exempt from federal income taxes under Section 115 of the Internal Revenue Code.

### *Investments*

A list of allowable investments is included in Note 3. Investments are reported at fair market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Security transactions and any resulting realized gains or losses are accounted for on a completed transaction basis.

### *Furniture and Equipment*

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

### *Derivatives*

The System currently retains Payden & Rygel Investment Counsel as a global fixed income investment manager. The System permits Payden & Rygel to utilize financial derivative instruments such as forwards, futures, and options. The use of these financial derivatives is defensive in nature, that is, used only to manage duration and foreign currency exposure and bond exposure. Open currency exposure shall not exceed 10 percent of the global fixed income portfolio. As of September 30, 2003 and 2002, the system had a net liability of \$1,119,026 and a net asset of \$77,208 (cost is \$0 both years), respectively, based on current market values.



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### NOTE 3 – CASH AND INVESTMENTS

The System is authorized to invest in:

- U.S. government securities;
- Non-U.S. fixed income securities;
- Common stocks of corporations organized under the laws of the United States;
- Common stocks of foreign corporations through commingled fund investments;
- Publicly-issued corporate bonds, debentures, notes, or other evidences of indebtedness assumed or guaranteed by corporations organized under the laws of the United States with ratings of “A” or better by Moody’s Investors Service; and
- Short-term securities with a maximum maturity of one year including institutional liquid assets, U.S. Treasury obligations, Federal Agency obligations, discount and interest-bearing notes from corporations, and certificates of deposit.

Financial instruments that potentially subject the System to concentrations of credit risk and market risk consist principally of cash and investments. The System places its cash with a major financial institution.

The bank balances of the System at September 30, 2003 and 2002 were \$1,578,540 and \$1,158,428, respectively. These balances were insured by the Federal Deposit Insurance Corporation up to \$100,000. The remaining balances were collateralized by securities held by the pledging financial institution’s trust department in the System’s name.

The System has a significant amount of investments that are subject to market risk. Market risk is the possibility that future changes in market price may make a financial instrument less valuable.

All investments at September 30, 2003 and 2002 were held by the System’s agent in the System’s name.

At September 30, 2003, the System has the following concentrations, defined as investments (other than those issued or guaranteed by the U.S. government) in any one organization, that represent five percent or more of net assets held in trust for pension benefits:

|  |                      |
|--|----------------------|
| State Street Global Advisors           |                      |
| Passive Bond Market Index Fund         | <u>\$ 71,020,531</u> |
| <br>                                   |                      |
| Silchester International Investors     |                      |
| International Value Equity Group Trust | <u>\$ 27,254,403</u> |

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**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

At September 30, 2003 and 2002, investments consisted of the following:

|   | 2003                  |                       |
|---|-----------------------|-----------------------|
|   | Fair Value            | Cost                  |
| Temporary cash investments                        | \$ 2,249,639          | \$ 2,242,151          |
| United States Government and<br>Agency securities | 32,702,734            | 30,462,967            |
| Corporate bonds and debentures                    | 38,300,772            | 36,760,469            |
| Foreign governmental and<br>corporate obligations | 18,859,613            | 16,805,124            |
| Stocks  | 218,240,430           | 207,228,326           |
| Managed international equity funds                | 55,473,820            | 51,814,576            |
| Domestic bond funds                               | 73,503,110            | 72,310,104            |
|   | <u>\$ 439,330,118</u> | <u>\$ 417,623,717</u> |

|   | 2002                  |                       |
|---|-----------------------|-----------------------|
|   | Fair Value            | Cost                  |
| Temporary cash investments                        | \$ 15,860,642         | \$ 15,842,073         |
| United States Government and<br>Agency securities | 63,110,576            | 58,494,838            |
| Corporate bonds and debentures                    | 64,789,291            | 63,806,680            |
| Foreign governmental and<br>corporate obligations | 46,385,345            | 43,554,986            |
| Stocks  | 123,921,910           | 146,013,050           |
| Managed international equity funds                | 33,665,596            | 31,899,785            |
| Russell 3000 Index fund                           | 31,727,580            | 53,762,548            |
|   | <u>\$ 379,460,940</u> | <u>\$ 413,373,960</u> |

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**NOTE 4 – PLAN TERMINATION**

The Retirement System is administered in accordance with the provisions of the Revised Code of the City of St. Louis. The Code does not provide for plan termination under any circumstances.

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**NOTE 5 – DEFERRED RETIREMENT OPTION PLAN**

On June 8, 2000, the Mayor of the City of St. Louis approved an ordinance passed by the Board of Aldermen, authorizing a Deferred Retirement Option Plan (DROP), which became effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return. After the members completely terminate employment, they can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan. At September 30, 2003, approximately 360 members have elected to DROP participation and have DROP account balances.

## **SUPPLEMENTAL INFORMATION**

EMPLOYEES RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS

SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2003

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | (Unfunded)/ Overfunded (UAAL) | Funded Ratio    |                | Overfunded AAL as a % of Covered Payroll |        | UAAL as a % of Covered Payroll |
|--------------------------|---------------------------|-----------------------------------|-------------------------------|-----------------|----------------|--|--------|--------------------------------|
|                          |                           |                                   |                               | Covered Payroll | Ratio          | Covered Payroll                          | Ratio  |                                |
| 9/30/1992                | \$ 325,143,300            | \$ 297,156,900                    | \$ 27,986,400                 | 109.42%         | \$ 133,682,464 | 20.93%                                   |        |                                |
| 9/30/1993                | 342,416,800               | 309,350,000                       | 33,066,800                    | 110.69%         | 143,239,904    | 23.08%                                   |        |                                |
| 9/30/1994                | 342,786,700               | 327,020,600                       | 15,766,100                    | 104.82%         | 153,577,040    | 10.27%                                   |        |                                |
| 9/30/1995                | 353,305,600               | 344,306,400                       | 8,999,200                     | 102.61%         | 161,157,602    | 5.58%                                    |        |                                |
| 9/30/1996                | 382,377,898               | 364,020,306                       | 18,357,592                    | 105.04%         | 170,077,631    | 10.79%                                   |        |                                |
| 9/30/1997                | 415,345,946               | 381,345,566                       | 34,000,380                    | 108.92%         | 176,908,292    | 19.22%                                   |        |                                |
| 9/30/1998                | 460,683,063               | 390,780,537                       | 69,902,526                    | 117.89%         | 188,141,151    | 37.15%                                   |        |                                |
| 9/30/1999                | 482,750,053               | 415,594,927                       | 67,155,126                    | 116.16%         | 193,273,578    | 34.75%                                   |        |                                |
| 9/30/2000                | 507,655,329               | 515,673,757                       | (8,018,428)                   | 98.45%          | 204,696,581    |  | 3.92%  |                                |
| 9/30/2001                | 466,630,792               | 542,547,374                       | (75,916,582)                  | 86.01%          | 216,527,124    |  | 35.06% |                                |
| 9/30/2002                | 432,590,313               | 574,817,702                       | (142,227,389)                 | 75.26%          | 230,184,836    |  | 61.79% |                                |
| 9/30/2003                | 424,917,296               | 576,127,904                       | (151,210,608)                 | 73.75%          | 228,550,406    |  | 66.16% |                                |

See independent auditor's report.

**EMPLOYEES RETIREMENT SYSTEM  
OF THE CITY OF ST. LOUIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**SEPTEMBER 30, 2003**

| <u>Plan Year<br/>Ended</u> | <u>Annual<br/>Required<br/>Contributions<br/>(ARC)</u> | <u>Actual<br/>Contributions</u> | <u>Percentage<br/>Contributed</u> |
|----------------------------|--|---------------------------------|-----------------------------------|
| 1994                       | \$ -   | \$ -                            | N/A                               |
| 1995                       | -  | 353,964                         | N/A                               |
| 1996                       | -  | 1,277,465                       | N/A                               |
| 1997                       | -  | 407,168                         | N/A                               |
| 1998                       | -  | 1,816,739                       | N/A                               |
| 1999                       | -  | 1,651,025                       | N/A                               |
| 2000                       | -  | 284,910                         | N/A                               |
| 2001                       | 17,492,110   | 2,768,208                       | 15.83%                            |
| 2002                       | 24,269,937   | 12,106,532                      | 49.88%                            |
| 2003                       | 32,186,050   | 19,115,679                      | 59.39%                            |

See independent auditor's report.

**EMPLOYEES RETIREMENT SYSTEM  
OF THE CITY OF ST. LOUIS**

**ACTUARIAL ASSUMPTIONS AND ACTUARIAL COST METHOD**

**SEPTEMBER 30, 2003**

The information presented in the required supplemental information was determined as a part of the actuarial valuation prepared by the Segal Group, Inc. at October 1, 2003.

**VALUATION DATE:** October 1, 2003

**MORTALITY RATES:** Healthy: 1994 Group Annuity Mortality Table  
Disabled: 1983 Railroad Retirement Board Disabled Life Mortality Table

**WITHDRAWAL RATES  
BEFORE RETIREMENT:**

| Creditable Service | Withdrawal rate (%)<br>with less than four years<br>of creditable service |        |
|--------------------|---|--------|
|                    | Male  | Female |
| 0                  | 20.0  | 18.0   |
| 1                  | 13.0  | 12.2   |
| 2                  | 11.5  | 11.5   |
| 3                  | 10.5  | 10.5   |
| Age                | Withdrawal rate (%)<br>with four or more years<br>of creditable service   |        |
|                    | Male  | Female |
| 20                 | 25.00   | 13.90  |
| 25                 | 17.80   | 12.34  |
| 30                 | 10.24   | 9.14   |
| 35                 | 7.38  | 6.74   |
| 40                 | 5.74  | 5.56   |
| 45                 | 4.44  | 4.78   |
| 50                 | 3.64  | 3.84   |
| 55                 | 3.16  | 3.16   |

See independent auditor's report.

**EMPLOYEES RETIREMENT SYSTEM  
OF THE CITY OF ST. LOUIS**

**ACTUARIAL ASSUMPTIONS AND ACTUARIAL COST METHOD (CONTINUED)**

**SEPTEMBER 30, 2003**

**MORTALITY AND DISABILITY RATES BEFORE RETIREMENT:**

| Age | Mortality Rate (%) |        | Disability Rate (%) |        |
|-----|--------------------|--------|---------------------|--------|
|     | Male               | Female | Male                | Female |
| 20  | 0.05               | 0.03   | 0.00                | 0.00   |
| 25  | 0.07               | 0.03   | 0.00                | 0.00   |
| 30  | 0.08               | 0.04   | 0.00                | 0.00   |
| 35  | 0.09               | 0.05   | 0.00                | 0.00   |
| 40  | 0.11               | 0.07   | 0.20                | 0.10   |
| 45  | 0.16               | 0.10   | 0.30                | 0.20   |
| 50  | 0.26               | 0.14   | 0.90                | 0.50   |
| 55  | 0.44               | 0.23   | 1.10                | 0.70   |
| 60  | 0.80               | 0.44   | 0.70                | 0.50   |

**RETIREMENT RATES:**

| Age   | Retirement Rate (%) | Age   | Retirement Rate (%) |
|-------|---------------------|-------|---------------------|
| 55    | 6.00                | 63    | 15.00               |
| 56    | 3.50                | 64    | 20.00               |
| 57-59 | 5.00                | 65    | 40.00               |
| 60    | 10.00               | 66    | 25.00               |
| 61    | 15.00               | 67-69 | 20.00               |
| 62    | 25.00               | 70    | 100.00              |

In addition, the first year that a participant satisfies the requirements under the "Rule-of-85", retirement is assumed to occur at the greater of 10% or the age-related rule in the table above.



**EMPLOYEES RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS**

**ACTUARIAL ASSUMPTIONS AND ACTUARIAL COST METHOD (CONTINUED)**

**SEPTEMBER 30, 2003**

**RETIREMENT AGE FOR INACTIVE  
VESTED PARTICIPANTS:**

For members who terminate employment with 30 or more years of credited service or are eligible for a Rule-of-85 pension, immediate commencement of benefits is assumed. All others are assumed to retire at age 62.

**DROP PARTICIPANTS:**

Participants in the DROP are assumed to remain in the DROP for 5 years. The standard retirement rates are assumed. Interest for future years is assumed to be credited at 6% for those participants who enter the DROP after January 21, 2003.

**UNKNOWN DATA FOR  
PARTICIPANTS:**

Same as those exhibited by participants with similar known characteristics. For inactive vested participants with unknown benefit amounts, \$250 per month is assumed.

**REHIRES:**

A 0.4% load on active accrued liability and normal cost has been added to reflect the cost of rehires.

**SICK LEAVE:**

Sick leave may be used to increase either Final Average Compensation, Credited Service, or both. The valuation assumes:

- 100 hours accrue each year
- 50% of hours are "banked"
- 25% of banked hours are used first to increase Final Average Earnings
- The remainder of available banked hours is used to increase Credited Service.

**PERCENT MARRIED:**

1960 U.S. Census; varies by sex and age

**AGE OF SPOUSE:**

Females (or males) are three years younger (or older) than their spouses.

**RATE OF INVESTMENT RETURN:**

8.00% per year, net of expenses.

See independent auditor's report.

**EMPLOYEES RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS**  
**ACTUARIAL ASSUMPTIONS AND ACTUARIAL COST METHOD (CONTINUED)**

**SEPTEMBER 30, 2003**

|   |   |
|---|---|
| <b>PROJECTED SALARY INCREASES:</b>                    | 3.0% per year   |
| <b>INCREASE IN SOCIAL SECURITY TAXABLE WAGE BASE:</b> | 4.5% per year   |
| <b>COST OF LIVING ADJUSTMENT:</b>                     | 5.0% per year; maximum cumulative increase of 25%   |
| <b>ACTUARIAL VALUE OF ASSETS:</b>                     | One-quarter of the difference between the book value of assets and the market value of assets for each of the previous four years is added to the current book value reduced by the amount of members' savings. |
| <b>ACTUARIAL COST METHOD:</b>                         | Projected Unit Credit Actuarial Cost Method   |
| <b>AMORTIZATION METHOD:</b>                           | Level dollar amount for unfunded liability  |
| <b>REMAINING AMORTIZATION PERIOD:</b>                 | 16.25 years as of October 1, 2003   |

See independent auditor's report.