

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

FINANCIAL STATEMENTS

SEPTEMBER 30, 2004 AND 2003

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EMPLOYEES RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS
Management's Discussion and Analysis
For the Year Ended September 30, 2004

The following Management's Discussion and Analysis of the Employees Retirement System of the City of St. Louis (the System) provides an overview of the System's financial activities for the fiscal year ended September 30, 2004. This section should be read in conjunction with the System's financial statements and supplementary information.

Financial Highlights

The System's net assets were \$474 million at September 30, 2004, which represents an increase of \$34 million from September 30, 2003. The increase can be primarily attributed to appreciation in the fair market value of investments.

The overall investment return for the System was 11.6% for fiscal year 2004 and 18.2% for fiscal year 2003. These investment returns are due to the general improvement in the financial markets and active management by the Board of Trustees in retaining quality investment managers while focusing on the long-term objectives of the System. The returns were well above the assumed actuarial rate of return of 8.0% used in both fiscal years.

Additions to net assets were \$64 million and \$86 million in fiscal years 2004 and 2003, respectively. The major components of the above figures are investment income, \$49 million and \$67 million, and employer contributions, \$15 million and \$19 million, for the same fiscal years. Member contributions and member purchases of additional creditable service amounted to less than \$51,000 in either year.

Deductions from net assets were \$30 million in FY 2004 and \$29 million in FY 2003. The increase is directly associated to increased pension benefits.

The System modified its investment asset allocation to include ten percent in real estate. Funding for the real estate holding came from reducing domestic and global fixed income.

Financial Statements

The financial report of the System consists of two financial statements: the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets. The Statement of Plan Net Assets provides the detail of the System's assets and related liabilities other than benefit obligations. The net assets of the System reflect the resources available for future benefit payments. The Statement of Changes in Plan Net Assets provided the details of the System's activity during the year that lead to the change in plan net assets from the prior year.

In addition to the financial statements, the financial report contains the notes to the financial statements and supplemental information, which provide additional information for use in analyzing the financial statements and actuarial information related to the funded status of the System.

EMPLOYEES RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS
Management's Discussion and Analysis
For the Year Ended September 30, 2004

Financial Analysis

Total assets at September 30, 2004 were \$504,407,775 and were comprised of cash, investments, securities lending collateral and receivables. Total assets increased \$35,790,190 or 7.7% over the prior year as the market value of investments continues to increase.

Total liabilities at September 30, 2004 were \$30,307,518 and consisted mainly of accounts payable, securities lending collateral liability and net payable under forward foreign currency exchange contracts. Total liabilities increased \$1,460,960 or 5.1% from the prior year, mainly from an increase in securities lending collateral liability.

Net assets held in trust for pension benefits were \$474,100,257 at September 30, 2004, an increase of \$34,329,230 or 7.8% from the prior year.

Condensed Statements of Plan Net Assets

	<u>September 30</u>		<u>Total Change</u>	
	<u>2004</u>	<u>2003</u>	<u>Amount</u>	<u>Percentage</u>
ASSETS				
Investments	\$ 473,405,628	\$ 439,330,118	\$34,075,510	7.8
Cash	413,652	649,272	(235,620)	(36.3)
Receivables	1,206,601	1,327,800	(121,199)	(9.1)
Securities Lending	29,381,894	27,310,395	2,071,499	7.6
Total Assets	<u>504,407,775</u>	<u>468,617,585</u>	<u>35,790,190</u>	<u>7.7</u>
LIABILITIES				
Accounts Payable	630,965	417,137	213,828	51.3
Securities Lending	29,381,894	27,310,395	2,071,499	7.6
Currency Exchange	294,659	1,119,026	(824,367)	(73.7)
Total Liabilities	<u>30,307,518</u>	<u>28,846,558</u>	<u>1,460,960</u>	<u>5.1</u>
NET ASSETS	<u>\$ 474,100,257</u>	<u>\$ 439,771,027</u>	<u>\$34,329,230</u>	<u>7.8</u>

EMPLOYEES RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS
Management's Discussion and Analysis
For the Year Ended September 30, 2004

Revenues – Additions to Plan Net Assets

The assets needed to finance retirement benefits are accumulated through the receipt of employer and member contributions and through the earnings on investments. Employer contributions were \$15,335,750 for FY 2004. Member contributions, employees who became members prior to October 14, 1977 and continue to make voluntary contributions, were \$6,938 in FY 2004. The City of St. Louis Mental Health Board purchased creditable service for their employees by contributing \$176,753, the amount determined by the System's actuary, and included in the employer contributions for FY 2004.

Net investment income totaled \$49,001,351 in FY 2004 and \$66,808,954 in FY 2003. The difference is directly attributed to the lower investment return in FY 2004, 11.6% versus 18.2%. Net investment income includes a reduction for investment management and custodial fees of \$2,209,788 in FY 2004 and \$1,929,695 in FY 2003.

Expenses – Deductions from Plan Net Assets

The major expenses of the System include the payment of pension benefits to retirees and beneficiaries and administrative expenses. Other expense categories may include refund of contributions and pension service transfer payments to other public retirement plans within the State of Missouri which have a portability agreement with the System. Total expenses were \$30,014,809 in FY 2004, an increase of \$1,137,248 from the FY 2003 total of \$28,877,561.

**Condensed Statements Of Changes
In Plan Net Assets**

	<u>September 30</u>		<u>Total Change</u>	
	<u>2004</u>	<u>2003</u>	<u>Amount</u>	<u>Percentage</u>
ADDITIONS				
Net Investment Income	\$ 49,001,351	\$ 66,808,954	\$ (17,807,603)	(26.7)
Employer Contributions	15,335,750	19,115,679	(3,779,929)	(19.8)
Member Contributions	6,938	50,847	(43,909)	(86.4)
Total Additions	<u>64,344,039</u>	<u>85,975,480</u>	<u>(21,631,441)</u>	<u>(25.2)</u>
DEDUCTIONS				
Retirement Benefits	29,538,875	28,283,777	1,255,098	4.4
Administrative Expenses	475,934	593,784	(117,850)	(19.9)
Total Deductions	<u>30,014,809</u>	<u>28,877,561</u>	<u>1,137,248</u>	<u>3.9</u>
CHANGE IN NET ASSETS	<u>\$ 34,329,230</u>	<u>\$ 57,097,919</u>	<u>\$ (22,768,689)</u>	<u>(39.9)</u>

EMPLOYEES RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS
Management's Discussion and Analysis
For the Year Ended September 30, 2004

Summary

The System's Net Assets Held in Trust for Pension Benefits have increased in seven out of the past ten years. Major decreases, which occurred in fiscal years 2002 and 2001, were the result of investment losses due to an economic slowdown that detrimentally affected most pension systems. In FY 1998, the System experienced a decrease of less than 3 percent or \$12 million. The Trustees believe, and the actuarial calculations confirm, that the System is in a financial position to meet its current pension obligations. The System's financial condition should continue to improve with a prudent investment policy, cost containment, and a sound economic environment.

Requests for Information

This financial report is designed to provide the Board of Trustees, our members, and other users of our financial report with a general overview of the System's finances and to demonstrate the System's accountability for its funds. If you have any questions about this report or need additional financial information, contact the Employees Retirement System of the City of St. Louis, 1114 Market Street, Suite 900, St. Louis, MO 63101.

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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", a component unit of the City of St. Louis, Missouri), as of September 30, 2004 and 2003 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, 2004 and 2003 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.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental management discussion and analysis on pages 1 - 4, and the supplemental schedules of funding progress, employer contributions, and actuarial assumptions and actuarial cost method on pages 15 - 17 are not a required part of the basic financial statements of the System, but are supplemental information required by the accounting principles generally accepted in the United States of America. For the supplemental management discussion and analysis, and schedules of funding progress, employers contributions, and actuarial assumptions and actuarial cost, we have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Huber, Rung, Helm & Co., P.C.

St. Louis, Missouri

January 13, 2005

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

STATEMENTS OF PLAN NET ASSETS

SEPTEMBER 30, 2004 AND 2003

	ASSETS	
	2004	2003
CASH	\$ 413,652	\$ 649,272
RECEIVABLES		
Accrued interest receivable	909,500	1,069,296
Accrued dividend receivable	217,258	201,250
Employers contribution receivable	79,843	57,254
Total receivables	1,206,601	1,327,800
INVESTMENTS, at fair value		
Temporary cash investments	4,443,083	2,249,639
United States Government and Agency securities	24,515,102	32,702,734
Corporate bonds and debentures	32,671,730	38,300,772
Foreign governmental and corporate obligations	11,212,248	18,859,613
Stocks	212,903,298	218,240,430
Managed international equity fund	96,593,319	55,473,820
Real estate group annuity	47,083,592	
Domestic bond funds	43,983,256	73,503,110
Total investments	473,405,628	439,330,118
SECURITIES LENDING COLLATERAL	29,381,894	27,310,395
Total assets	504,407,775	468,617,585
	LIABILITIES	
ACCOUNTS PAYABLE	630,965	417,137
SECURITIES LENDING COLLATERAL LIABILITY	29,381,894	27,310,395
PAYABLE UNDER FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS	294,659	1,119,026
Total liabilities	30,307,518	28,846,558
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 474,100,257	\$ 439,771,027

(Schedule of funding progress for the plan is presented on page 15.)

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, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
ADDITIONS		
Contributions		
Member contributions	\$ 6,938	\$ 50,847
Employer contributions	<u>15,335,750</u>	<u>19,115,679</u>
Total contributions	15,342,688	19,166,526
Investment income		
Interest and dividends	8,631,932	9,538,281
Net appreciation in fair value of investments	<u>42,579,207</u>	<u>59,200,368</u>
	51,211,139	68,738,649
Less investment expenses	<u>2,209,788</u>	<u>1,929,695</u>
Net investment income	<u>49,001,351</u>	<u>66,808,954</u>
Total additions	64,344,039	85,975,480
DEDUCTIONS		
Retirement benefits	29,538,875	28,283,777
Administrative	<u>475,934</u>	<u>593,784</u>
Total deductions	<u>30,014,809</u>	<u>28,877,561</u>
NET INCREASE	34,329,230	57,097,919
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
BEGINNING OF YEAR	<u>439,771,027</u>	<u>382,673,108</u>
END OF YEAR	<u>\$ 474,100,257</u>	<u>\$ 439,771,027</u>

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 Metropolitan Taxicab Commission, 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, 2004 and 2003, membership consisted of the following:

	<u>2004</u>	<u>2003</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving benefits	6,071	6,010
Current employees		
Fully vested	3,930	3,908
Non-vested	1,840	2,127
	<u>11,841</u>	<u>12,045</u>

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.

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 established the required employer contribution rate based on active member payroll of 13.53% effective July 1, 2004 and 10.31% effective July 1, 2003. The City of St. Louis contributed 6% of active member payroll beginning July 2003 through the present.

Employees, who became members of the System prior to October 14, 1977 and continued to make contributions, may make voluntary contributions to the System equal to 3% of their compensation until the compensation equals the maximum annual taxable earnings under the Federal Social Security Act. 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.

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.

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.

The System participates in a securities lending program administered by State Street Bank and Trust, the custodian. Brokers who borrow the securities provide collateral, usually in the form of cash valued at 102% for domestic securities. There are no restrictions on the amount of securities that can be lent at one time. At September 30, 2004 and 2003, the term to maturity of the securities lent is matched with the term to maturity of the investment of the cash collateral. These loans can be terminated on demand by either the lender or borrower. The System cannot pledge or sell non-cash collateral unless the borrower defaults. As of September 30, 2004 and 2003, the System has lending arrangements outstanding with a market value for securities lent of \$28,717,572 and \$27,310,395 and a total market value for securities received as collateral of \$29,381,894 and \$26,778,680, respectively, resulting in no credit risk for the System.

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, 2004 and 2003, the system had a net liability of \$294,659 and \$1,119,026 (cost is \$0 both years), respectively, based on current market values.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*Reclassifications*

Certain reclassifications have been made to the prior year's amounts to make them consistent with the 2004 presentation.

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 separate accounts as commingled vehicles;
- 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;
- 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; and
- Real estate through discretionary commingled vehicles.

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, 2004 and 2003 were \$1,208,609 and \$1,578,540, 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, 2004 and 2003 were held by the System's agent in the System's name.

At September 30, 2004, 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:

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

State Street Global Advisors Passive Bond Market Index Fund	<u>\$ 41,423,506</u>
Silchester International Investors International Value Equity Group Trust	<u>\$ 54,350,011</u>
Walter Scott & Partners Limited Group Trust International	<u>\$ 42,243,308</u>
Principal Global Investors Real Estate Group Annuity Contract	<u>\$ 47,083,592</u>

At December 31, 2004 and 2003, investments consisted of the following:

	2004	
	Fair Value	Cost
Temporary cash investments	\$ 4,443,083	\$ 4,440,837
United States Government and Agency securities	24,515,102	22,943,719
Corporate bonds and debentures	32,671,730	31,659,462
Foreign governmental and corporate obligations	11,212,248	10,840,560
Stocks	212,903,298	185,674,878
Managed international equity funds	96,593,319	84,063,747
Real estate fund	47,083,592	46,800,000
Domestic bond funds	43,983,256	41,902,646
	<u>\$ 473,405,628</u>	<u>\$ 428,325,849</u>

	2003	
	Fair Value	Cost
Temporary cash investments	\$ 2,249,639	\$ 2,242,151
United States Government and Agency securities	32,702,734	30,462,967
Corporate bonds and debentures	38,300,772	36,760,469
Foreign governmental and 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>

NOTE 4 – PLAN TERMINATION

The 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.

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 and at the 10 year U.S. Treasury Bond yield as of September 30, for DROP participants enrolling February 1, 2003 and thereafter. 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, 2004, approximately 470 members have elected to DROP participation and have DROP account balances.

NOTE 6 – SUBSEQUENT EVENT

In 2005, the System became a qualified retirement plan in accordance with Internal Revenue Service regulations.

SUPPLEMENTAL INFORMATION

EMPLOYEES RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS

SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2004

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Unfunded)/ Overfunded (UAAL)	Funded Ratio	Covered Payroll		Unfunded AAL as a % of Covered Payroll
					Covered Payroll	Overfunded AAL as a % of Covered Payroll	
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%
9/30/2004	431,853,406	602,795,470	(170,942,064)	71.64%	221,768,791		77.08%

See independent auditor's report.

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2004

<u>Plan Year Ended</u>	<u>Annual Required Contributions (ARC)</u>	<u>Actual Contributions</u>	<u>Percentage 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%
2004	30,926,604	15,158,997	49.02%

See independent auditor's report.

EMPLOYEES RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS

ACTUARIAL ASSUMPTIONS AND ACTUARIAL COST METHOD

SEPTEMBER 30, 2004

VALUATION DATE	October 1, 2004
ACTUARIAL COST METHOD	Projected Unit Credit Cost Method
AMORTIZATION METHOD	Level dollar amount for unfunded liability, open
REMAINING AMORTIZATION PERIOD	30 years as of October 1, 2004
ASSET VALUATION METHOD	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
ACTUARIAL ASSUMPTIONS	
Investment rate of return	8.00% per year, net of expenses
Projected salary increases	3.00% per year
Cost of living adjustments	5.00% per year; maximum cumulative increase of 25%

See independent auditor's report.