FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

FINANCIAL REPORT
(Audited)

Year Ended September 30, 2011

Hochschild, Bloom & Company LLP
Certified Public Accountants
Consultants and Advisors

INDEPENDENT AUDITORS' REPORT

February 17, 2012

The Board of Trustees
FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

We have audited the accompanying statements of plan net assets of **FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS** (the System), a component unit of the City of St. Louis, Missouri, as of September 30, 2011 and 2010, 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 as of September 30, 2011 and 2010, and the changes in plan net assets thereof for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 17, 2012, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the inter-

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nal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and required supplemental information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Hochschild Bloom & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

The following Management's Discussion and Analysis (MD&A) of the Firemen's Retirement System of St. Louis (the System) provides an overview of the System's financial activities for the fiscal year ended September 30, 2011. The MD&A should be read in conjunction with the System's financial statements and supplementary information.

FINANCIAL HIGHLIGHTS

During the System's fiscal years ended September 30, 2011 and 2010, global economies have shown signs of highs and lows. The System is well diversified and the portfolio is continually managed and monitored to an investment policy established to minimize market risks. The lows of the market conditions resulted in the System's portfolios taking a negative investment market shift during the last quarter of the current fiscal year and resulted in the portfolio ending with a slight increase in fair value for the fiscal year ending September 30, 2011. The System is a long-range proposition and is responsible for administering benefits to firefighters of the City of St. Louis who have dedicated their careers as public servants to the residents and businesses of the St. Louis metropolitan area. The System has and will continue to provide benefits in a prudent and professional manner to its active and retired members and their beneficiaries.

The System's net assets were $392 million at September 30, 2011, which represents a decrease of $5.8 million from September 30, 2010.

Additions to net assets for fiscal year 2011 were $30 million as compared to additions of $54 million for fiscal year 2010. The current period additions are comprised of $4 million of net investment income, $23 million in employer contributions, and $3 million in Members contributions.

Deductions from net assets were $35 million for fiscal year 2011 and $37 million for fiscal year 2010.

The overall investment return for the System was 0.96% for fiscal year 2011 as compared to 8.56% for fiscal year 2010. The Board of Trustees acts to ensure the System retains top performing Investment Managers while maintaining a balanced investment portfolio.

Changes in Members' benefits resulted from:

	For The Years Ended September 30	
	2011	2010
Service retirements:		
Regular	21	13
Service connected disability	5	6
Ordinary disability	1	-
Members requesting a refund withdrawal	7	4
Lump-sum death benefits	1	-
Retiree death benefits	31	29

FINANCIAL STATEMENTS

The financial report of the System consists of two financial statements: the statements of plan net assets and the statements of changes in plan net assets. The statements of plan net assets provide 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 statements of changes in plan net assets provide the detail 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 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.

FINANCIAL ANALYSIS

Total assets at September 30, 2011 were $396,474,517 and were mainly comprised of cash, investments, and other receivables. Total assets decreased $2,708,896 or 0.68% from September 30, 2010.

Total liabilities at September 30, 2011 were $4,372,264 and consisted mainly of unsettled investment transactions and accrued expenses. Total liabilities increased $3,117,394 or 248.42% from September 30, 2010.

Net assets held in trust for pension benefits were $392,102,253 at September 30, 2011, a decrease of $5,826,290 or 1.46% from the prior period. This decrease mainly resulted from a decrease in investments of $24 million, the majority of which was the result of a $30 million decrease in investment income from the prior year.

Following is a condensed version of the statements of plan net assets (dollars in thousands):

	September 30			Total Change: Amount		Total Change: Percentage	
	2011	2010	2009	**2011**	2010	**2011**	2010
ASSETS							
Investments	**$ 368,148**	392,009	367,654	**(23,861)**	24,355	**(6.1) %**	6.6
Cash	**18,658**	3,727	14,152	**14,931**	(10,425)	**400.6**	(73.7)
Receivables	**9,033**	2,934	1,091	**6,099**	1,843	**207.9**	168.9
Capital assets, net	**635**	513	377	**122**	136	**23.8**	36.1
Total Assets	**396,474**	399,183	383,274	**(2,709)**	15,909	**(0.7)**	4.2
LIABILITIES	**4,372**	1,254	1,966	**3,118**	(712)	**248.6**	(36.2)
NET ASSETS	**$ 392,102**	397,929	381,308	**(5,827)**	16,621	**(1.5) %**	4.4

Revenues - Additions to Plan Net Assets

The reserves needed to finance retirement benefits as well as death and disability benefits are accumulated through the collection of employer and employee (members) contributions and through earnings on investments. Members contribute 8% (1% while in DROP status) of their salary to fund future retirement benefits. This percentage is set by state statute and was unchanged from the prior year. Total contribution income (employer and members) totaled $25,819,707 for the year ended September 30, 2011 as compared to $20,796,919 for the prior year.

Net investment income totaled $3,739,397 in fiscal year 2011 as compared to net investment income of $33,298,179 in the prior period. Investment income is net of investment expenses (management and custodial fees) totaling $1,755,694 and $1,562,092 for the years ended September 30, 2011 and 2010, respectively.

Expenses - Deductions from Plan Net Assets

The primary expenses of the System include the payment of pension benefits to retirees and beneficiaries, refunds of Members contributions, and administrative expenses to operate the System. Total expenses for fiscal year 2011 were $35,385,394, a decrease of $2,089,113 from the prior year.

Following is a condensed version of the statements of changes in plan net assets (dollars in thousands):

	For The Years Ended September 30			Total Change: Amount		Total Change: Percentage	
	2011	2010	2009	**2011**	2010	**2011**	2010
ADDITIONS							
Employer contributions	**$ 23,072**	17,855	12,194	**5,217**	5,661	**29.2 %**	46.4
Members contributions	**2,748**	2,942	2,918	**(194)**	24	**(6.6)**	0.8
Net investment income (loss)	**3,739**	33,298	(18,865)	**(29,559)**	52,163	**(88.8)**	276.5
Total Additions (Net)	**29,559**	54,095	(3,753)	**(24,536)**	57,848	**(45.4)**	1,541.4
DEDUCTIONS							
Benefits paid	**32,031**	34,661	34,230	**(2,630)**	431	**(7.6)**	1.3
Refund of Members contributions	**2,192**	1,639	1,207	**553**	432	**33.7**	35.8
Administrative expenses	**1,163**	1,174	978	**(11)**	196	**(0.9)**	20.0
Total Deductions	**35,386**	37,474	36,415	**(2,088)**	1,059	**(5.6)**	2.9
CHANGE IN PLAN NET ASSETS	**(5,827)**	16,621	(40,168)	**(22,448)**	56,789	**(135.1)**	141.4
NET ASSETS, BEGINNING OF YEAR	**397,929**	381,308	421,476	**16,621**	(40,168)	**4.4**	(9.5)
NET ASSETS, END OF YEAR	**$ 392,102**	397,929	381,308	**(5,827)**	16,621	**(1.5) %**	4.4

SUMMARY

The System's net assets held in trust for pension benefits have increased in six out of the past ten years. The decreases, which occurred in fiscal years 2011, 2009, 2008, and 2002, were the result of investment losses due to economic slowdowns that detrimentally affected most pension systems in those years. The Trustees believe, and the actuarial calculations confirm, that the System is in a financial position to meet its current and projected obligations. With a continued focus on a prudent investment program, cost controls, and strategic planning, the System should continue to improve its current financial position over an extended period of years.

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 the money it receives. If you have any questions about this report or need additional financial information, contact:

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	September 30	
	2011	2010
ASSETS		
Investments, at fair value:		
Equities:		
Corporate stocks	**$ 181,400,293**	207,452,820
Collective investment funds	**45,235,214**	37,719,002
Fixed income:		
Collective investment funds	**72,888,388**	78,574,414
Corporate bonds	**-**	13,350
Real estate investment trust	**42,801,849**	32,371,035
Hedge funds	**20,408,836**	13,888,613
Money market funds	**5,413,591**	21,989,753
Total Investments	**368,148,171**	392,008,987
Cash and cash equivalents	**18,657,612**	3,727,202
Receivables:		
Employer contributions	**5,277,692**	1,785,455
Unsettled investment transactions	**3,279,625**	711,984
Interest and dividends	**236,194**	226,474
Other receivables	**239,999**	210,324
Total Receivables	**9,033,510**	2,934,237
Capital assets, less accumulated depreciation	**635,224**	512,987
Total Assets	**396,474,517**	399,183,413
LIABILITIES		
Unsettled investment transactions	**3,781,714**	856,865
Accrued investment management fees	**329,784**	350,794
Benefits payable - lump sum DROP	**206,686**	-
Accrued administrative expenses	**54,080**	16,013
Members contributions refundable	**-**	31,198
Total Liabilities	**4,372,264**	1,254,870
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (a schedule of funding progress for the System is presented on page 26)	**$ 392,102,253**	397,928,543

See notes to financial statements

STATEMENTS OF CHANGES IN PLAN NET ASSETS

	For The Years Ended September 30	
	2011	2010
ADDITIONS TO NET ASSETS ATTRIBUTED TO:		
Contributions:		
Employer	**$ 23,071,773**	17,854,546
Members	**2,747,934**	2,942,373
Total Contributions	**25,819,707**	20,796,919
Investment income:		
Net appreciation (depreciation) in fair value of investments	**635,303**	30,776,364
Dividends	**4,713,099**	3,922,034
Securities lending income	**129,495**	112,579
Interest	**14,711**	10,180
Recapture commissions	**2,483**	10,205
Class action settlements	**-**	28,909
Total Investment Income	**5,495,091**	34,860,271
Less - Investment management and custodial fees	**1,755,694**	1,562,092
Net Investment Income	**3,739,397**	33,298,179
Total Additions	**29,559,104**	54,095,098
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
Benefits paid to retirees and beneficiaries	**32,030,971**	34,661,065
Refunds of Members contributions	**2,191,639**	1,639,211
Administrative expenses	**1,162,784**	1,174,231
Total Deductions	**35,385,394**	37,474,507
CHANGE IN PLAN NET ASSETS	**(5,826,290)**	16,620,591
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR	**397,928,543**	381,307,952
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR	**$ 392,102,253**	397,928,543

See notes to financial statements

NOTE A - DESCRIPTION OF PLAN

The **FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS** (the System) administers a single employer defined benefit pension plan providing pension benefits to the City of St. Louis firemen (the Members). Membership in the System consists of:

	September 30		Increase
	2011	2010	**(Decrease)**
Retirees and beneficiaries currently receiving benefits	**1,016**	1,012	4
Current Members:			
Vested - DROP	**65**	56	9
Vested - Non-DROP	**158**	136	22
Nonvested	**447**	514	(67)
Total Current Members	**670**	706	(36)
Total Membership	**1,686**	1,718	(32)

The System provides retirement benefits as well as death and disability benefits. Members can voluntarily retire after a minimum of 20 years of service. The monthly allowance consists of 40% of the final two-year average monthly compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of final average compensation for each additional year of service after 25 years with a maximum pension of 75%. Unused accrued sick pay accumulated before September 20, 2010 may increase the maximum pension beyond this limitation.

Covered Members contribute 8% of their salary. Upon leaving employment, the Member's contributions are refunded. In addition, terminated Members receive interest.

The System, in accordance with Ordinance 62994 of the City of St. Louis, initiated during the fiscal year ended August 31, 1994, a Deferred Retirement Option Plan (DROP). The DROP option is available to Members of the System who have at least 20 years of creditable service and have achieved eligibility for retirement. Those Members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the DROP account of the Member, and the Member's contributions will be reduced to 1% from the normal 8%. During participation in the DROP, the Member will not receive credit for City contributions or credit for service. A Member may participate in the DROP only once for any period up to five years. At retirement the funds in the Member's DROP account plus 1) interest and 2) accrued sick leave if elected is available to the Member in a lump sum or in installments. The number of Members with DROP account balances was 185 and 163 at September 30, 2011 and 2010, respectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies consistently applied by the System in the preparation of the accompanying financial statements are summarized as follows:

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Reporting Entity

The System is a pension trust fund of the City of St. Louis, Missouri (the City). As such, the System is considered part of the City and is included in the City's Comprehensive Annual Financial Report as a pension trust fund. The System and its Board of Trustees (Board) are not financially accountable for any other entities or other organizations. Accordingly, the System is the only entity included in this financial report.

2. Basis of Accounting

The financial statements were prepared using the accrual basis of accounting. Members and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Dividend income is recognized based on the ex-dividend date and interest income is recognized on the accrual basis as earned. Investment purchases and sales are recorded on a trade-date basis.

3. Investment Valuation

Marketable securities are stated at fair value. Fair values are based on the last reported sales price on September 30 or on the last reported bid price if no sale was made on that date. The real estate investment fund is valued by the fund's manager based on independent real estate appraisals of the fund's holdings. The hedge funds are carried at the value reported by the funds' custodians based upon underlying investments.

4. Cash

Cash on deposit with Commerce Bank N.A. is maintained for the System by the Treasurer of the City.

5. Operating Expenditures

Benefits paid and administrative expenses are approved by the Board. Payments are processed by the Treasurer of the City.

6. Net Assets Held in Trust for Pension Benefits

The System's net assets held in trust for pension benefits consist of:

Member's Savings Fund - Members contribute 8% of their compensation to the System. Such contributions are credited to the Member's Savings Fund. Interest, at a rate determined by the Board, is credited annually on the balance in each Member's account during the preceding year. Withdrawal refunds of Member's accumulated contributions are charged to this

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Net Assets Held in Trust for Pension Benefits (Continued)

fund. Upon retirement or death in service of a Member with a surviving beneficiary, the Member's own contributions are refunded. Upon termination of employment or death in service with no survivor, the Member's contributions, including interest, are refunded. The balance at September 30, 2011 and 2010 was $73,271,180 and $71,139,024, respectively.

Benefit Reserve Fund -- Upon retirement or death, the Benefit Reserve Fund is payable to the Member or their beneficiaries. This amount is determined by the actuaries, in accordance with Ordinances 49623, 56444, 57603, 58242, 58651, 58652, and 59018. An amount is transferred from the General Reserve Fund which, when added to the amount transferred from Member's Savings Fund, brings the balance of the Benefit Reserve Fund to an amount equal to the present value of future benefits. The balance at September 30, 2011 and 2010 was $313,539,308 and $294,536,666, respectively.

General Reserve Fund -- Contributions made by the City are credited to the General Reserve Fund. The present value of all future estimated benefits payable to active Members on death or retirement not provided by Member's contributions are accumulated in this fund. The balance at September 30, 2011 and 2010 was $78,287 and $26,917,625, respectively.

Future Benefit Fund -- The Future Benefit Fund was established June 29, 1990 by City ordinance as a method to fund increased benefits for retired Members. The funding of the Future Benefit Fund was terminated per the City ordinance after fiscal year ended August 31, 1993. The balance in the fund will be used for future benefits until it is exhausted. Benefits of $198,988 and $0 were paid from the Future Benefit Fund during the years ended September 30, 2011 and 2010, respectively. The Future Benefit Fund is excluded from the assets used in determining the City's contribution requirement. The balance at September 30, 2011 and 2010 was $4,870,121 and $5,036,507, respectively.

System Employees Benefit Fund -- On August 28, 1997, the Board approved a resolution to provide additional benefits for the administrative employees of the System in the form of severance pay and a limited retirement package. The severance pay applies to employees who are dismissed for any reason other than for just cause based on the wrongful conduct of the employee. The dismissed employee would be entitled to one month's pay for each year or part of year that the employee has been employed by the System. The retirement package is for employees who have completed five years of service. Upon completing five years of service, the employee will have five months of salary credited to him or her. Thereafter the employee will be credited with a month of salary upon completion of each additional year of service. Employees' accrued additional benefits of $40,998 and $13,237 for the years ended September 30, 2011 and 2010, respectively. The employees' must make a one-time election as to how their accounts will be credited each anniversary date with interest on the account. Benefits of $0 and $181,775 were paid from the System Employees Benefit Fund during the years ended September 30, 2011 and 2010, respectively. The System Employees Benefit Fund is excluded from the assets used in determining the City's contribution requirement. The balance at September 30, 2011 and 2010 was $343,357 and $298,721, respectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Use of Estimates

The preparation of the System's financial statements in conformity with U.S. generally accepted accounting principles requires management and the System's actuary to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from net assets during the reporting period. Actual results could differ from those estimates.

8. Capital Assets

Expenditures for property and equipment exceeding $1,000 are capitalized and depreciated over the estimated useful lives of the capital assets on the straight-line method as follows:

Asset	Years
Building	40
Building improvements	10 - 15
Furniture, equipment, and software	5 - 7

Expenditures for repairs and maintenance are expensed as incurred. Gains and losses on disposition of property and equipment are included in income as realized.

Capital asset activity was as follows:

	For The Year Ended September 30, 2011			
	Balance September 30 2010	Additions And Transfers	Deletions And Transfers	Balance September 30 2011
Capital assets not being depreciated:				
Land	$ 83,086	-	-	**83,086**
Construction in progress	150,000	137,973	-	**287,973**
Total Capital Assets Not Being Depreciated	233,086	137,973	-	**371,059**
Capital assets being depreciated:				
Building	205,417	-	-	**205,417**
Building improvements	213,182	-	-	**213,182**
Furniture, equipment, and software	81,327	-	-	**81,327**
Total Capital Assets Being Depreciated	499,926	-	-	**499,926**
Less - Accumulated depreciation for:				
Building	47,074	5,136	-	**52,210**
Building improvements	94,515	9,831	-	**104,346**
Furniture, equipment, and software	78,436	769	-	**79,205**
Total Accumulated Depreciation	220,025	15,736	-	**235,761**
Total Capital Assets Being Depreciated, Net	279,901	(15,736)	-	**264,165**
Capital Assets, Net	$ 512,987	122,237	-	**635,224**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Capital Assets (Continued)

Construction in progress represents a new pension administration software license. The software is an upgrade to be used by the System in maintaining Members' files.

Depreciation expense for the years ended September 30, 2011 and 2010 was $15,736 and $16,513, respectively.

NOTE C - CASH AND CASH EQUIVALENTS

The System's bank deposits are required by state law to be secured by the deposit of certain securities specified by RSMo 30.270. The collateralized securities are held by a trustee institution. The value of the securities must amount to the total of the System's cash not insured by the Federal Deposit Insurance Corporation. The System's bank deposits as of September 30, 2011 were $18,668,381 and 2010 balances were $3,811,122. Both years' balances were insured by the FDIC or collateralized with securities held by the pledging financial institution's trust department in the System's name. The System's carrying amount of bank deposits was $18,657,612 and $3,727,202 as of September 30, 2011 and 2010, respectively.

NOTE D - CONTRIBUTION RECEIVABLE - EMPLOYER

Employer contributions are calculated by the System's actuary (Gabriel, Roeder, Smith & Company). The employer contribution due to the System for the year ended September 30, 2011 was $23,071,773 and $17,794,081 was paid prior to year-end. The employer contribution due to the System from the City for the year ended September 30, 2010 was $17,854,546 and $16,069,091 was paid prior to year-end and the balance of $1,785,455 was paid during the year ended September 30, 2011.

Contribution receivable - employer consists of the following:

	September 30	
	2011	2010
Contribution receivable, beginning of year	**$ 1,785,455**	-
Current year contribution due from the City as calculated by the System's actuary	**23,071,773**	17,854,546
Received from the City during current year	**(19,579,536)**	(16,069,091)
Total Contribution Receivable, End Of Year	**$ 5,277,692**	1,785,455

NOTE E - INVESTMENTS

Investments of the System are managed by various Investment Managers hired by the Board to invest according to guidelines established by the Board. The fair value of investments managed consisted of the following:

NOTE E - INVESTMENTS (Continued)

	September 30 2011	2010
Aberdeen Asset Management, Inc.:		
Collective investment fund - fixed income	$ 55,480,909	71,516,380
Money market fund	71	4,000,017
	55,480,980	75,516,397
Fisher Investments, Inc.:		
Corporate stocks	48,180,615	53,236,168
Money market fund	166,242	540,149
	48,346,857	53,776,317
Principal Real Estate:		
Real estate investment trust	42,801,849	32,371,035
Madison Square/New York Life Investment Management:		
Corporate stocks	35,338,024	64,566,678
Collective investment fund - equity	128,561	-
Money market fund	12,532	25,518
	35,479,117	64,592,196
Artisan Partners LP:		
Collective investment fund - equity (International)	31,663,997	37,719,002
Money market fund	329	329
	31,664,326	37,719,331
Integrity Asset Management, LLC:		
Corporate stocks	22,043,612	24,011,312
Money market fund	748,591	700,749
	22,792,203	24,712,061
Castleark Management, LLC:		
Corporate stocks	20,928,495	19,903,442
Money market fund	731,774	458,687
	21,660,269	20,362,129
Tortoise Capital Advisors:		
Corporate stocks	20,641,647	-
Money market fund	605,990	-
	21,247,637	-
The Northern Trust Company:		
Collective investment fund - fixed income	17,407,479	7,058,034
Money market fund	1,039,404	13,289,578
Corporate stocks	149,679	34,032
Corporate bonds	-	13,350
	18,596,562	20,394,994

NOTE E - INVESTMENTS (Continued)

	September 30	
	2011	2010
Pzena Investment Management:		
Corporate stocks	**17,851,713**	18,879,553
Money market fund	**141,202**	628,149
	17,992,915	19,507,702
Entrust Partners Offshore, LLC:		
Hedge fund (multi-strategy)	**17,087,468**	8,033,040
Pinnacle Associates, Ltd:		
Corporate stocks	**16,266,508**	26,821,635
Money market fund	**204,721**	586,481
	16,471,229	27,408,116
Brandes Investment Partners:		
Collective investment fund - equity (International)	**13,442,656**	-
UBP Asset Management, LLC:		
Hedge fund (multi-strategy)	**3,321,368**	5,855,573
Money market fund	**1,762,735**	1,760,096
	5,084,103	7,615,669
Total	**$ 368,148,171**	392,008,987

The System's investments are continuously exposed to various types of inherent risks. These risks are mitigated by the System's development and continual monitoring of sound investment policies. The Investment Maturities, Credit Rating by Investment, and Foreign Currency Exposures by Asset Class schedules are presented as follows to provide an illustration of the System's current level of exposure to various risks.

The following schedule provides a summary of the investment maturities by investment type, which helps demonstrate the current level of interest rate risk assumed by the System:

NOTE E - INVESTMENTS (Continued)

	Maturities As Of September 30, 2011					
	Fair Value	**No Maturity**	**Less Than One Year**	**1 - 5 Years**	**6 - 10 Years**	**More Than 10 Years**
Equities:						
Corporate stocks	**$ 181,400,293**	**181,400,293**	**-**	**-**	**-**	**-**
Collective investment funds	**45,235,214**	**45,235,214**	**-**	**-**	**-**	**-**
Fixed income:						
Collective investment funds	**72,888,388**	**-**	**249,902**	**37,604,281**	**22,795,635**	**12,238,570**
Real estate investment trust	**42,801,849**	**42,801,849**	**-**	**-**	**-**	**-**
Hedge funds	**20,408,836**	**20,408,836**	**-**	**-**	**-**	**-**
Money market funds	**5,413,591**	**5,413,591**	**-**	**-**	**-**	**-**
Total	**$ 368,148,171**	**295,259,783**	**249,902**	**37,604,281**	**22,795,635**	**12,238,570**

	Maturities As Of September 30, 2010					
	Fair Value	No Maturity	Less Than One Year	1 - 5 Years	6 - 10 Years	More Than 10 Years
Equities:						
Corporate stocks	$ 207,452,820	207,452,820	-	-	-	-
Collective investment funds	37,719,002	37,719,002	-	-	-	-
Fixed income:						
Collective investment funds	78,574,414	-	-	39,820,320	28,698,891	10,055,203
Corporate bonds	13,350	-	-	-	-	13,350
Real estate investment trust	32,371,035	32,371,035	-	-	-	-
Hedge funds	13,888,613	13,888,613	-	-	-	-
Money market funds	21,989,753	21,989,753	-	-	-	-
Total	$ 392,008,987	313,421,223	-	39,820,320	28,698,891	10,068,553

Certain collective investment funds are classified by average maturities and credit rating levels of the portfolios.

The System's current level of exposure to credit risk, or the risk that an issuer or other counterparty to an investment will not fulfill its obligations, is demonstrated by the following table:

NOTE E - INVESTMENTS (Continued)

Credit Rating By Investment Category As Of September 30, 2011

Credit Rating Level	**Corporate Stocks**	**Collective Investment Funds**	**Corporate Bonds**	**Money Market Funds**	**Hedge Funds**	**Real Estate Investment Trust**
AAA	$ -	**41,229,996**	-	-	-	-
AA	-	**9,550,105**	-	-	-	-
A	-	**7,967,103**	-	-	-	-
BBB	-	**10,619,046**	-	-	-	-
BB	-	**177,428**	-	-	-	-
B	-	**824,626**	-	-	-	-
N/A	**181,400,293**	-	-	-	-	-
Not rated	-	**47,755,298**	-	**5,413,591**	**20,408,836**	**42,801,849**
Total	**$ 181,400,293**	**118,123,602**	-	**5,413,591**	**20,408,836**	**42,801,849**

Credit Rating By Investment Category As Of September 30, 2010

Credit Rating Level	Corporate Stocks	Collective Investment Funds	Corporate Bonds	Money Market Funds	Hedge Fund	Real Estate Investment Trust
AAA	$ -	45,884,277	13,350	-	-	-
AA	-	5,399,487	-	-	-	-
A	-	9,061,125	-	-	-	-
BBB	-	13,688,235	-	-	-	-
N/A	207,452,820	-	-	-	-	-
Not rated	-	42,260,292	-	21,989,753	13,888,613	32,371,035
Total	$ 207,452,820	116,293,416	13,350	21,989,753	13,888,613	32,371,035

Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The System's policy is to allow the individual Investment Managers to decide what action to take regarding their respective portfolio's foreign currency exposure. The following table demonstrates the System's current level of foreign currency exposure:

NOTE E - INVESTMENTS (Continued)

Foreign Currency Exposures By Asset Class In U.S. Dollars As Of September 30, 2011

Currency	Money Market Funds	Equities	Fixed Income	Hedge Funds	Real Estate Investment Trust	Total
Australian Dollar	$ -	2,026,290	-	-	-	2,026,290
British Pound Sterling	-	7,078,621	-	-	-	7,078,621
Canadian Dollar	-	2,558,884	-	-	-	2,558,884
Danish Krone	-	832,080	-	-	-	832,080
Euro	-	17,383,816	-	-	-	17,383,816
Hong Kong Dollar	-	257,889	-	-	-	257,889
Japanese Yen	-	7,022,296	-	-	-	7,022,296
Mexican Peso	-	465,248	-	-	-	465,248
Norwegian Krone	-	681,829	-	-	-	681,829
Singapore Dollar	-	868,304	-	-	-	868,304
South Korean Won	-	632,808	-	-	-	632,808
Swedish Krona	-	1,469,522	-	-	-	1,469,522
Swiss Franc	-	4,655,752	-	-	-	4,655,752
Total Foreign Currency	-	45,933,339	-	-	-	45,933,339
United States Dollar	5,413,591	180,702,168	72,888,388	20,408,836	42,801,849	322,214,832
Total	$ 5,413,591	226,635,507	72,888,388	20,408,836	42,801,849	368,148,171

Foreign Currency Exposures By Asset Class In U.S. Dollars As Of September 30, 2010

Currency	Money Market Funds	Equities	Fixed Income	Hedge Fund	Real Estate Investment Trust	Total
Australian Dollar	$ -	1,894,783	-	-	-	1,894,783
Brazilian Real	-	240,231	-	-	-	240,231
British Pound Sterling	-	5,064,798	-	-	-	5,064,798
Canadian Dollar	1,142	1,466,064	-	-	-	1,467,206
Danish Krone	-	313,225	-	-	-	313,225
Euro	-	19,821,941	-	-	-	19,821,941
Hong Kong Dollar	-	1,088,921	-	-	-	1,088,921
Indonesian Rupiah	-	525,344	-	-	-	525,344
Japanese Yen	-	8,417,759	-	-	-	8,417,759
Malaysian Ringgit	-	195,847	-	-	-	195,847
Mexican Peso	-	500,281	-	-	-	500,281
Norwegian Krone	-	347,995	-	-	-	347,995
Singapore Dollar	-	924,915	-	-	-	924,915
South Korean Won	-	1,422,053	-	-	-	1,422,053
Swedish Krona	-	1,766,201	-	-	-	1,766,201
Swiss Franc	-	4,694,282	-	-	-	4,694,282
Total Foreign Currency	1,142	48,684,640	-	-	-	48,685,782
United States Dollar	21,988,611	196,487,182	78,587,764	13,888,613	32,371,035	343,323,205
Total	$ 21,989,753	245,171,822	78,587,764	13,888,613	32,371,035	392,008,987

NOTE E - INVESTMENTS (Continued)

Investments Policies

Custodial Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's minimum credit quality for each issue shall be "BBB" (or its equivalent) at the time of purchase. In the event of a split-rating, the higher rating shall apply.

The fixed income portfolio should have an average quality rating of at least "A" (or its equivalent). Commercial paper issues must be rated at least "A1" (or its equivalent) at the time of purchase. In the event of a split-rating, the higher rating shall apply. In the event of a downgrade below investment grade by any rating agency, the Investment Manager is required to notify the Board and Investment Consultant as soon as possible and to refrain from any further investment in the downgraded issue.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The effective duration of any fixed income portfolio shall not exceed 120% of the effective duration of the Investment Manager's broad market benchmark.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's policy does not allow the concentration per issuer to exceed 5% of the portfolio's market value at cost, with the exception of cash, cash equivalents, U.S. Treasury, or U.S. Agency securities. Furthermore, the Investment Manager may not hold more than 5% of the outstanding shares of any single issuer with the exception of U.S. Treasuries or Agencies. Investment in any single fund of hedge funds shall not exceed 10% of the fund's market value.

It is the System's current policy to invest in each asset class ranging between a minimum and maximum of total System investments as shown below:

	Asset Class As A Percent Of Total Assets		
Asset Class	**Minimum**	**Target Mix**	**Maximum**
Domestic Equity:			
Large Cap	14%	19	24
Small Mid Cap	-	9	19
Fixed Income	15	20	25
International Equities	22	27	32
Real Estate Trust	10	15	20
Hedge Funds	5	10	15

Liquidity Risk is the risk that redemption notice periods are required and longer periods may be imposed before payment of redemption proceeds are settled for the following investments:

EnTrust Capital Diversified Fund QP, Ltd. (Hedge Fund)
Select Investment Institutional Multi-Strategy Ltd. Series R 0409 Fund (Hedge Fund)
The Principal U.S. Property Account (REIT)

NOTE F - INVESTMENTS GREATER THAN 5% OF NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

Investments which exceed 5% or more of net assets held in trust for pension benefits are as follows:

	September 30	
	2011	2010
Aberdeen Core Plus Fixed Income Portfolio	**$55,480,909**	71,516,380
The Principal U.S. Property Account	**42,801,849**	32,371,035
Artisan International Stock Fund	**31,663,997**	37,719,002

NOTE G - NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS

The net appreciation (depreciation) in fair value of investments consists of:

	For The Years Ended September 30	
	2011	2010
Equities:		
Corporate stocks	**$ (4,412,675)**	16,696,350
Collective investment funds	**(6,897,314)**	780,039
Fixed income:		
Collective investment funds	**4,494,882**	11,165,032
Corporate bonds	**(5,399)**	(4,621)
Real estate investment trust	**6,180,814**	1,753,471
Hedge funds	**1,274,995**	386,093
Total	**$ 635,303**	30,776,364

NOTE H - GASB STATEMENT NO. 25 ANNUAL REQUIRED CONTRIBUTION

The actuarial funding method used is the entry age frozen liability method. Under this method, the initial unfunded accrued liability is amortized over 30 years from August 31, 1977 with increases in the unfunded accrued liability subsequent to that date amortized over 30 years from the date the liability is added.

NOTE H - GASB STATEMENT NO. 25 ANNUAL REQUIRED CONTRIBUTION (Continued)

Actuarially determined contributions in accordance with GASB Statement No. 25 requirements are as shown in the following table:

	For The Years Ended September 30		Covered Payroll Percentage	
	2011	2010	**2011**	2010
Required contributions - employer:				
Portion of normal cost attributable to the System's fiscal year	**$ 16,136,797**	10,480,098	**43.4 %**	25.7
Unfunded actuarial accrued liability amortization payment	**3,022,056**	3,129,030	**8.2**	7.7
Total Employer Required Contribution	**$ 19,158,853**	13,609,128	**51.6 %**	33.4
Contribution Made By Employer During System's Fiscal Year	**$ 19,579,536**	16,069,091	**52.7 %**	39.4

The City made an extraordinary contribution in the amount of $27,943,654 in May 1998 of the scheduled unfunded accrued liability amortization payments through August 31, 2010. Therefore, the above required contributions for unfunded actuarial accrued liability amortization payments for the year ended September 30, 2010 do not include amortization payments of the remaining unfunded accrued liability prior to 1998. Starting with the year ending September 30, 2011, the remaining balance of the unfunded actuarial accrued liability prior to 1998 will be amortized over the remainder of the 30-year amortization period from the year the liability was added.

NOTE I - FUNDED STATUS AND FUNDING PROGRESS

The funded status of the System as of October 1, 2011, the most recent actuarial valuation date, and October 1, 2010 is as follows (dollar amounts in thousands):

Valuation For The Actuarial Years Beginning October 1	Actuarial Value Of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL As A Percentage Of Covered Payroll
2011	**$404,101**	**$430,755**	**$26,654**	**93.8%**	**$37,157**	**71.7%**
2010	407,028	439,352	32,324	92.6	40,789	79.2

The schedules of funding progress, presented as required supplemental information following the notes to financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

NOTE I - FUNDED STATUS AND FUNDING PROGRESS (Continued)

The information presented in the schedule of funding progress and the schedule of employer contributions was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2011 and 2010
Actuarial cost method	Entry-age - Frozen Initial Liability
Amortization method	30-year closed period from establishment
Remaining amortization period	Various
Asset valuation method	3-year smoothed market
Actuarial assumptions:	

Cost of-living adjustments:

Under Age 60	
Service Years	**COLA**
20 - 24	1.50%
25 - 29	2.25%
30 or more	3.00%

Over Age 60

3% with a maximum of 25% in increases after age 60

	2011	2010
Investment rate of return	7.625%	7.625
Projected salary increases	3.350%	4.000
Inflation	3.000%	3.500

NOTE J - SECURITIES LENDING

The System participated in Northern Trust Company's securities lending program in order to enhance the investment yield. In a securities lending transaction, the System transfers possession--but not title--of the security to the borrower. Borrowers shall be rated AA, A, or higher by Moodys or Standard and Poors. Collateral consisting of cash, letter of credit, U.S. government or agency securities, or floating rate notes of U.S. issuers is received and held by Northern Trust Company. The collateral maintained is at least 102% of loan value for domestic securities and 105% of loan value for international securities of the market value of the securities lent. The System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The System continues to earn income on the loaned security. In addition, the System receives 60% of the net lending fees generated by each loan of securities.

Northern Trust Company receives the remaining 40% of the net lending fees as compensation for its services provided in the securities lending program. The Northern Trust Company indemnifies operational risk and counter party risk. The System authorizes the lending and loans of the following: domestic securities, U.S. Treasuries, corporate bonds, and equities. The System does not have the ability to pledge or sell collateral securities without borrower default. Therefore, for accounting purposes, the statements of net assets and changes in net assets do not reflect an increase in assets or liabilities associated with securities lent. At September 30, 2009, the System has recorded a liability of $573,652, due to collateral deficiency resulting from a borrower's bankruptcy. During fiscal year 2010, the Northern Trust Company recognized the entire collateral deficiency as a realized loss.

NOTE J - SECURITIES LENDING (Continued)

At September 30, 2011 and 2010, outstanding loans to borrowers were $45,931,211 and $45,764,646, respectively. The System earned income of $129,495 and $112,579 for its participation in the securities lending program for the years ended September 30, 2011 and 2010, respectively.

NOTE K - RELATED PARTY TRANSACTIONS

The System reimburses the City 100% of the total salaries, payroll taxes, and employee fringe benefits for System employees. The System's expense for the years ended September 30, 2011 and 2010 was $388,300 and $593,040, respectively.

NOTE L - RISK MANAGEMENT

The System is exposed to various risks of loss related to natural disasters, errors and omissions, and loss of assets, torts, etc. The System has chosen to cover such losses through the purchase of commercial insurance. There have been no material insurance claims filed or paid during the past three fiscal years.

NOTE M - COMMITMENTS AND CONTINGENCIES

Unsettled Investment Transactions

The System was committed to the future settlement of investments purchased (accounted for by trade date) at September 30, 2011 and 2010 of $3,781,714 and $856,865, respectively. These amounts are reflected in the statements of plan net assets as a liability for unsettled investment transactions.

Construction in Progress

The System entered into an agreement to purchase a new computer software system. The software will be developed and implemented over several years. The System has paid $287,973 through September 30, 2011, with $137,973 remaining on the contract.

Lawsuit

The City, as employer, enacted City ordinances on September 20, 2010 eliminating the future accrual of unused sick leave by St. Louis Firefighters.

The System filed a petition for declaratory judgment, temporary restraining order, and preliminary and permanent injunction in the Circuit Court of the City of St. Louis, Missouri on October 27, 2010 relating to St. Louis Firefighters', as members of the System, contractual rights to continue accumulating sick leave as set out in

NOTE M - COMMITMENTS AND CONTINGENCIES (Continued)

RSMo Sections 87.120 to 87.130 for determining retirement benefits upon a firefighter reaching retirement status. The System also challenges the validity of the recent City ordinances which eliminated accrual of unused sick leave as being improperly enacted, and therefore void, since they do not conform with the State enabling statutes.

The City filed a counterclaim on November 16, 2010 which asserts that increased benefits resulting from accrued sick leave should have been funded from the Future Benefit Fund which was established in 1990 by City ordinance as a method to fund increased benefits for retired members. The Future Benefit Fund is the current source of funding to certain retirees in the form of an Ad Hoc COLA in certain years. Based on the City's assertion, the Future Benefits Fund would have been depleted and sick leave benefits would be capped or eliminated. Other issues may also be addressed by the court in this lawsuit.

The System's Management and Board of Trustees believe there is a good chance of prevailing and are aggressively litigating the lawsuit, however, the outcome of the litigation is uncertain at this time.

NOTE N - RISKS AND UNCERTAINTIES

The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the statements of plan net assets.

Actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

NOTE O - SYSTEM RESERVES

Changes in the System's reserves for the years ended September 30, 2011 and 2010 are as follows:

	Total	Member's Savings Fund	Benefit Reserve Fund	General Reserve Fund	Future Benefit Fund	System Employees Benefit Fund
Balance, September 30, 2009	$ 381,307,952	67,194,513	292,710,197	16,346,643	4,636,821	419,778
Contributions	20,796,919	2,942,373	-	17,854,546	-	-
Net investment income less administrative expenses	32,123,948	5,848,390	23,737,991	2,077,163	399,686	60,718
Transfer due to (surplus) deficit	-	(3,207,041)	12,749,543	(9,542,502)	-	-
Adjustment for benefits paid to System employees	-	-	-	181,775	-	(181,775)
Benefits paid to retirees and beneficiaries	(34,661,065)	-	(34,661,065)	-	-	-
Refunds of Members contributions	(1,639,211)	(1,639,211)	-	-	-	-
Change in reserves for the year ended September 30, 2010	16,620,591	3,944,511	1,826,469	10,570,982	399,686	(121,057)
Balance, September 30, 2010	397,928,543	71,139,024	294,536,666	26,917,625	5,036,507	298,721
Contributions	25,819,707	2,747,934	-	23,071,773	-	-
Net investment income less administrative expenses	2,576,613	471,595	1,839,841	187,939	32,602	44,636
Transfer due to (surplus) deficit	-	1,104,266	48,994,784	(50,099,050)		
Benefits paid to retirees and beneficiaries	(32,030,971)	-	(31,831,983)	-	(198,988)	-
Refunds of Members contributions	(2,191,639)	(2,191,639)	-	-	-	-
Change in reserves for the year ended September 30, 2011	(5,826,290)	2,132,156	19,002,642	(26,839,338)	(166,386)	44,636
Balance, September 30, 2011	**$ 392,102,253**	**73,271,180**	**313,539,308**	**78,287**	**4,870,121**	**343,357**

REQUIRED SUPPLEMENTAL INFORMATION SECTION

Ten-year historical trend information about the System is presented herewith as required supplemental information. This information is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons with other plans.

SCHEDULE OF FUNDING PROGRESS

For The Actuarial Valuation	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As A Percentage Of Covered Payroll ((b-a)/c)
October 1, 2011	**$ 404,101,569**	**$ 430,755,378**	**$ 26,653,809**	**93.8 %**	**$ 37,157,256**	**71.7 %**
October 1, 2010	407,027,843	439,351,827	32,323,984	92.6	40,788,947	79.2
October 1, 2009	449,655,366	487,312,779	37,657,413	92.3	42,052,210	89.5
October 1, 2008	485,138,953	523,035,764	37,896,811	92.8	41,648,953	91.0
October 1, 2007	495,116,340	533,235,588	38,119,248	92.9	37,690,439	101.1
October 1, 2006	410,775,345	440,486,134	29,710,789	93.3	35,726,289	83.2
October 1, 2005	391,181,701	429,764,156	38,582,455	91.0	35,433,943	108.9
October 1, 2004	369,893,135	408,660,044	38,766,909	90.5	33,847,826	114.5
September 1, 2003	391,020,699	429,972,716	38,952,017	90.9	34,648,486	112.4
September 1, 2002	427,199,947	466,310,235	39,110,288	91.6	34,520,010	113.3

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	GASB Statement No. 25 Annual Required Contribution			Statutory Annual Required Contribution		
For The Years Ended	Per Actuarial Valuation	Percentage Contributed	Percentage Of Covered Payroll	Per Actuarial Valuation	Percentage Contributed	Percentage Of Covered Payroll
September 30, 2011	**$ 19,158,853**	**102.2 %**	**51.6 %**	**$ 23,071,773**	**77.1 %**	**62.1 %**
September 30, 2010	13,609,128	118.1	33.4	17,854,546	100.0	43.8
September 30, 2009	8,661,890	140.8	20.6	12,193,989	100.0	29.0
September 30, 2008	12,585,106	59.5	30.2	7,484,524	100.0	18.0
September 30, 2007	17,206,230	394.0	45.7	14,285,300	474.6	37.9
September 30, 2006	17,871,455	23.0	50.0	18,179,873	22.6	50.9
September 30, 2005	14,766,270	27.8	41.7	17,768,649	23.1	50.1
September 30, 2004	9,721,831	21.1	28.7	13,765,477	14.9	40.7
August 31, 2003	4,289,688	48.4	12.4	8,913,102	23.3	25.7
August 31, 2002	3,514,488	95.7	10.2	3,365,007	100.0	9.7

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

Actuarial Accrued Liability

The actuarial accrued liability at September 30, 2011 and 2010 equals the outstanding balance of the initial unfunded actuarial liability under the entry age frozen initial liability cost method, plus the actuarial value of assets as follows:

	October 1	
	2011	2010
Actuarial value of assets	**$404,101,569**	407,027,843
Initial unfunded actuarial liability	**26,653,809**	32,323,984
Actuarial Accrued Liability	**$430,755,378**	439,351,827

Covered Payroll

The covered payroll for the System's years ended September 30, 2011 and 2010 were as follows:

	For The Years Ended September 30	
	2011	2010
Active Members non-DROP	**$32,845,552**	36,817,961
Active Members participating in DROP	**4,311,704**	3,970,986
Total Covered Payroll	**$37,157,256**	40,788,947

Annual Required Contribution (ARC)

The ARC applicable to the System's year ended September 30, 2011 and each prior year-end is presented in accordance with GASB Statement No. 25's required blending of the actuarial valuations. The ARC is presented each year using the aggregate of the City's ARCs for the portions of the City's fiscal years that overlap the System's fiscal year.

OTHER SUPPLEMENTAL INFORMATION SECTION

	For The Years Ended September 30	
	2011	2010
BENEFITS PAID TO RETIREES AND BENEFICIARIES		
Monthly annuity:		
Accidental disability	**$ 13,082,602**	13,104,610
Service retirees	**12,738,640**	12,288,317
Beneficiaries	**3,485,580**	3,196,489
Ordinary disability	**399,310**	355,068
Medical, surgical, and hospital	**14,050**	18,869
Total Monthly Annuity	**29,720,182**	28,963,353
Lump sum:		
DROP	**2,248,789**	5,639,712
Death	**62,000**	58,000
Total Lump Sum	**2,310,789**	5,697,712
Total Benefits Paid To Retirees And Beneficiaries	**$ 32,030,971**	34,661,065
ADMINISTRATIVE EXPENSES		
Salaries, payroll taxes, and employee fringe benefits	**$ 388,300**	593,040
Legal fees	**243,030**	108,692
Investment consultant's fees	**149,170**	145,776
Office supplies and expenses	**111,238**	77,204
Medical reviews, consulting, and investigations	**86,925**	66,456
Actuary fees	**60,483**	52,898
Accounting and auditing fees	**46,118**	41,360
Insurance	**31,496**	34,660
Building operations	**18,852**	14,327
Depreciation	**15,736**	16,513
Travel and seminars	**11,436**	23,305
Total Administrative Expenses	**$ 1,162,784**	1,174,231

SCHEDULE OF INVESTMENT MANAGEMENT AND CUSTODIAL FEES

	For The Years Ended September 30	
	2011	2010
Investment management fees:		
Fisher Investments, Inc.	**$ 399,786**	354,017
Integrity Asset Management, LLC	**272,793**	118,102
Pinnacle Associates, Ltd.	**228,004**	222,448
Aberdeen Capital	**180,963**	259,359
Madison Square/New York Life Investment Management	**178,695**	205,301
Pzena Investment Management	**112,744**	74,180
Tortoise Capital Advisors	**97,416**	-
Castleark Management, LLC	**72,257**	74,873
Brandywine Asset Management	**-**	57,409
Total Investment Management Fees	**1,542,658**	1,365,689
Custodial fees:		
The Northern Trust Company	**213,036**	196,403
Total Investment Management And Custodial Fees	**$ 1,755,694**	1,562,092

The System bears its share of fund operating expenses (including the investment management fees) which are deducted directly from each individual fund's assets for the following investment funds:

Artisan Partners, L.P. (International Equity)
Brandes Investment Partners (International Equity)
The Principal U.S. Property Account (REIT)
UBS Asset Management, L.L.C. (Hedge Fund)
EnTrust Partners Offshore, LLC (Hedge Fund)

SUMMARY OF INSURANCE COVERAGE

Type	Coverage
Fiduciary Liability	$ 5,000,000
Property:	
Building	$ 414,812
Contents	$ 435,560
General Liability:	
Per occurrence	$ 1,000,000
Aggregate	$ 3,000,000
Workers' Compensation and Employers Liability	Statutory $ 1,000,000
Umbrella Liability:	
Per occurrence	$ 1,000,000
Aggregate	$ 1,000,000
Nonowned Automobile	$ 1,000,000

HISTORICAL TREND INFORMATION

Additions to net assets:

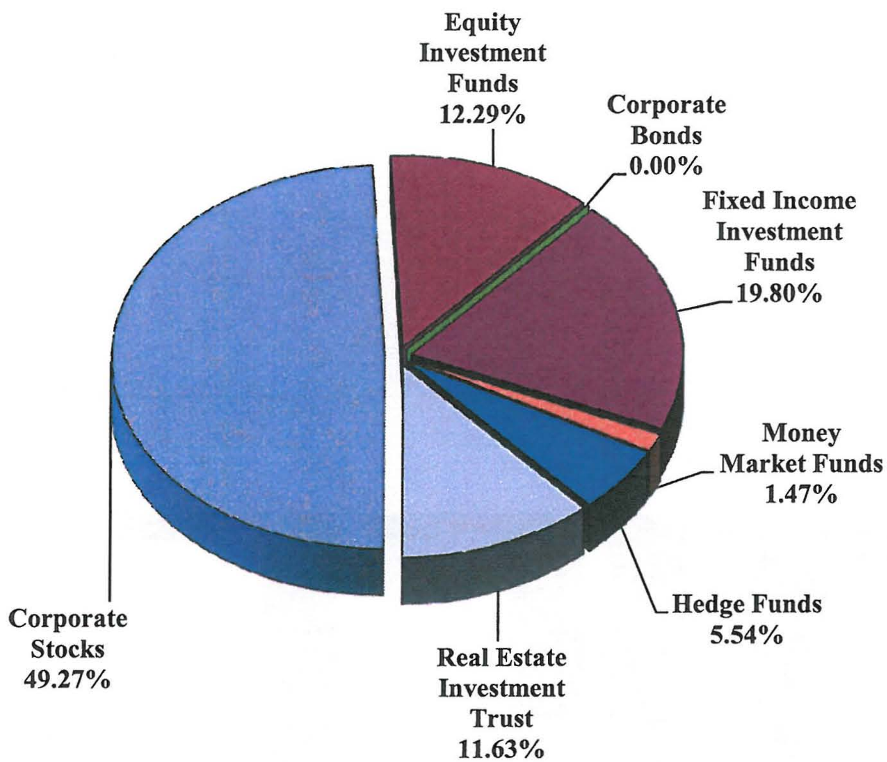
For The Years Ended		Contributions Employer	Contributions Members	Net Investment Income (Loss)	Total
September 30, 2011		**$ 23,071,773**	**2,747,934**	**3,739,397**	**29,559,104**
September 30, 2010		17,854,546	2,942,373	33,298,179	54,095,098
September 30, 2009		12,193,989	2,917,843	(18,864,872)	(3,753,040)
September 30, 2008		7,484,524	2,845,174	(81,989,764)	(71,660,066)
September 30, 2007	(A)	63,689,991	2,796,286	65,629,492	132,115,769
September 30, 2006		4,110,402	2,853,058	34,103,149	41,066,609
September 30, 2005		4,110,402	2,644,335	47,975,057	54,729,794
September 30, 2004	(B)	2,055,201	2,873,886	47,359,907	52,288,994
August 31, 2003		2,078,155	2,625,526	36,632,933	41,336,614
August 31, 2002		3,365,007	2,511,580	(46,833,960)	(40,957,373)

Deductions from net assets:

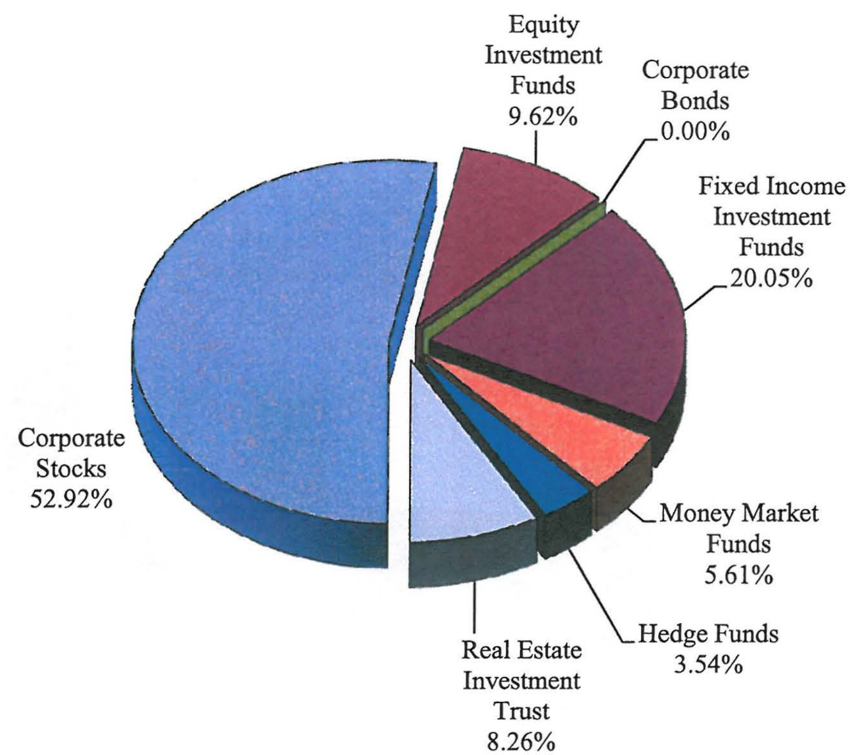
For The Years Ended		Benefits Paid	Refunds Of Members Contributions	Administrative Expenses	Total
September 30, 2011		**$ 32,030,971**	**2,191,639**	**1,162,784**	**35,385,394**
September 30, 2010		34,661,065	1,639,211	1,174,231	37,474,507
September 30, 2009		34,230,413	1,206,585	977,713	36,414,711
September 30, 2008		29,908,146	1,152,581	916,706	31,977,433
September 30, 2007		29,742,364	1,390,936	903,835	32,037,135
September 30, 2006		28,615,532	1,685,199	894,487	31,195,218
September 30, 2005		27,624,677	1,380,787	766,082	29,771,546
September 30, 2004	(B)	29,288,492	945,481	826,258	31,060,231
August 31, 2003		26,722,702	688,451	829,334	28,240,487
August 31, 2002		27,063,392	508,336	721,915	28,293,643

(A) The City's contribution for the year ended September 30, 2007 includes delinquent contributions for the previous four fiscal years and related interest charges totaling $49,404,691.

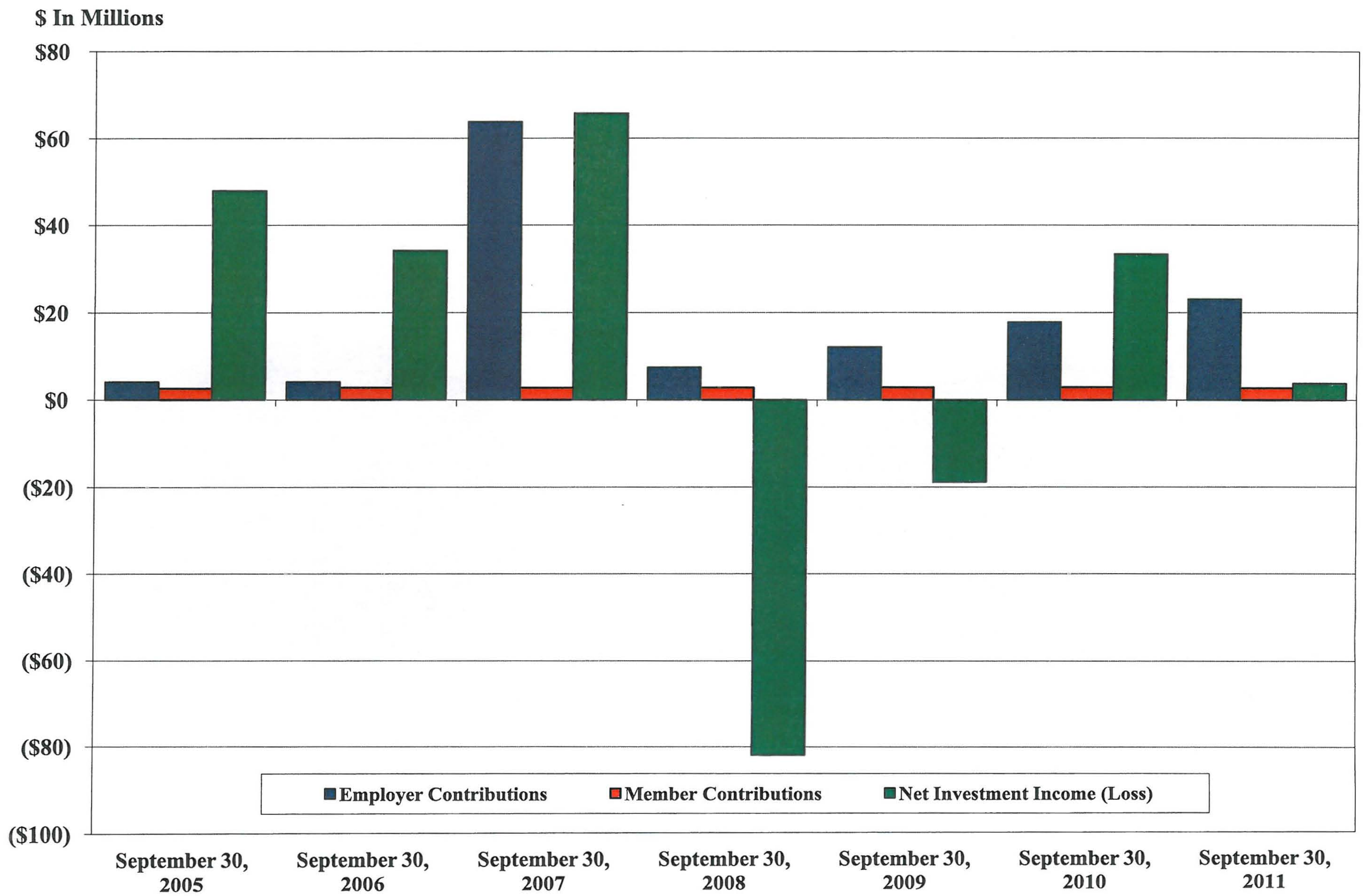
(B) Period includes 13 months.



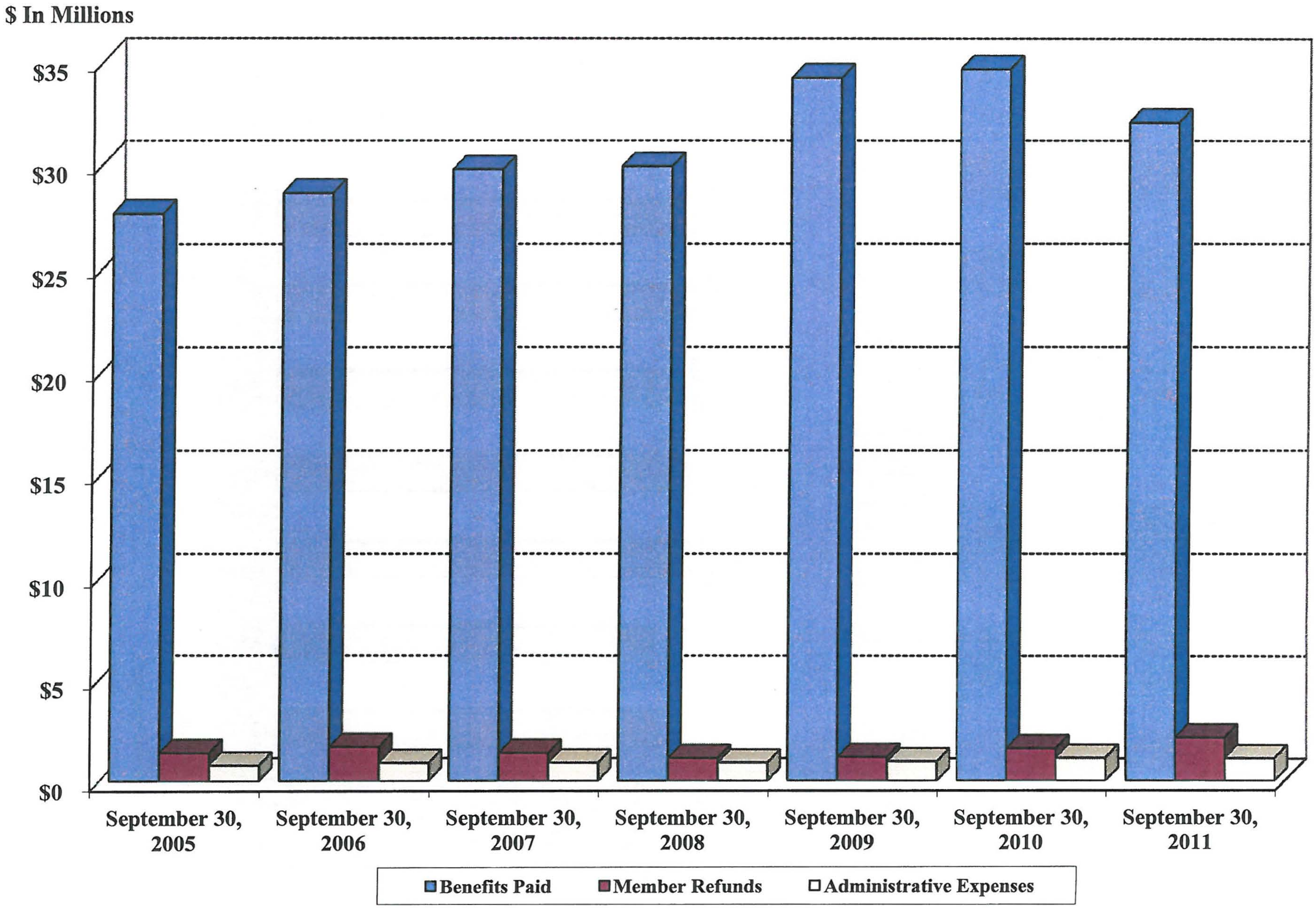
September 30, 2011



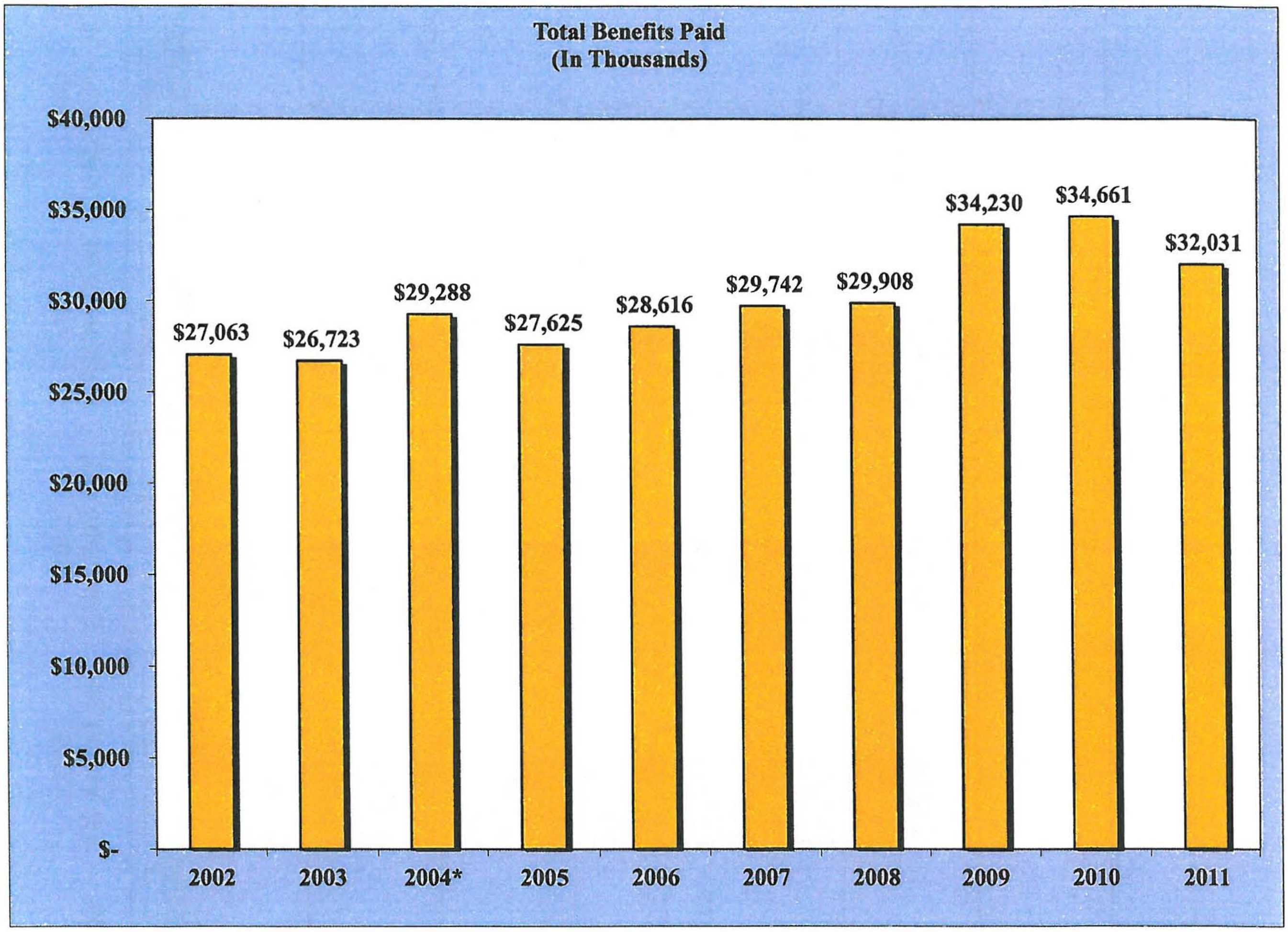
September 30, 2010



$ In Millions
$80
$60
$40
$20
$0
($20)
($40)
($60)
($80)
($100)
Employer Contributions
Member Contributions
Net Investment Income (Loss)
September 30, 2005
September 30, 2006
September 30, 2007
September 30, 2008
September 30, 2009
September 30, 2010
September 30, 2011


$ In Millions
$35
$30
$25
$20
$15
$10
$5
$0
September 30, 2005
September 30, 2006
September 30, 2007
September 30, 2008
September 30, 2009
September 30, 2010
September 30, 2011
Benefits Paid
Member Refunds
Administrative Expenses

For The Fiscal Years Ended	Service Retirees**	Accidental Disability	Beneficiaries	Ordinary Disability	Death	Medical, Surgical, And Hospital	Total
2002	$ 13,678,554	10,513,535	2,474,508	301,130	70,000	25,665	27,063,392
2003	13,107,963	10,658,381	2,573,454	305,554	50,000	27,350	26,722,702
2004*	14,115,447	11,728,689	3,012,175	332,409	54,000	45,772	29,288,492
2005	13,026,477	11,220,188	2,955,585	342,667	48,000	31,760	27,624,677
2006	13,526,512	11,682,680	3,032,113	319,198	32,000	23,029	28,615,532
2007	14,136,541	12,095,190	3,063,714	384,633	46,000	16,286	29,742,364
2008	13,718,137	12,542,278	3,207,773	370,467	56,000	13,491	29,908,146
2009	17,716,234	12,928,795	3,122,816	384,309	60,000	18,259	34,230,413
2010	17,928,029	13,104,610	3,196,489	355,068	58,000	18,869	34,661,065
2011	**14,987,429**	**13,082,602**	**3,485,580**	**399,310**	**62,000**	**14,050**	**32,030,971**



*Period includes 13 months.

**Includes DROP benefit payments.

INTERNAL CONTROL AND COMPLIANCE SECTION

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Hochschild, Bloom & Company LLP
Certified Public Accountants
Consultants and Advisors

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

February 17, 2012

The Board of Trustees
FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

We have audited the accompanying statements of plan net assets and the related statements of changes in plan net assets of **FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS** (the System), a component unit of the City of St. Louis, Missouri, as of and for the year ended September 30, 2011, which collectively comprise the System's basic financial statements and have issued our report thereon dated February 17, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the System in a separate letter dated February 17, 2012.

This report is intended solely for the information and use of the System's Board of Trustees and management and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

Hochschild, Bloom & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS