EMPLOYEES RETIREMENT SYSTEM
OF THE CITY OF ST. LOUIS

FINANCIAL REPORT

SEPTEMBER 30, 2014 AND 2013

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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, 2014. This section should be read in conjunction with the System's financial statements and supplementary information.

Financial Highlights

The System's investments continued their double-digit increase for a third consecutive year by posting a 10.3% overall return. All market sectors recorded positive returns for the fiscal year. Energy master limited partnerships earned 33.4%, followed by domestic equity's performance of 14.0% and real estate's increase of 12.6%. Net assets increased $50.0 million to $780.5 million.

Pension and retirement benefits increased 5.2% or $2.8 million to $56.3 million. The number of retirees and beneficiaries receiving a monthly benefit increased by 1.8% to 4,321. Administrative expenses increased 3.6% or $23,000 to $670,957.

Financial Statements

The financial statements of the System consist of two financial statements: the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position. The Statements of Fiduciary Net Position provide the detail of the System's assets and related liabilities other than benefit obligations. The fiduciary net position of the System reflects the resources available for future benefit payments. The Statements of Changes in Fiduciary Net Position provide the details of the System's activity during the year that lead to the change in fiduciary net position from the prior year.

In addition to the financial statements, the financial report contains the notes to the financial statements and supplementary information. These 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, 2014 of $784.8 million were comprised of cash, investments, securities lending collateral, receivables, and currency exchange contracts. Investments increased by $50.0 million or 6.8% to $779.3 million. The decrease in receivables resulted from the timing in the receipt of employer contributions. Currency exchange contracts ending fiscal year 2014 as a net receivable compared to the net liability for fiscal year 2013. The System continues to work with its master custodian, State Street Bank and Trust, to exit the securities lending program in a manner to avoid or minimize losses. To date, the System has not incurred any losses in its exposure in securities lending and continues to receive income from the assets on loan. Securities lending income was $26,607 for the fiscal year with assets on loan at the end of the year of $3.6 million.

Financial Analysis (Continued)

Total liabilities at September 30, 2014 were $4.3 million and consisted of accounts payable and securities lending collateral liability. The net decrease in liabilities of $456,000 resulted from the previously discussed change in previously discussed balance of currency exchange contracts.

Net position held in trust for pension benefits increased by $50.0 million to $780.5 million.

Condensed Statement of Fiduciary Net Position

	September 30,		Total Change	
	2014	2013	**Amount**	**Percentage**
Assets				
Investments	**$ 779,325,458**	$ 729,368,607	$ 49,956,851	6.8%
Cash	**216,667**	287,520	(70,853)	-24.6%
Receivables	**988,427**	2,031,281	(1,042,854)	-51.3%
Securities lending collateral	**3,609,555**	3,581,889	27,666	0.8%
Currency exchange	**678,359**	-	678,359	-
Total Assets and Deferred Outflows	**784,818,466**	735,269,297	49,549,169	6.8%
Liabilities				
Accounts payable	**713,277**	697,410	15,867	2.3%
Securities lending collateral liability	**3,609,555**	3,581,889	27,666	0.8%
Currency exchange	**-**	499,786	(499,786)	-100.0%
Total Liabilities and Deferred Inflows	**4,322,832**	4,779,085	(456,253)	-9.5%
Net Position Held in Trust for Pension Benefits	**$ 780,495,634**	$ 730,490,212	$ 50,005,422	6.8%

Contributions and Investment Activity – Additions to Fiduciary Net Position

The assets needed to finance retirement benefits are accumulated through the receipt of employer contributions, member purchases of creditable service and earnings on investments. Employer contributions increased $2.5 million or 7.3% in FY 2014, almost entirely from an increase in the employer contribution rate. The balance of the increase resulted from a higher pension payroll. Member contributions were comprised entirely of purchases of creditable service by active members.

Net investment income was $70.1 million for fiscal year. The strong investment environment continued for a third fiscal year, thus allowing the System to completely fund retirement benefits and administrative expenses from investment earnings. Net investment income included deductions of $3.5 million and $3.1 million for custodial and investment management fees for FY 2014 and FY 2013, respectively.

Deductions from Fiduciary Net Position

The major deductions of the System include the payment of pension benefits to retirees and beneficiaries and administrative expenses. Other deductions within retirement benefits include refunds of member contributions and pension service transfer payments to other public plans within the State of Missouri which have a portability agreement with the System. Service transfer payments were $21,034 in FY 2014 and zero in FY 2013. Administrative expenses increased by $23,034 in FY 2014 to $670,957.

Condensed Statements of Changes in Fiduciary Net Position

	Years Ended September 30		Total Change	
	2014	2013	**Amount**	**Percentage**
Additions				
Net Investment Income	**$70,076,027**	$86,012,607	$ (15,936,580)	-18.5%
Employer contributions	**36,868,089**	34,348,002	2,520,087	7.3%
Member contributions	**49,335**	184,508	(135,173)	-73.3%
Total Additions	**106,993,451**	120,545,117	(13,551,666)	-11.2%
Deductions				
Retirement benefits	**56,317,072**	53,543,780	2,773,292	5.2%
Administrative expenses	**670,957**	647,923	23,034	3.6%
Total Deductions	**56,988,029**	54,191,703	2,796,326	5.2%
Changes in Fiduciary Net Position	**$50,005,422**	$66,353,414	$ (16,347,992)	-16.40%

Summary

The System's investments continued their growth with a third year of strong earnings. Investments returned 10.3%, 13.6%, and 17.5% for FY 2014, FY 2013 and FY 2012, respectively. Investment income and employer contributions exceeded retirement benefits and administrative expenses by $50 million, $66 million, and $78 million for the same fiscal years. The required employer contribution rate recommended by the actuary is 15.17% for the City of St. Louis and 15.12% for the other participating employers for the period July 2014 through June 2015. Previously, the recommended contribution rates were 15.56% and 15.54% for the period July 2013 through June 2014, and 14.27% for the period July 2012 through June 2013. The dual contribution rates are a result of a legal settlement involving the Retirement System, the City of St. Louis, and other participating employers.

The System remains in a position to meet its current pension obligations, as confirmed by the recent actuarial valuation. Investment assets have continued to increase, but at a slightly lower rate than has been experienced the previous two years.

The System is a qualified governmental plan under Section 401(a) of the Internal Revenue Code.

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 AUDITORS' REPORT

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

Report on the Financial Statements
We have audited the accompanying financial statements of the **Employees Retirement System of the City of St. Louis** (the System), a component unit of the City of St. Louis, Missouri, which comprise the statements of fiduciary net position as of September 30, 2014 and 2013, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
System management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the **Employees Retirement System of the City of St. Louis** as of September 30, 2014 and 2013, and the changes in fiduciary position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages 1-4, and the Schedule of Changes in Employer Net Pension Liability, Schedule of Employer Contributions, Schedule of Annual-Weighted Rate of Return on Investments, and the Notes to the Schedule of Required Supplementary Information, on Pages 21-26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Limited procedures were applied by other auditors to the required supplementary information for the years ended September 30, 2006 and prior years.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Additional Financial Information on Pages 27-29 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the System's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been

INDEPENDENT AUDITORS' REPORT (CONTINUED)

subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kiefer Bonfanti & Co. LLP

St. Louis, Missouri
May 4, 2015

FINANCIAL STATEMENTS

STATEMENTS OF FIDUCIARY NET POSITION

	September 30, 2014	2013
Assets		
Cash	**$ 216,667**	$ 287,520
Receivables		
Accrued interest receivable	**575,781**	551,633
Accrued dividend receivable	**173,991**	157,924
Employers contribution receivable	**238,655**	1,321,724
Total Receivables	**988,427**	2,031,281
Investments at Fair Value		
Temporary cash investments	**8,854,826**	9,191,680
Fixed income securities	**85,989,482**	81,059,012
Common stocks	**194,537,388**	186,924,995
Managed master limited partnerships	**67,542,856**	51,377,984
Managed international equity funds	**186,792,357**	180,024,548
Real estate funds	**79,852,588**	73,539,904
Domestic bond funds	**78,424,355**	74,875,263
Managed hedge fund of funds	**77,331,606**	72,375,221
Total Investments	**779,325,458**	729,368,607
Securities Lending Collateral	**3,609,555**	3,581,889
Total Assets	**784,140,107**	735,269,297
Deferred Outflows of Resources		
Receivable under forward foreign currency exchange contracts	**678,359**	-
Total Deferred Outflows of Resources	**678,359**	-
Liabilities		
Accounts payable	**713,277**	697,410
Securities lending collateral liability	**3,609,555**	3,581,889
Total Liabilities	**4,322,832**	4,279,299
Deferred Inflows of Resources		
Payable under forward foreign currency exchange contracts	**-**	499,786
Total Deferred Inflows of Resources	**-**	499,786
Net Position Held in Trust for Pension Benefits	**$ 780,495,634**	$ 730,490,212

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	Years Ended September 30,	
	2014	2013
Additions		
Contributions		
Employer contributions	**$ 36,868,089**	$ 34,348,002
Member contributions	**49,335**	184,508
Total Contributions	**36,917,424**	34,532,510
Investment Activity		
Interest and dividends	**9,058,597**	8,404,746
Net appreciation in fair value of investments	**64,483,131**	80,661,423
	73,541,728	89,066,169
Less investment expenses	**3,465,701**	3,053,562
Net Investment Income	**70,076,027**	86,012,607
Total Additions	**106,993,451**	120,545,117
Deductions		
Retirement benefits	**56,317,072**	53,543,780
Administrative	**670,957**	647,923
Total Deductions	**56,988,029**	54,191,703
Net Increase in Net Position	**50,005,422**	66,353,414
Net Position Held in Trust For Pension Benefits		
Beginning of Year	**730,490,212**	664,136,798
End of Year	**$ 780,495,634**	$ 730,490,212

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013

1. DESCRIPTION OF THE PLAN

General

The System is a cost-sharing, multiple-employer, defined benefit public 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, Tower Grove Park, 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, 2014 and 2013, membership consisted of the following:

	2014	2013
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving benefits	**6,754**	6,677
Current employees		
Fully vested	**3,786**	3,859
Non-vested	**1,650**	1,579
Total Membership	**12,190**	**12,115**

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.

1. DESCRIPTION OF THE PLAN (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 years. 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. The Board of Trustees established the required employer contribution rates, based on active member payroll, of 15.17% effective July 1, 2014 and 15.56% effective July 1, 2013.

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.

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 system assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of additions and deductions to system net assets during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through May 4, 2015, the date which the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 employer payroll is paid.

Administrative deductions are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America that apply to governmental accounting for the System including the Governmental Accounting Standards Board (GASB) Statements numbers 25, 28, 34, 37, 38, 40, 43, 50, 53, 63, 65 and 67.

Tax Status

The System has been determined to be exempt from federal income taxes under Section 115 of the Internal Revenue Code. In 2005, the System became a qualified retirement plan in accordance with Internal Revenue Service regulations.

Investments

A list of allowable investments is included in Note 3. Investments are reported at fair 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. Commingled funds are valued at the unit value quoted by the investee entity based on the underlying asset values. Real estate funds and other managed funds are valued based on valuations of underlying investments as reported by fund managers.

The System participates in a securities lending program administered by State Street Bank and Trust, the custodian. Brokers who borrow the securities provide collateral equal to 102% for domestic securities loaned, resulting in no credit risk for the System. At September 30, 2014 and 2013, the term to maturity of the securities on loan 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

As of September 30, 2014 and 2013, the System had the following securities on loan at market value:

	2014	2013
US Corporate Bond and Equity		
Corporate bond	**$ 234,204**	$ 119,777
Equity	**3,066,466**	3,117,693
Non-cash	**38,817**	55,687
Total US Corporate Bond and Equity	**3,339,487**	3,293,157
US Government		
Agency	**-**	2,000
Treasury	**122,457**	208,081
Total US Government	**122,457**	210,081
Total Securities on Loan	**$ 3,461,944**	$ 3,503,238

Furniture and Equipment

Acquisitions of furniture and equipment are charged to administrative expense.

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. The System's investment policy requires that open currency exposure shall not exceed 10 percent of the global fixed income portfolio.

At September 30, 2014 and 2013, the System had the following amounts under forward foreign currency exchange contracts:

	2014	2013
Receivable under forward foreign currency exchange contracts	**$ 678,359**	$ -
Payable under forward foreign currency exchange contracts	**-**	(499,786)
Net Receivable (Payable) Under Forward Foreign Currency Exchange Contracts	**$ 678,359**	$ (499,786)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

The System utilizes forward contract hedging to reduce the volatility in foreign currencies. Hedging techniques are traditionally used to limit exposure to price fluctuations. Management recognizes that fluctuations in foreign currencies could have a negative effect on the System's financial statements. Accordingly, the System entered into forward contracts in order to hedge this exposure.

Effective October 1, 2009, the System adopted GASB Statement No. 53 "Accounting and Financial Reporting for Derivative Instruments" (GASB 53) which requires the gain (loss) on the currency exchanges on forward contracts to be recorded in the Statement of Changes in Fiduciary Net Position. The change in fair value of the derivative is recorded as deferred outflows/inflows of resources in the Statement of Fiduciary Net Position, as appropriate.

3. CASH AND INVESTMENTS

The System is authorized to invest in:

- 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;

- Fixed income securities including:
    - U.S. government securities;
    - Non-U.S. fixed income securities; and
    - 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;

- Common stocks of corporations organized under the laws of the United States;

- Managed master limited partnerships composed primarily of domestic midstream or energy infrastructure publicly traded on U.S. equity exchanges.

- Common stocks of foreign corporations through separate accounts as commingled vehicles;

- Real estate through discretionary commingled vehicles;

- Hedge funds through either separate or commingled fund of funds vehicles.

3. CASH AND INVESTMENTS (CONTINUED)

The bank balances of the System at September 30, 2014 and 2013 were $1,123,973 and $1,535,942, respectively. These balances were insured by the Federal Deposit Insurance Corporation up to $250,000. 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, 2014 and 2013 were held by the System's agent in the System's name.

At September 30, 2014 and 2013, 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 total investments:

	2014	
Acadian Asset Management Emerging Markets Fund	$ 49,576,576	6.36%
INTECH Investment Management U.S. Large Cap Core Equity	$ 78,112,476	10.02%
LSV Asset Management U.S. Large Cap Value Equity	$ 42,409,845	5.44%
PNC Capital Advisors U.S. Broad Market Core Fixed Income	$ 55,612,662	7.14%
Principal Global Investors Real Estate Group Annuity Contract	$ 79,852,588	10.25%
Silchester International Advisors International Value Equity Group Trust	$ 73,726,464	9.46%
Walter Scott & Partners International Growth Equity Group Trust	$ 39,147,692	5.02%

3. CASH AND INVESTMENTS (CONTINUED)

	2013	
Acadian Asset Management		
Emerging Markets Fund	$ 47,109,251	6.46%
CastleArk Management		
U.S. Large Cap Growth Equity	$ 37,530,740	5.15%
INTECH Investment Management		
U.S. Large Cap Core Equity	$ 71,649,115	9.82%
LSV Asset Management	-	
U.S. Large Cap Value Equity	$ 37,647,613	5.16%
PNC Capital Advisors	-	
U.S. Broad Market Core Fixed Income	$ 53,503,731	7.34%
Principal Global Investors	-	
Real Estate Group Annuity Contract	$ 73,539,904	10.08%
Silchester International Advisors		
International Value Equity Group Trust	$ 70,248,075	9.63%
Walter Scott & Partners		
International Growth Equity Group Trust	$ 38,553,280	5.29%

Foreign Currency Risk

The System does not have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates. The System's exposure at September 30, 2014 to foreign currency risk is presented on the following table:

Currency	Short-Term	Debt	Equity	Total
British Pound	$ 41,746	$ 1,942,607	$ -	**$ 1,984,353**
Australian Dollar	10,436	2,072,092	-	**2,082,528**
Canadian Dollar	-	790,527	-	**790,527**
Euros	7,849	7,796,603	-	**7,804,452**
Japanese Yen	24,202	3,638,681	-	**3,662,883**
	$ 84,233	**$ 16,240,510**	**$ -**	**$ 16,324,743**

3. CASH AND INVESTMENTS (CONTINUED)

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation to the System. Below is a list of fixed income credit quality ratings:

Quality Rating		Fair Value
Aaa/U.S. Governments	$	81,450,549
Aa		9,983,224
A		23,770,037
Baa		26,195,752
Below Baa		23,257,391
Not rated		1,045,069
Total Credit Risk Debt	**$**	**165,702,022**

Interest Rate Risk

The System does not have a formal policy to limit interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt instrument's exposure to a change in interest rates and the related sensitivity of market price to parallel shifts in the yield curve. It uses the present value of cash flows, weighted for those cash flows as a percentage of the instruments' full price.

Investment		Fair Value	Effective Duration
Payden and Rygel	$	31,665,004	6.36 years
Allegiant (PNC)		55,612,662	5.15 years
SSGA		32,969,916	5.60 years
Loomis		26,126,724	4.24 years
Vanguard		19,327,716	7.90 years
Total	**$**	**165,702,022**	

4. PLAN TERMINATION

The System is administered in accordance with the provisions of the Revised Code of the City of St. Louis. There are currently no plans to terminate the System.

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 allows for members to work for an additional 5 years after reaching retirement age, 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. Total DROP expense was $9,109,924 and $8,520,980 for the years ended September 30, 2014 and 2013, respectively. The DROP account will not be adjusted for cost of living increases.

The DROP account earns interest at the actuarial valuation rate of return and at the 10 year U.S. Treasury Bond yield as of each September 30, for DROP participants enrolling February 1, 2003 and thereafter.

After a member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan. At September 30, 2014 and 2013, approximately 830 and 818 members, respectively, have elected DROP participation and have DROP account balances of approximately $56,575,000 and $55,000,000, respectively.

6. FUNDED STATUS AND FUNDING PROGRESS

At September 30, 2014, the report of the System's actuary indicated that the System's funded status was as follows:

Actuarial Value of Assets	Actuarial Liability	Unfunded Actuarial Liability	Funded Ratio	Covered Pension Payroll	Percentage of Covered Pension Payroll
$ 737,967,928	$ 911,979,146	$ (174,011,218)	80.92%	$ 227,039,143	76.64%

The schedule of funding progress, presented as other supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Liabilities for benefits.

7. ACTUARIAL METHODS AND SIGNIFICANT ASSUMPTIONS

VALUATION DATE	October 1, 2014
TIMING	Actuarially determined contribution rates are calculated based on the actuarial valuation at the beginning of the year.
ACTUARIAL COST METHOD	Projected Unit Credit Cost Method
ASSET VALUATION METHOD	5 year smoothing
AMORTIZATION METHOD	Rolling 30-year level dollar amortization of unfunded liability
DISCOUNT RATE	8.00%
INFLATION	3.125%
SALARY INCREASES	Varies by age from 3.50% to 7.017%.
MORTALITY	Healthy: 1994 Group Annuity Mortality Table Disabled: 1983 Railroad Retirement Board Disabled Life Mortality Table

GASB 67 requires the disclosure of the sensitivity of the net pension liability to changes in the discount rate. For calculations of Total Pension Liability the actuary has used an assumed long-term expected rate of return of 8.09%, which is the valuation assumed rate of 8.00% increased by 0.09% reflecting administrative expenses. The table below presents the net pension liability if the discount rate were 1% lower or 1% higher than the current rate.

	1% Decrease 7.09%	Discount Rate 8.09%	1% Increase 9.09%
Total Pension Liability	$1,028,648,784	$ 935,102,032	$ 855,046,558
Plan Fiduciary Net Position	780,495,634	780,495,634	780,495,634
Net Pension Liability	**$ 248,153,150**	**$ 154,606,398**	**$ 74,550,924**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.88%	83.47%	91.28%

8. COMMITMENTS AND CONTINGENCIES

The System has been served with a complaint filed by the unsecured creditor's committee of the bankrupt Tribune Company regarding the System's sale of Tribune Company securities during a leveraged takeover of the Tribune Company by an ESOP (Employee Stock Ownership Plan). The total proceeds of the sale were approximately $306,000. The unsecured creditor's committee has filed a petition alleging the sale of the securities to the ESOP or its affiliates worked a fraud upon the creditors who lent the ESOP the funds to purchase the securities based upon fraudulent or misrepresented information from other parties to the litigation. Certain senior note-holders of the Tribune Company and certain Tribune Company retirees have joined the litigation and made claims substantially similar to the unsecured creditor's committee. These claims have been consolidated into a federal multi-jurisdictional case in the U. S. District Court for the Southern District of New York. The note holder's claims have been dismissed by the Court and are currently on appeal in U. S. Second Circuit Court of Appeals. Should the appeal by the note holders be successful, the claims of the note-holders would be reinstated in the multi-jurisdictional case. The remaining bankruptcy claims remain stayed pending the creation of a protocol to hear Motions to Dismiss the complaint. The System has engaged Armstrong Teasdale, LLP to represent the System's interests. Any evaluation of the potential outcome of such litigation would be speculative. However, in the event of an unlikely outcome most favorable to the plaintiffs, the System expects that the plaintiff's damages would be limited to the proceeds of the sales plus interest from date of judgment.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN EMPLOYER NET PENSION LIABILITY

	September 30, 2014 *
Total Pension Liability	
Service cost	$ 10,591,910
Interest	72,012,146
Difference between expected and actual experience	(3,664,735)
Change in benefit	-
Change of assumptions	-
Benefit payments	(56,317,073)
Net Change in Total Pension Liability	**22,622,248**
Total Pension Liability - Beginning	**912,479,784**
Total Pension Liability - Ending (a)	**935,102,032**
Plan Fiduciary Net Position	
Contributions - Employer	36,788,260
Contributions - Employees	129,164
Net investment income	70,076,027
Benefit payments	(56,317,072)
Administrative expenses	(670,957)
Net Change in Plan Fiduciary Net Position	**50,005,422**
Plan Fiduciary Net Position - Beginning	**730,490,213**
Plan Fiduciary Net Position - Ending (b)	**780,495,635**
Net Pension Liability - Ending (a)-(b)	**$ 154,606,397**

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF NET PENSION LIABILITY

	September 30, 2014 *
Total pension liability	$ 935,102,032
Plan fiduciary net position	780,495,635
Net Pension Liability	**$ 154,606,397**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.47%
Covered Employee Payroll	$ 253,501,719
Net Pension Liability as a Percentage of Covered Employee Payroll	60.99%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

* System Year Ended September 30,	Actuarially Determined Contribution	Contribution in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contribution as a Percentage of Covered Payroll
2014	$ 34,060,798	$ 36,788,260	$ (2,727,462)	$ 253,501,719	14.51%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS

* System Year Ended September 30,	Annual Money Weighted Rate of Return, Net of Investment Expense
2014	9.71%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

NOTES TO THE SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2014 AND 2013

1. METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Actuarial Methods and Assumptions

The actuarially determined contribution rates in the schedule of the System's contributions are calculated based on the actuarial valuation at the beginning of the plan year. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule.

	September 30, 2014
Actuarial cost method	Projected Unit Credit Cost Method
Asset valuation method	5 year smoothing
Amortization method	Rolling 30-year level dollar amortization of unfunded liability
Discount rate	8.00%
Inflation	3.125%
Salary increases	Varies by age from 3.50% to 7.017%.
Mortality	Healthy: 1994 Group Annuity Mortality Table Disabled: 1983 Railroad Retirement Board Disabled Life Mortality Table

	September 30, 2013, 2012, 2011
Actuarial cost method	Projected Unit Credit Cost Method
Asset valuation method	5 year smoothing
Remaining amortization period for the UAL	30 years
Amortization method	Level Dollar Open Amortization Period
Investment rate of return	8.00%
Inflation	3.125%
Salary increases	Varies by age from 3.50% to 7.017%.
Cost of living adjustments	3.125 simple with a 25% lifetime cap
Mortality	Healthy: 1994 Group Annuity Mortality Table Disabled: 1983 Railroad Retirement Board Disabled Life Mortality Table

NOTES TO THE SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED) SEPTEMBER 30, 2014 AND 2013

1. METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS (CONTINUED)

	September 30, 2010
Actuarial cost method	Projected Unit Credit Cost Method
Asset valuation method	Expected Value Method
Remaining amortization period for the UAL	30 years
Amortization method	Level Dollar Open Amortization Period
Investment rate of return	8.00%
Inflation	3.125%
Salary increases	Varies by age from 3.50% to 7.017%.
Cost of living adjustments	3.125 simple with a 25% lifetime cap
Mortality	Healthy: 1994 Group Annuity Mortality Table Disabled: 1983 Railroad Retirement Board Disabled Life Mortality Table

	September 30, 2009, 2008, 2007, 2006, 2005
Actuarial cost method	Projected Unit Credit Cost Method
Asset valuation method	The market value of assets less unrecognized returns in each of the last five years, but no earlier than October 1, 2005. Unrecognized return is equal to the difference between the actual market return and the expected market return, and is recognized over a five year period. The actuarial value is further adjusted, if necessary, to be within 20% of market value. The actuarial asset value was initialized at market value as of October 1, 2005.
Remaining amortization period for the UAL	30 years
Amortization method	Level Dollar Open Amortization Period
Investment rate of return	8.00%
Salary increases	Varies by age from 3.825% to 7.226%
Cost of living adjustments	5% per year; maximum cumulative increase of 25%
Mortality	Healthy: 1994 Group Annuity Mortality Table Disabled: 1983 Railroad Retirement Board Disabled Life Mortality Table

OTHER SUPPLEMENTARY INFORMATION

ANALYSIS OF FINANCIAL EXPERIENCE

Gain and Loss in Unfunded Actuarial Liability during Years Ended September 30 Resulting from Differences between Assumed Experience and Actual Experience

	September 30,				
	2014	2013	2012	2011	2010
Investment income	$ 17,899,526	$ (87,586)	$ (42,041,794)	$ (44,736,952)	$ (30,170,089)
Combined liability experience	7,265,891	8,391,763	7,779,666	12,671,467	12,023,759
Gain (loss) during year from financial experience	25,165,417	8,304,177	(34,262,128)	(32,065,485)	(18,146,330)
Non-Recurring gain (loss) items	-	-	-	-	(3,960,992)
Composite Gain (Loss) During Year	**$ 25,165,417**	**$ 8,304,177**	**$ (34,262,128)**	**$ (32,065,485)**	**$ (22,107,322)**

SOLVENCY TEST

Aggregate Actuarial Liabilites for:

Valuation Date October 1	Active Member Contributions	Retirees & Beneficiaries	Active Member Employer Financed Contributions	Actuarial Value of Reported Assets	Portion of Actuarial Liabilities Covered by Reported Assets		
2014	-	$ 494,664,459	$ 417,314,687	$ 737,967,928	100%	100%	58%
2013	-	475,937,321	413,511,258	685,397,323	100%	100%	51%
2012	-	460,581,077	406,310,985	653,001,852	100%	100%	47%
2011	-	441,520,555	400,242,766	661,932,240	100%	100%	55%
2010	-	419,717,802	400,951,838	671,608,995	100%	100%	63%

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability	Unfunded Actuarial Liability	Funded Ratio	Covered Pension Payroll	Percentage of Covered Pension Payroll
10/1/2005	$ 527,733,171	$ 666,182,075	$ (138,448,904)	79.22%	$ 223,837,003	61.85%
10/1/2006	554,065,539	695,889,716	(141,824,177)	79.62%	224,120,314	63.28%
10/1/2007	646,569,478	732,576,024	(86,006,546)	88.26%	231,029,237	37.23%
10/1/2008	674,016,719	765,842,026	(91,825,307)	88.01%	238,701,628	38.47%
10/1/2009	667,667,205	794,686,379	(127,019,174)	84.02%	240,409,390	52.83%
10/1/2010	671,608,995	820,669,641	(149,060,646)	81.84%	232,451,661	64.13%
10/1/2011	661,932,240	841,763,321	(179,831,081)	78.64%	223,060,719	80.62%
10/1/2012	653,001,852	866,890,445	(213,888,593)	75.33%	224,822,252	95.14%
10/1/2013	685,397,323	889,448,579	(204,051,256)	77.06%	224,623,445	90.84%
10/1/2014	**$ 737,967,928**	**$ 911,979,146**	**$ (174,011,218)**	**80.92%**	**$ 227,039,143**	76.64%