FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

FINANCIAL REPORT
(Audited)

Year Ended September 30, 2014

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

INDEPENDENT AUDITOR'S REPORT

February 26, 2015

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the **FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS** (the System), a Pension Trust Fund of the City of St. Louis, Missouri, as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

Auditor's 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 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 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.

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In making those risk assessments, the auditor considers internal control relevant to the System'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 System's internal control. Accordingly, we express no such opinion. An audit 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 statements.

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

Opinions

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

OTHER MATTERS

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as listed in the table of contents, 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 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 supplemental 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 audits 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.

Other Supplemental Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits 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 other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

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, 2014. The MD&A should be read in conjunction with the System's financial statements and supplemental information.

FINANCIAL HIGHLIGHTS

During the System's fiscal years ended September 30, 2014 and 2013, 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 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 is frozen as of February 1, 2013. Active members on February 1, 2013 are classified as "grandfathered" members and benefits paid to these members is based on the member's service and salary earned as of February 1, 2013. The only new benefits to be earned are the "grandfathered" members who are in DROP status. The System has and will continue to provide benefits in a prudent and professional manner to its active (grandfathered) and retired members and their beneficiaries.

The System's net position was $500.9 million at September 30, 2014, which represents an increase of $2.6 million or 0.5% from September 30, 2013.

Additions to net position for fiscal year 2014 were $49.9 million as compared to additions of $87.7 million for fiscal year 2013. The current period additions are comprised of $48.9 million of net investment income and $1 million in employer contributions. No member contributions were received during the current year due to the System being frozen on February 1, 2013.

Deductions from net position were $37 million for fiscal year 2014 and $39.5 million for fiscal year 2013.

The overall investment return for the System was 11.97% for fiscal year 2014 as compared to 14.41% for fiscal year 2013. 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	
	2014	2013
Service retirement:		
Regular	**13**	27
Service connected disability	**-**	3
Ordinary disability	**1**	1
Members requesting a refund withdrawal	**12**	7
Retiree death benefits	**29**	32

FINANCIAL STATEMENTS

The 2014 financial statements, notes to financial statements, and required supplemental information (RSI) were prepared in conformity with GASB Statement No. 67 (GASB 67), *Financial Reporting for Pension Plans*. GASB 67 replaces GASB 25 and GASB 50 as reporting standards for governmental employer pension systems.

Highlights of the changes to these financial statements as a result of implementing GASB 67 are as follows:

- GASB 67 only affects reporting requirements and does not prescribe funding methods which could be different. The System will continue to use a funding policy that computes contribution amounts normal cost over the future working lifetime of current participants (the entry age - frozen initial liability actuarial cost method). For financial reporting purposes the System is required to use the entry age actuarial cost valuation method in determining the normal cost of system benefits, expressed as a percent of active covered payroll for service retirement benefits, disability benefits, survivor benefits, and administrative expenses (excluding expenses related to the investment of system assets, all of which are covered by investment return). The contribution amount required to amortize any unfunded actuarial liability is determined annually and as a percentage of participants covered payroll. The required contribution amounts are to be determined by regular annual actuarial valuations conducted by the System's actuary.

- Statement of net assets and statements of changes in net assets have now been retitled as statements of fiduciary net position and statements of changes in fiduciary net position, respectively.
- GASB 67 classifies the System as a single-employer public pension plan for reporting purposes.
- The discount rate used to calculate the present value of future benefit payments for reporting purposes is based upon the projected plan net position (PNP) using actuarial assumptions about contributions, benefit payments, and the long-term rate of return. If the projected PNP is not sufficient to cover projected benefit payments, a blended discount rate is required using both the weighted average of the long-term rate of return and the muni-bond rate for periods after the PNP is exhausted. The System currently uses the long-term discount rate of 7.925% and currently expects assets will be sufficient to cover PNP.
- New footnote requirements include the target asset allocation including long-term expected real rate of return, investments representing 5% or more of the System's fiduciary net position, employers' net pension liability, summary of actuarial assumptions, and sensitivity of net pension liability to changes in the discount rate.
- New required supplemental information includes a schedule of changes in employer's net pension liability, schedule of employer's net pension liability, schedule of employer's contributions, and schedule of annual money-weighted rate of return on investments. Notes to the RSI include significant methods and assumptions used in calculating the actuarially determined contributions.

The basic financial statements contained in this section of the annual financial report consist of:

- The statements of fiduciary net position which report the System's assets, liabilities, and resulting net position where Assets - Liabilities = Net Position - restricted for pensions at the end of the fiscal year. It is a snapshot of the financial position of the System at that specific point in time.
- The statements of changes in fiduciary net position which summarizes the System's financial transactions that have occurred during the fiscal year where Additions - Deductions = Net Increase in Net Position. It supports the change that has occurred to the prior year's net position on the statements of fiduciary net position.
- The notes to financial statements are an integral part of the above financial statements and include additional information not readily evident in the statements themselves.
- The required supplemental management discussion and analysis information, the RSI, and other supplemental information following the notes to financial statements provide detailed historical information considered useful in evaluating the condition of the System.

FINANCIAL ANALYSIS

Total assets at September 30, 2014 were $502,933,516 and were mainly comprised of cash, investments, and receivables. Total assets increased $1,598,931 or 0.32% from September 30, 2013.

Total liabilities at September 30, 2014 were $2,018,131 and consisted mainly of unsettled investment transactions and accrued expenses. Total liabilities decreased $959,786 or 32.23% from September 30, 2013.

Net position - restricted for pensions were $500,915,385 at September 30, 2014, an increase of $2,558,717 or 0.51% from the prior period. This increase mainly resulted from an increase in investments of $25 million, the majority of which was the result of favorable investment markets.

Following is a condensed version of the statements of fiduciary net position (dollars in thousands):

	September 30			Total Change			
				Amount		Percentage	
	2014	2013	2012	**2014**	2013	**2014**	2013
ASSETS							
Investments	**$ 496,399**	470,886	420,634	**25,513**	50,252	**5.4 %**	11.9
Cash and cash equivalents	**3,735**	4,242	17,304	**(507)**	(13,062)	**(11.9)**	(75.5)
Receivables	**2,196**	25,549	12,948	**(23,353)**	12,601	**(91.4)**	97.3
Capital assets, net	**603**	657	715	**(54)**	(58)	**(8.2)**	(8.1)
Total Assets	**502,933**	501,334	451,601	**1,599**	49,733	**0.3**	11.0
LIABILITIES	**2,018**	2,977	1,440	**(959)**	1,537	**(32.2)**	106.7
NET POSITION	**$ 500,915**	498,357	450,161	**2,558**	48,196	**0.5**	10.7

Revenues - Additions to Net Position

Net investment income totaled $48,876,120 in fiscal year 2014 as compared to $65,779,337 in the prior year. Investment income is net of investment expenses (management and custodial fees) totaling $2,483,786 and $2,256,997 for the years ended September 30, 2014 and 2013, respectively.

The reserves needed to finance retirement benefits as well as death and disability benefits are accumulated through the collection of employer contributions and through earnings on investments. Employer contributions totaled $1,007,760 for the year ended September 30, 2014 as compared to $20,998,953 for the prior year (before BB 109 recalculation). In total contributions (employer and Members) decreased $20,935,291 for the year ended September 30, 2014, compared to the year ended September 30, 2013 because the System is frozen and the System's investments have outperformed the actuarial return assumption.

Expenses - Deductions from Net Position

The primary expenses of the System include the payment of pension benefits to retirees and beneficiaries, administrative expenses, and refunds of Members contributions to operate the System. Total expenses for fiscal year 2014 were $37,046,572, a decrease of $2,480,146 from the prior year. This decrease is mainly due to the decline in refunds on service retirements.

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

	For The Years Ended September 30			Total Change			
				Amount		Percentage	
	2014	2013	2012	**2014**	2013	**2014**	2013
ADDITIONS							
Net investment income	$ **48,876**	65,779	71,065	**(16,903)**	(5,286)	**(25.7)** %	(7.4)
Employer contributions	**1,008**	20,999	21,680	**(19,991)**	(681)	**(95.2)**	(3.1)
Members contributions	**-**	944	2,569	**(944)**	(1,625)	**(100.0)**	(63.3)
Total Additions	**49,884**	87,722	95,314	**(37,838)**	(7,592)	**(43.1)**	(8.0)
DEDUCTIONS							
Benefits paid	**34,417**	34,536	33,372	**(119)**	1,164	**(0.3)**	3.5
Administrative expenses	**1,424**	1,730	1,580	**(306)**	150	**(17.7)**	9.5
Refund of Members contributions	**1,206**	3,260	2,303	**(2,054)**	957	**(63.0)**	41.6
Total Deductions	**37,047**	39,526	37,255	**(2,479)**	2,271	**(6.3)**	6.1
INCREASE IN NET POSITION BEFORE TRANSFER	**12,837**	48,196	58,059	**(35,359)**	(9,863)	**(73.4)**	(17.0)
TRANSFER OUT	**(10,279)**	-	-	**(10,279)**	-	**(100.0)**	-
INCREASE IN NET POSITION	**2,558**	48,196	58,059	**(45,638)**	(9,863)	**(94.7)**	(17.0)
NET POSITION, BEGINNING OF YEAR	**498,357**	450,161	392,102	**48,196**	58,059	**10.7**	14.8
NET POSITION, END OF YEAR	$ **500,915**	498,357	450,161	**2,558**	48,196	**0.5**	10.7

SUMMARY

The System's net position - restricted for pensions has increased in seven out of the past ten years. The decreases (which occurred in fiscal years 2011, 2009, and 2008) were the result of investment losses due to economic slowdowns that detrimentally affected most pension systems in those years. The Board of 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 maintain its current funded 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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STATEMENTS OF FIDUCIARY NET POSITION

	September 30	
	2014	2013
ASSETS		
Investments at fair value:		
Equities:		
Corporate stocks	**$ 194,458,720**	209,251,175
Collective investment funds	**62,465,582**	54,142,535
Limited partnership units	**30,843,672**	24,739,639
Fixed income:		
Collective investment funds	**65,571,395**	64,650,275
Corporate bonds	**28,129,715**	19,268,001
Real estate investment trust	**58,676,735**	52,613,140
Hedge funds	**48,891,035**	40,889,331
Money market funds	**7,362,432**	5,332,081
Total Investments	**496,399,286**	470,886,177
Cash and cash equivalents	**3,735,467**	4,242,418
Receivables:		
Interest and dividends	**947,030**	756,777
Unsettled investment transactions	**855,656**	441,020
Other receivables	**393,117**	289,767
Employer contributions	**-**	24,061,481
Total Receivables	**2,195,803**	25,549,045
Capital assets, less accumulated depreciation	**602,960**	656,945
Total Assets	**502,933,516**	501,334,585
LIABILITIES		
Unsettled investment transactions	**1,089,898**	2,032,725
Accrued investment management fees	**708,589**	499,783
Members contributions refundable	**87,964**	291,799
Accrued administrative expenses	**77,761**	99,691
Due to The Firefighters' Retirement Plan of the City of St. Louis	**53,919**	53,919
Total Liabilities	**2,018,131**	2,977,917
NET POSITION - RESTRICTED FOR PENSIONS	**$ 500,915,385**	498,356,668

See notes to financial statements

	For The Years Ended September 30	
	2014	2013
ADDITIONS TO NET POSITION ATTRIBUTED TO		
Investment income:		
Net appreciation (depreciation) in fair value of investments	**$ 44,471,186**	61,140,747
Dividends	**4,840,977**	5,462,228
Interest	**1,776,319**	1,227,696
Securities lending income	**271,424**	205,663
Total Investment Income	**51,359,906**	68,036,334
Less - Investment management and custodial fees	**2,483,786**	2,256,997
Net Investment Income	**48,876,120**	65,779,337
Contributions:		
Employer	**1,007,760**	20,998,953
Members	**-**	944,098
Total Contributions	**1,007,760**	21,943,051
Total Additions	**49,883,880**	87,722,388
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO		
Benefits paid to retirees and beneficiaries	**34,416,962**	34,535,838
Administrative expenses	**1,424,217**	1,730,087
Refunds of Members contributions	**1,205,393**	3,260,793
Total Deductions	**37,046,572**	39,526,718
INCREASE IN NET POSITION BEFORE TRANSFER	**12,837,308**	48,195,670
TRANSFER OUT	**(10,278,591)**	-
INCREASE IN NET POSITION	**2,558,717**	48,195,670
NET POSITION - RESTRICTED FOR PENSIONS, BEGINNING OF YEAR	**498,356,668**	450,160,998
NET POSITION - RESTRICTED FOR PENSIONS, END OF YEAR	**$ 500,915,385**	498,356,668

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
	2014	2013	**(Decrease)**
Retirees and beneficiaries currently receiving benefits	**985**	1,012	(27)
Current Members:			
Vested - DROP	**64**	67	(3)
Vested - Non-DROP	**161**	159	2
Nonvested	**349**	375	(26)
Total Current Members	**574**	601	(27)
Total Membership	**1,559**	1,613	(54)

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 contributed 8% of their salary through February 1, 2013 (date frozen). Upon leaving employment, the Member's contributions are refunded. In addition, terminated Members receive interest.

During the fiscal year ended August 31, 1994, the System, in accordance with Ordinance 62994 of the City of St. Louis (the City), initiated 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 are 1% (previously reduced to 1% from the normal 8% through February 1, 2013). 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 179 and 175 at September 30, 2014 and 2013, 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. As such, the System 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. Board of Trustees Composition

The Board shall consist of eight (8) Trustees, three (3) of whom are elected by the active Members of the System, one (1) of whom are elected by the retired Members of the System, two (2) of whom are appointed by the Mayor of the City, and two (2) of whom are Trustees by virtue of offices (Fire Chief and the Comptroller of the City or the Comptroller's designee -- Deputy Comptroller or the First Assistant Comptroller).

3. 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. Fair value changes are recorded as investment income or loss. Investment purchases and sales are recorded on a trade-date basis (the date upon which the transaction is initiated).

4. New GASB Accounting Model

GASB 67 was adopted during the year ended September 30, 2014, addressing accounting and financial reporting requirements for governmental pension systems. GASB 67 requires changes in presentation of the financial statements, notes to financial statements, and RSI. Significant changes include an actuarial calculation of the total and net pension liability as defined in the accounting standard. Comprehensive footnote disclosures regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures are also included. The implementation of this standard did not significantly impact the accounting for receivables and investment balances. The total employers' projected net pension liability is presented in the notes to financial statements. Related GASB 67 disclosures can be found in the RSI section of the report.

5. 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 apprais-

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Investment Valuation (Continued)

als of the fund's holdings. The hedge funds are carried at the value reported by the funds' custodians based upon underlying investments.

6. Cash

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

7. Operating Expenses

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

8. Net Position - Restricted for Pensions

The System's net position - restricted for pensions consist of:

Member's Savings Fund -- Members contributed 8% of their compensation to the System through February 1, 2013 (date frozen). 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 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, 2014 and 2013 was $69,861,745 and $74,204,226, 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, 2014 and 2013 was $326,596,975 and $327,264,472, 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, 2014 and 2013 was $97,653,409 and $90,315,950, respectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Net Position - Restricted for Pensions (Continued)

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 $415,041 and $446,859 were paid from the Future Benefit Fund during the years ended September 30, 2014 and 2013, respectively. The Future Benefit Fund is excluded from the assets used in determining the City's contribution requirement. The balance at September 30, 2014 and 2013 was $6,326,389 and $6,135,090, 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 $28,079 and $19,368 for the years ended September 30, 2014 and 2013, 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. No benefits were paid from the System Employees Benefit Fund during the years ended September 30, 2014 and 2013. The System Employees Benefit Fund is excluded from the assets used in determining the City's contribution requirement. The balance at September 30, 2014 and 2013 was $476,867 and $436,930, respectively.

The severance pay benefit program provided to administrative employees of the System was frozen to the current System's employees effective September 30, 2014. A one-time reduction in accumulated vested benefits of $20,020 was reflected for the Plan year ending September 30, 2014. Future interest accrual or losses on employees' vested accounts is limited to one identified employee of the System.

9. Use of Estimates

The preparation of the System's financial statements in conformity with accounting principles generally accepted in the United States of America 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 position during the reporting period. Actual results could differ from those estimates.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. 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 - 10

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, 2014			
	Balance September 30 2013	Additions	Deletions	Balance September 30 2014
Capital assets not being depreciated:				
Land	$ 83,086	-	-	**83,086**
Capital assets being depreciated:				
Building	205,417	-	-	**205,417**
Building improvements	213,182	-	-	**213,182**
Furniture, equipment, and software	507,273	4,738	-	**512,011**
Total Capital Assets Being Depreciated	925,872	4,738	-	**930,610**
Less - Accumulated depreciation for:				
Building	62,481	5,135	-	**67,616**
Building improvements	124,007	9,831	-	**133,838**
Furniture, equipment, and software	165,525	43,757	-	**209,282**
Total Accumulated Depreciation	352,013	58,723	-	**410,736**
Total Capital Assets Being Depreciated, Net	573,859	(53,985)	-	**519,874**
Total Capital Assets, Net	$ 656,945	(53,985)	-	**602,960**

Depreciation expense for the years ended September 30, 2014 and 2013 was $58,723 and $58,126, 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

NOTE C - CASH AND CASH EQUIVALENTS (Continued)

amount to the total of the System's cash not insured by the Federal Deposit Insurance Corporation (FDIC). The System's bank deposits as of September 30, 2014 and 2013 were $3,745,160 and $4,548,826, respectively. 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 $3,735,467 and $4,242,418 as of September 30, 2014 and 2013, respectively.

NOTE D - CONTRIBUTION RECEIVABLE - EMPLOYER

Employer contributions are calculated by the System's actuary (Gabriel, Roeder, Smith & Company). The employer contributions due to the System for the years ended September 30, 2014 and 2013 was $1,007,760 and $20,665,639, respectively. A portion of the September 30, 2011 employer contribution due from the City totaling $5,277,692 was mutually agreed (EAN Agreement) that the City has the option to amortize this remaining unpaid balance in five annual installments of principal and interest, beginning September 15, 2012 and on September 15 of each year thereafter until all amounts are paid in full. The System received payment for the September 30, 2011 employer contribution agreement of $1,308,794 during the year ended September 30, 2013. The remaining outstanding balance of $3,395,842 was repaid by a credit from the September 30, 2013 contribution recalculation (see BB 109 discussion below). The September 30, 2011 employer contribution note agreement was paid in full as of September 30, 2014.

Contribution receivable - employer consists of the following:

	September 30	
	2014	2013
Contribution receivable, beginning of year	**$24,061,481**	11,826,051
Current year contribution due from the City as calculated by the System's actuary	**1,007,760**	20,665,639
Interest charges	**-**	333,314
Total Current Year Contributions	**1,007,760**	20,998,953
Contribution received from the City during the year	**(25,069,241)**	(8,763,523)
Total Contribution Receivable, End Of Year	**$ -**	24,061,481

The City's contribution for the year originally calculated as ended September 30, 2013 due from the City totaling $20,665,639 was recalculated by the System's actuary based on plan and assumption changes attributable to City Aldermen passed Board Bill 109 (BB 109). The recalculated contribution for the year ended September 30, 2013 is $9,803,957. The System transferred $6,882,749 of the surplus to The Firefighter's Retirement Plan (FRP) during the year ended September 30, 2014 and $3,395,842 was used to settle the outstanding balance on the EAN Agreement from September 30, 2011 (see Note P).

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 2014	September 30 2013
Aberdeen Asset Management, Inc. (core plus fixed income):		
Collective investment fund - fixed income	**$ 60,281,068**	56,755,017
Acadian Asset Management, LLC (international small cap):		
Collective investment fund - equity	**29,516,328**	27,299,257
Brandes Investment Partners, LP (international emerging markets):		
Collective investment fund - equity	**32,949,254**	26,843,278
CastleArk Management, LLC (large cap growth):		
Corporate stocks	**32,593,322**	32,686,654
Money market fund	**654,840**	1,200,348
	33,248,162	33,887,002
Eagle Capital Management, LLC (large cap value):		
Corporate stocks	**32,968,285**	30,357,523
Money market fund	**1,055,832**	139,131
	34,024,117	30,496,654
EnTrust Partners Offshore, LLC (multi-strategy hedge fund):		
Hedge fund	**24,161,670**	18,319,408
Money market fund	**65**	-
	24,161,735	18,319,408
Fisher Investments, Inc. (international small cap value):		
Corporate stocks	**57,948,080**	64,877,665
Money market fund	**408,923**	318,505
	58,357,003	65,196,170
Intech Investment Management, LLC (large cap enhanced plus):		
Corporate stocks	**27,758,334**	31,975,933
Money market fund	**133,437**	163,874
	27,891,771	32,139,807
Integrity Asset Management, LLC (small cap):		
Corporate stocks	**22,208,189**	26,193,903
Money market fund	**578,846**	1,097,048
	22,787,035	27,290,951
Magnitude Institutional, LLC (multi-strategy hedge fund):		
Hedge fund	**23,893,919**	21,386,187
Money market fund	**15**	-
	23,893,934	21,386,187

NOTE E - INVESTMENTS (Continued)

	September 30	
	2014	2013
The Northern Trust Company (index bonds and TIPS fund):		
Collective investment fund - fixed income	**5,290,327**	7,895,258
Corporate stocks	**362,370**	275,589
Money market fund	**1,501,885**	19,864
	7,154,582	8,190,711
Penn Capital Management Company, Inc. (corporate bonds)		
Corporate bonds	**28,129,715**	19,268,001
Money market fund	**896,339**	743,125
	29,026,054	20,011,126
Pinnacle Associates, Ltd. (small/mid cap growth):		
Corporate stocks	**20,620,140**	22,883,908
Money market fund	**365,424**	340,678
	20,985,564	23,224,586
Principal Financial Group (core real estate):		
Real estate investment trust	**58,676,735**	52,613,140
Tortoise Capital Advisors, LLC (master limited partnerships):		
Limited partnership units - energy	**30,843,672**	24,739,639
Money market fund	**737,902**	421,575
	31,581,574	25,161,214
UBP Asset Management, LLC (multi-strategy hedge fund):		
Hedge fund	**835,446**	1,183,736
Money market fund	**1,028,924**	887,933
	1,864,370	2,071,669
Total	**$ 496,399,286**	470,886,177

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 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 fixed income investment maturities by investment category, which helps demonstrate the current level of interest rate risk assumed by the System:

NOTE E - INVESTMENTS (Continued)

Fixed Income Investment Category	Maturities As Of September 30, 2014				
	Total	Less Than One Year	1 - 5 Years	6 - 10 Years	More Than 10 Years
Collective investment funds	$ 65,571,395	5,676,630	20,241,890	30,490,515	9,162,360
Corporate bonds	28,129,715	758,546	4,214,028	22,232,405	924,736
Total	$ 93,701,110	6,435,176	24,455,918	52,722,920	10,087,096

Fixed Income Investment Category	Maturities As Of September 30, 2013				
	Total	Less Than One Year	1 - 5 Years	6 - 10 Years	More Than 10 Years
Collective investment funds	$ 64,650,275	710,413	23,235,254	32,297,336	8,407,272
Corporate bonds	19,268,001	339,309	4,098,246	14,747,150	83,296
Total	$ 83,918,276	1,049,722	27,333,500	47,044,486	8,490,568

Certain collective investment funds are classified by average maturities of the portfolios.

The System's fixed income investments 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:

Credit Rating Level	Credit Rating As Of September 30					
	2014			2013		
	Total	Collective Investment Funds	Corporate Bonds	Total	Collective Investment Funds	Corporate Bonds
AAA	$ 29,951,366	29,951,366	-	33,390,752	33,390,752	-
AA	5,319,302	5,319,302	-	4,856,898	4,856,898	-
A	11,297,750	11,297,750	-	11,775,875	11,775,875	-
BBB	12,389,253	12,302,051	87,202	12,439,410	12,323,802	115,608
BB	13,578,731	2,976,641	10,602,090	6,348,576	493,031	5,855,545
B	18,231,661	2,515,589	15,716,072	11,993,867	259,654	11,734,213
CCC	964,849	-	964,849	1,223,518	-	1,223,518
Not rated	1,968,198	1,208,696	759,502	1,889,380	1,550,263	339,117
Total	$ 93,701,110	65,571,395	28,129,715	83,918,276	64,650,275	19,268,001

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

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, 2014

Currency	Equities	Fixed Income	Real Estate Investment Trust	Hedge Funds	Money Market Funds	Total
Australian Dollar	$ 2,045,318	-	-	-	-	2,045,318
British Pound Sterling	11,860,863	-	-	-	-	11,860,863
Canadian Dollar	1,028,693	-	-	-	-	1,028,693
Danish Krone	2,045,836	-	-	-	-	2,045,836
Euro	21,874,890	-	-	-	-	21,874,890
Hong Kong Dollar	1,845,430	-	-	-	-	1,845,430
Japanese Yen	4,746,030	-	-	-	-	4,746,030
Singapore Dollar	903,884	-	-	-	-	903,884
South Korean Won	807,847	-	-	-	-	807,847
Swedish Krona	769,814	-	-	-	-	769,814
Swiss Franc	6,564,244	-	-	-	-	6,564,244
Total Foreign Currency	54,492,849	-	-	-	-	54,492,849
United States Dollar	233,275,125	93,701,110	58,676,735	48,891,035	7,362,432	441,906,437
Total	$ 287,767,974	93,701,110	58,676,735	48,891,035	7,362,432	496,399,286

Foreign Currency Exposures By Asset Class In U.S. Dollars As Of September 30, 2013

Currency	Equities	Fixed Income	Real Estate Investment Trust	Hedge Fund	Money Market Funds	Total
Australian Dollar	$ 2,168,356	-	-	-	-	2,168,356
British Pound Sterling	12,584,282	-	-	-	-	12,584,282
Canadian Dollar	1,010,495	-	-	-	-	1,010,495
Danish Krone	1,605,401	-	-	-	-	1,605,401
Euro	25,284,587	-	-	-	-	25,284,587
Hong Kong Dollar	1,804,811	-	-	-	-	1,804,811
Japanese Yen	6,970,686	-	-	-	-	6,970,686
Singapore Dollar	923,629	-	-	-	-	923,629
South Korean Won	1,297,453	-	-	-	-	1,297,453
Swedish Krona	902,242	-	-	-	-	902,242
Swiss Franc	7,629,464	-	-	-	-	7,629,464
Total Foreign Currency	62,181,406	-	-	-	-	62,181,406
United States Dollar	225,951,943	83,918,276	52,613,140	40,889,331	5,332,081	408,704,771
Total	$ 288,133,349	83,918,276	52,613,140	40,889,331	5,332,081	470,886,177

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.

NOTE E - INVESTMENTS (Continued)

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 fair 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 fair 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	13%	18	23
Small mid cap	3	8	13
International equities	19	24	29
Fixed income	20	25	30
Real estate trust	10	15	20
Hedge funds	5	10	15

Long-term Expected Rate of Return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of September 30, 2014 are summarized in the following table:

NOTE E - INVESTMENTS (Continued)

Asset Class	Long-term Expected Real Rate Of Return
Domestic equity	4.3%
International equity	4.7
Fixed income	(1.3)
Real estate (REIT)	4.8
Nondirectional hedge fund of funds	2.2
Private equity (partnerships)	9.4
Money market	-

The above long-term expected real rate of returns represents best estimates of geometric rates of return for each major asset class included. These rate of returns are shown net of inflation (assumed at 3%) and net of investment expenses (assumed at 0.5%).

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)
Magnitude Institutional, LLC Class A (Hedge Fund)
The Principal U.S. Property Account (REIT)
Select Investment Institutional Multi-Strategy Ltd. Series R 0409 Fund (Hedge Fund)

NOTE F - INVESTMENTS GREATER THAN 5% OF NET POSITION - RESTRICTED FOR PENSIONS

Investments which exceed 5% or more of net position - restricted for pensions are as follows:

	September 30	
	2014	2013
Aberdeen Core Plus Fixed Income Portfolio	**$60,281,068**	56,755,018
The Principal U.S. Property Account	**58,676,735**	52,613,140
Brandes Investment Trust Emerging Markets Fund	**32,949,254**	26,843,278
Acadian International Small Cap Fund	**29,516,328**	27,299,257

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	
	2014	2013
Equities:		
Corporate stocks	**$ 19,378,987**	41,826,746
Collective investment funds	**4,424,398**	8,190,620
Limited partnership units	**8,814,889**	4,303,792
Fixed income:		
Collective investment funds	**3,821,121**	(1,553,524)
Corporate bonds	**(1,421,199)**	(307,059)
Real estate investment trust	**6,063,594**	5,753,528
Hedge funds	**3,389,396**	2,926,644
Total	**$ 44,471,186**	61,140,747

NOTE H - GASB STATEMENT NO. 27 (GASB 27) ACTUARIALLY DETERMINED CONTRIBUTION BASED ON STATUTORY REQUIRED CONTRIBUTION

The actuarial funding method utilized by the System as required by Missouri State Statutes is the entry age frozen liability method. Under this method, any frozen unfunded actuarial accrued liability is amortized over 30 years from the date the liability is added.

Actuarially determined contributions in accordance with GASB 27 requirements are as shown in the following table:

	For The Years Ended September 30		Covered Payroll Percentage (Including DROP)	
	2014	2013	**2014**	2013
Required contributions - employer:				
Portion of normal cost attributable to the System's fiscal year	**$ 7,604,908**	18,333,562	**22.41 %**	53.50
Unfunded actuarial accrued liability amortization payment	**-**	-	**-**	-
Total Employer Required Contribution	**$ 7,604,908**	18,333,562	**22.41 %**	53.50
Contribution Made By Employer During System's Fiscal Year (Excluding Interest)	**$ 14,790,650**	8,430,209	**43.59 %**	24.60

NOTE H - GASB STATEMENT NO. 27 (GASB 27) ACTUARIALLY DETERMINED CONTRIBUTION BASED ON STATUTORY REQUIRED CONTRIBUTION (Continued)

GASB 27 is developed by using one quarter of the current year's statutory annual required contribution and three quarters of the prior year's statutory annual required contribution because the City's fiscal year ends on June 30 each year.

The September 30, 2013 required contribution is restated for City Aldermen passed BB 109 and a settlement agreement entered into between the System and the City.

The reduction in unfunded accrued liability for the System due to plan and assumption changes attributable to BB 109 on October 1, 2013, was greater than the remaining frozen initial liability. Consequently, the frozen initial liability for the System was set equal to zero.

NOTE I - EMPLOYER'S NET PENSION LIABILITY - ENTRY AGE NORMAL ACTUARIAL COST METHOD

The components of the employer's net pension liability (the System's liability determined in accordance with GASB 67 less the fiduciary net position) as of September 30, 2014 and 2013, are shown in the schedules of net pension liability below.

Actuarial valuation of an ongoing plan involves estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of changes in employer's net pension liability presents multi-year trend information about whether the System's fiduciary net positions are increasing or decreasing over time relative to the total pension liability. These schedules are presented in the RSI. The total pension liability as of September 30, 2014 and 2013 are based on an actuarial valuation performed as of September 30, 2014, and a measurement date of September 30, 2014 using generally accepted actuarial procedures.

Schedules of Employer's Net Pension Liability

	September 30	
	2014	2013
Pension liability	**$465,131,391**	461,095,233
System's fiduciary net pension	**494,588,996**	492,221,578
Employer's Net Pension Liability (Excess Assets)	**($ 29,457,605)**	(31,126,345)
System's fiduciary net position as a percentage of pension liability	**106.33%**	106.75
Covered employee payroll (excluding DROP participants)	**$29,767,542**	30,021,550
Employer's net pension liability (excess assets) as a percent of covered employee payroll	**(98.96%)**	(103.68)

NOTE I - EMPLOYER'S NET PENSION LIABILITY - ENTRY AGE NORMAL ACTUARIAL COST METHOD (Continued)

The plan fiduciary net position shown in the previous schedules of employer's net pension liability excludes the Future Benefit Fund restricted for SHARE program benefits. The Future Benefit Fund was $6,326,389 and $6,135,090 at September 30, 2014 and 2013, respectively.

Sensitivity of the net pension liability (excess assets) to changes in the discount rate:

	1% Decrease	Current Discount Rate Assumption	1% Increase
Discount rate	6.925%	7.925	8.925
Net pension liability (excess assets)	$11,892,370	(29,457,605)	(64,640,892)

Discount Rate Used to Calculate the Present Value of Future Benefit Payments

A Single Discount Rate of 7.925% was used to measure the pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.925%. This Single Discount Rate is net of investment expenses (investment management and custodial fees) assumed to be 50 basis points. The projection of cash flows used to determine this Single Discount Rate assumed that the City would make the required contributions as defined by Statute. Based on these assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current Members. Therefore, the long-term expected rate of return on the System's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Methods and assumptions used in calculations of actuarially determined contributions and pension liability:

Method:	
Valuation date	October 1, 2014
Actuarial cost method:	
GASB 67 reporting	Entry Age - Normal
Funding	Entry Age - Frozen Initial Liability
Amortization method/period	30-year closed period from establishment
Remaining amortization period	None - No unfunded accrued liability
Asset valuation method	3-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.925%, net of investment expenses of 50 basis points
Long-term municipal bond rate	4.11%
Rate of payroll growth	3.35% to 5.5% based on service. Benefits have been frozen as of February 1, 2013; therefore, no salary increases have been assumed
Consumer price inflation	3%
Mortality	RP-2000 mortality table, sex distinct, with rates projected to 2015

NOTE I - EMPLOYER'S NET PENSION LIABILITY - ENTRY AGE NORMAL ACTUARIAL COST METHOD (Continued)

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

NOTE J - SECURITIES LENDING

The System participated in The 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 The 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 fair 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 70% of the net lending fees generated by each loan of securities.

The Northern Trust Company receives the remaining 30% 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 fiduciary net position and changes in fiduciary net position do not reflect an increase in assets or liabilities associated with securities lent.

At September 30, 2014 and 2013, outstanding loans to borrowers were $50,961,125 and $54,888,489, respectively. The System earned income of $271,424 and $205,663 for its participation in the securities lending program for the years ended September 30, 2014 and 2013, 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, 2014 and 2013 was $436,541 and $393,679, respectively. The System also reimburses the City for cost allocated from the Treasurer's Department. The System's expenses for the years ended September 30, 2014 and 2013 was $10,934 and $10,918, 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, 2014 and 2013 of $1,089,898 and $2,032,725, respectively. These amounts are reflected in the statements of fiduciary net position as a liability for unsettled investment transactions.

Lawsuits

In December 2012 the City's Aldermen passed and the Mayor approved BB 109 (Ordinance 69353). BB 109 froze the current retirement system and established a new retirement system. The System filed a petition in the Circuit Court of the City of St. Louis, Missouri (Circuit Court) on January 2, 2013 seeking to have BB 109 declared invalid.

In June 2013 the Circuit Court entered preliminary injunctions and decreed that the City's Ordinance 69353 which enacted BB 109 was validly enacted pursuant to Missouri Constitution and the authority as a charter city. BB 109 established a dual pension system and affects the System as follows:

- The System is frozen as of February 1, 2013. That is, benefits paid from the System will be based on the Member's service and salary earned as of February 1, 2013. Participants with benefit service in the System are classified as "grandfathered" members.
- Firefighters hired after February 1, 2013, are not Members of the System.
- Vesting and eligibility service earned after February 1, 2013, in the newly established FRP will count towards vesting and eligibility service in the System.
- Ancillary benefits for disability or death occurring after February 1, 2013, will be paid from the newly established FRP to the extent that benefits do not depend on service earned prior to February 1, 2013.
- Employer contributions to the System will continue to be calculated under the frozen initial liability cost method.
- Member contributions after February 1, 2013, from grandfathered participants in the System will be paid to FRP.
- Grandfathered Members with 20 or more years of service as of February 1, 2013, are eligible to retire with unreduced FRP benefits if retirement commences before age 55.
- Grandfathered Members with less than 20 years of service as of February 1, 2013, are eligible to retire with actuarially reduced FRP benefits if retirement commences before age 55.

NOTE M - COMMITMENTS AND CONTINGENCIES (Continued)

The System filed an appeal in the Eastern Missouri Court of Appeals to the Circuit Court's ruling on the validity of Ordinance 69353. The Appellate Court upheld Judge Dierker's ruling in September 2014. The System appealed to the Missouri Supreme Court, which declined to hear the case.

The City, as employer, enacted City Ordinances in September 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 in October 2010 relating to St. Louis Firefighters', as Members of the System, contractual rights to continue accumulating sick leave as set out in 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 to the State Enabling Statutes.

The City filed a counterclaim in November 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. Other administrative issues may also be addressed by the Circuit Court in this lawsuit.

NOTE N - RISKS AND UNCERTAINTIES

The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, foreign currency, regulatory, 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 fiduciary net position.

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 - RATE OF RETURN

For the years ended September 30, 2014 and 2013, the annual money-weighted rate of return on pension plan investments, net of investment expenses, was 11.97% and 14.41%, respectively. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

NOTE P - TRANSFER OUT

During the year ended September 30, 2014, the System transferred $10,278,591 pursuant to a settlement agreement and release entered into with the City in December 2013.

It was mutually agreed to recalculate the City's statutory annual required contribution for the System's year ending September 30, 2013, as determined by the October 1, 2012 actuarial valuation. The recalculation recognized that all benefit accruals for years of service and salary increases after February 1, 2013 are frozen under the System. The calculation further recognized that FRP, created under the provisions of Ordinance 69245 as amended by Ordinance 69353, bears the liability for all benefit accruals based upon years of service or salary increases after February 1, 2013.

The recalculation was finalized and agreed to by the actuaries representing the System and FRP. The System transferred $6,882,749 to FRP. This was the amount calculated for the City's contribution to FRP for the time period from February 1, 2013 (date the System was frozen) to September 30, 2013. The remaining portion, $3,395,842, was used to settle the outstanding balance on the September 30, 2011 EAN Agreement with the City.

NOTE Q - NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, was issued June 2012 and is effective for fiscal years beginning after June 15, 2014 (System's year ended September 30, 2015). GASB 68 amends GASB 27 and GASB 50 as they relate to governmental employers that provide pensions through trusts. GASB 68 establishes procedures for measuring and recognizing the obligations associated with pensions as well as identifies methods for attributing the associated costs to the appropriate period as they are earned over an employee's career. Also included in GASB 68 are amendments to the notes to financial statements and RSI requirements as well as details to address special funding situations.

While this new accounting pronouncement will affect the accounting measures, it does not have an effect on the actuarial methods and assumptions used by the System to determine the employer contributions needed to fund the System as required under State Statute.

NOTE R - SUBSEQUENT EVENTS

The System has performed an evaluation of subsequent events through February 26, 2015, the date the basic financial statements were available to be issued. No material events were identified by the System.

NOTE S - SYSTEM RESERVES

Changes in the System's reserves for the years ended September 30, 2014 and 2013 are as follows:

	Total	Member's Savings Fund	Benefit Reserve Fund	General Reserve Fund	Future Benefit Fund	System Employees Benefit Fund
Balance, September 30, 2012	$ 450,160,998	73,843,048	321,820,158	48,363,643	5,747,708	386,441
Contributions	21,943,051	944,098	-	20,998,953	-	-
Net investment income less administrative expenses	64,049,250	10,976,504	46,025,856	6,162,160	834,241	50,489
Transfer due to (surplus) deficit	-	(8,298,631)	(6,492,563)	14,791,194	-	-
Benefits paid to retirees and beneficiaries	(34,535,838)	-	(34,088,979)	-	(446,859)	-
Refunds of Members contributions	(3,260,793)	(3,260,793)	-	-	-	-
Change in reserves for the year ended September 30, 2013	48,195,670	361,178	5,444,314	41,952,307	387,382	50,489
Balance, September 30, 2013	498,356,668	74,204,226	327,264,472	90,315,950	6,135,090	436,930
Contributions	1,007,760	-	-	1,007,760	-	-
Net investment income less administrative expenses	47,451,903	7,528,956	31,738,016	7,518,634	606,340	59,957
Transfer due to (surplus) deficit	-	(10,666,044)	1,596,408	9,069,636	-	-
Benefits paid to retirees and beneficiaries	(34,416,962)	-	(34,001,921)	-	(415,041)	-
Refunds of Members contributions	(1,205,393)	(1,205,393)	-	-	-	-
Transfer out due to settlement agreement	(10,278,591)	-	-	(10,278,591)	-	-
Transfer due to settlement agreement	-	-	-	20,020	-	(20,020)
Change in reserves for the year ended September 30, 2014	2,558,717	(4,342,481)	(667,497)	7,337,459	191,299	39,937
Balance, September 30, 2014	**$ 500,915,385**	**69,861,745**	**326,596,975**	**97,653,409**	**6,326,389**	**476,867**

REQUIRED SUPPLEMENTAL INFORMATION SECTION

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY

	For The Year Ended September 30, 2014
Pension liability:	
Service cost	$ 3,917,882
Interest	35,325,590
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(34,001,921)
Refunds of Members' contributions	(1,205,393)
Net Change In Total Pension Liability	4,036,158
Pension liability, beginning	461,095,233
Pension Liability, Ending (a)	$ 465,131,391
Plan fiduciary net position:	
Contributions - Employer	$ 1,007,760
Contributions - Members	-
Net investment income	48,269,780
Benefit payments	(34,001,921)
Refunds of Members' contributions	(1,205,393)
Administrative expense	(1,424,217)
Other - transfer	(10,278,591)
Net Change In Plan Fiduciary Net Position	2,367,418
Plan fiduciary net position, beginning	492,221,578
Plan Fiduciary Net Position, Ending (b)	$ 494,588,996
Employer's Net Pension Liability (Excess Assets), Ending (a-b)	$ (29,457,605)

Notes:

(A) Because the beginning and ending values are based on the same actuarial valuation and there were no significant events, no liability gains or losses due to experience are reported this year.

(B) The plan fiduciary net position shown in the above schedules of employer's net pension liability excludes the Future Benefit Fund, including its earnings allocated and SHARE program benefits. The Future Benefit Fund was $6,326,389 and $6,135,090 at September 30, 2014 and 2013, respectively.

SCHEDULES OF EMPLOYER'S NET PENSION LIABILITY

	For The Years Ended September 30	
	2014	2013
Pension liability	**$ 465,131,391**	461,095,233
Plan fiduciary net position	**494,588,996**	492,221,578
Employer's Net Pension Liability (Excess Assets)	**$ (29,457,605)**	(31,126,345)
Plan fiduciary net position as a percentage of pension liability	**106.33 %**	106.75
Covered employee payroll (excluding DROP participants)	**$ 29,767,542**	30,021,550
Employer's net pension liability (excess assets) as a percentage of covered employee payroll	**(98.96) %**	(103.68)

Note:

The plan fiduciary net position shown in the previous schedules of employer's net pension liability excludes the Future Benefit Fund, restricted for SHARE program benefits. The Future Benefit Fund was $6,326,389 and $6,135,090 at September 30, 2014 and 2013, respectively.

SCHEDULES OF EMPLOYER'S CONTRIBUTIONS

	For The Years Ended September 30	
	2014	2013
Employer actuarially determined contributions	**$ 1,007,760**	9,803,957
Contributions in relation to the actuarially determined contribution	**1,007,760**	10,137,271
Contribution Surplus (Deficiency)	**$ -**	333,314
Covered employee payroll (excluding DROP participants)	**$ 29,767,542**	30,021,550
Contributions as a percentage of covered employee payroll	**3.39 %**	33.77

Notes:

A. The surplus contribution in relation to the actuarially determined contribution for the year ended September 30, 2013 represents interest paid on a portion of the City's September 30, 2011 contribution which was mutually agreed by the System and the City to be paid over a certain term.

B. The employer actuarially determined contribution for the year ended September 30, 2013 represents the recalculated contribution per BB 109.

SCHEDULES OF ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS

	For The Years Ended September 30	
	2014	2013
Annual money-weighted rate of return, net of investment expenses	**11.97 %**	14.41

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2014

1. Changes in Benefit Terms

There were no changes in benefits during the year ended September 30, 2014.

2. Changes in Assumptions

There were no changes in assumptions during the year ended September 30, 2014.

3. Method and Assumptions used in Calculations of Actuarially Determined Contributions

The actuarially determined employer contribution was calculated as of the September 30 preceding the fiscal year in which contributions are made. That is, the contribution calculated as of the September 30, 2013 actuarial valuation was made during the fiscal year ended September 30, 2014. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules of employer's contributions (schedule):

Method:	
Valuation date	October 1, 2014
Actuarial cost method:	
GASB 67 reporting	Entry Age - Normal
Funding	Entry Age - Frozen Initial Liability
Amortization method/period	30-year closed period from establishment
Remaining amortization period	None - No unfunded actuarial liability
Asset valuation method	3-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.925%, net of investment expenses of 50 basis points
Long-term municipal bond rate	4.11%
Rate of payroll growth	3.35% to 5.5% based on service. Benefits have been frozen as of February 1, 2013; therefore, no salary increases have been assumed.
Consumer price inflation	3%
Mortality	RP-2000 mortality table, sex distinct, with rates projected to 2015

4. GASB 67 Ten-year Required Supplemental Schedules

Required supplemental schedules are required to present 10 years of information. However, the information in the schedules are not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is presented.

5. Money-weighted Rate of Return

The annual money-weighted rate of return is computed assuming investment yield is received at the end of each month and on the actual or approximate date of contributions, benefit payments, and expenses.

(Continued)

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2014 (Continued)

6. Discount Rate used to Calculate the Present Value of Future Benefits

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects: 1) a long-term expected rate of return on pension plan investments (to the extent that the System's fiduciary net position is projected to be sufficient to pay benefits) and 2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The long-term expected rate of return of the System's funding is assumed to be 7.625%. Per Statute, this rate is net of both investment and administrative expenses. GASB 67 requires the long-term expected rate of return to be determined net of pension plan investment expense but without reduction for pension plan administrative expense. Investment expenses (managment and custodial fees) are assumed to be approximately 50 basis points. Administrative expenses are assumed to be approximately 30 basis points; consequently, the long-term expected rate of return used for purposes of GASB 67 is increased by 30 basis points to 7.925%. This rate is gross of administrative expenses.

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.925%; the municipal bond rate is 4.11% (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.925%. The Single Discount Rate is unchanged from the expected rate of return on pension plan investments because the System is closed to new Members and the present value of benefits is fully funded by the assets. Furthermore, in the event that the assets fall below the present value of benefits and a contribution is required, a sound funding policy based on the Frozen Initial Liability Actuarial Cost method is used, as defined by Statute.

The System currently expects assets will be sufficient to cover projected plan net position using actuarial assumptions until 2114.

7. Covered Payroll

The covered payroll for the System were as follows:

	For The Years Ended September 30			
	2014		2013	
	Number	**Compensation**	Number	Compensation
Active Members non-DROP	**510**	**$ 29,767,542**	534	$ 30,021,550
Active Members participating in DROP	**64**	**4,163,451**	67	4,244,348
Total Covered Payroll	**574**	**$ 33,930,993**	601	$ 34,265,898

OTHER SUPPLEMENTAL INFORMATION SECTION

	For The Years Ended September 30	
	2014	2013
BENEFITS PAID TO RETIREES AND BENEFICIARIES		
Monthly annuity:		
Service retirees	**$ 14,245,346**	13,897,695
Accidental disability	**13,155,325**	13,228,482
Beneficiaries	**3,999,493**	3,788,048
Ordinary disability	**587,993**	495,398
Medical, surgical, and hospital	**9,489**	11,559
Total Monthly Annuity	**31,997,646**	31,421,182
Lump sum:		
DROP	**2,361,316**	3,050,656
Death	**58,000**	64,000
Total Lump Sum	**2,419,316**	3,114,656
Total Benefits Paid To Retirees And Beneficiaries	**$ 34,416,962**	34,535,838
ADMINISTRATIVE EXPENSES		
Salaries, payroll taxes, and employee fringe benefits	**$ 436,541**	393,679
Legal fees	**382,560**	669,615
Investment consultant's fees	**168,275**	156,000
Computer and website	**89,492**	58,602
Actuary fees	**79,151**	183,147
Depreciation	**58,723**	58,126
Accounting and auditing fees	**44,929**	44,644
Insurance	**33,195**	32,032
Travel and seminars	**32,905**	17,770
Office supplies and expenses	**21,523**	24,033
Equipment rental and maintenance	**15,959**	15,431
Building operations	**15,387**	14,962
Medical reviews, consulting, and investigations	**11,121**	25,413
Cost allocation from City	**10,934**	10,918
Telephone	**9,789**	9,352
Postage and delivery	**8,272**	10,188
Bank charges	**4,495**	5,347
Property assessment	**966**	828
Total Administrative Expenses	**$ 1,424,217**	1,730,087

SCHEDULES OF INVESTMENT MANAGEMENT AND CUSTODIAL FEES

	For The Years Ended September 30	
	2014	2013
Investment management fees:		
Fisher Investments, Inc.	$ **442,662**	415,136
Eagle Capital Management, LLC	**266,056**	220,754
Tortoise Capital Advisors, LLC	**248,920**	189,722
Acadian Asset Management, LLC	**245,490**	202,874
Integrity Asset Management, LLC	**234,383**	244,554
Pinnacle Associates, Ltd.	**209,285**	193,124
Aberdeen Asset Management, Inc.	**176,438**	164,060
Penn Capital Management Company, Inc.	**146,213**	98,462
CastleArk Management, LLC	**101,445**	99,669
Intech Investment Management, LLC	**94,238**	112,492
Total Investment Management Fees	**2,165,130**	1,940,847
Custodial fees:		
The Northern Trust Company	**318,656**	316,150
Total Investment Management And Custodial Fees	**$ 2,483,786**	2,256,997

The System incurs 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:

Brandes Investment Trust (Emerging Markets Fund)
EnTrust Partners Offshore, LLC (Hedge Fund)
Magnitude Institutional, LLC (Hedge Fund)
The Principal U.S. Property Account (REIT)
UBP Asset Management, LLC (Hedge Fund)

SUMMARY OF INSURANCE COVERAGE

Type	Coverage
Fiduciary Liability	$ 5,000,000
Property:	
Building	$ 454,558
Contents	$ 477,294
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
Non-owned Automobile	$ 1,000,000
Privacy Liability and Network Risk	$ 1,000,000

HISTORICAL TREND INFORMATION

Additions to Net Position

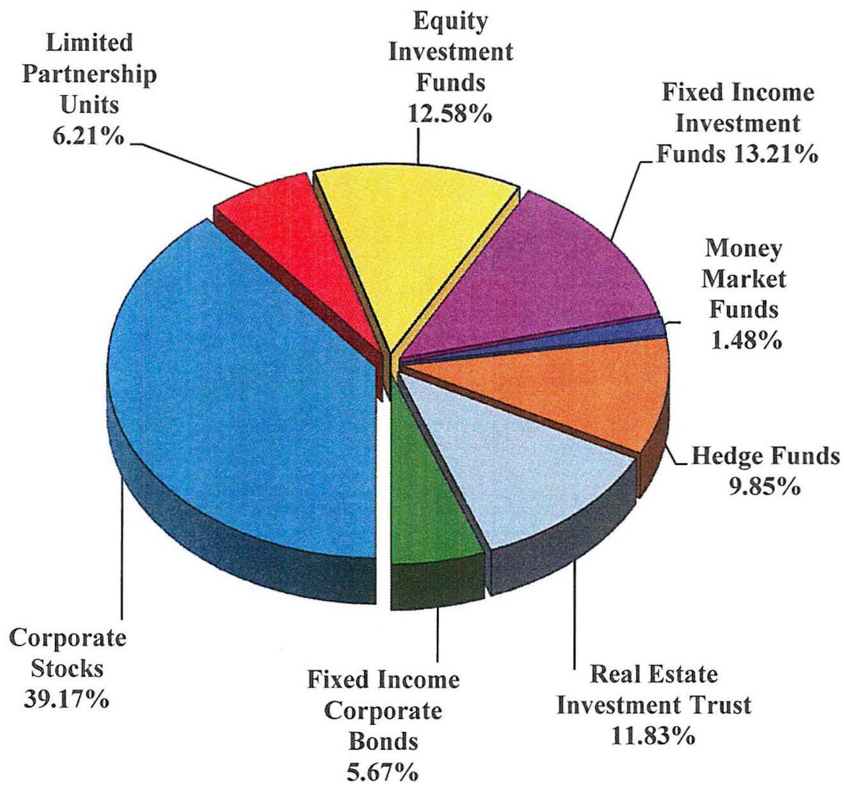
For The Years Ended September 30	Contributions		Net Investment Income	
	Employer	Members	(Loss)	Total
2014	**$ 1,007,760**	**-**	**48,876,120**	**49,883,880**
2013 (A)	20,998,953	944,098	65,779,337	87,722,388
2012	21,680,123	2,569,508	71,064,693	95,314,324
2011	23,071,773	2,747,934	3,739,397	29,559,104
2010	17,854,546	2,942,373	33,298,179	54,095,098
2009	12,193,989	2,917,843	(18,864,872)	(3,753,040)
2008	7,484,524	2,845,174	(81,989,764)	(71,660,066)
2007 (B)	63,689,991	2,796,286	65,629,492	132,115,769
2006	4,110,402	2,853,058	34,103,149	41,066,609
2005	4,110,402	2,644,335	47,975,057	54,729,794

Deductions from Net Position

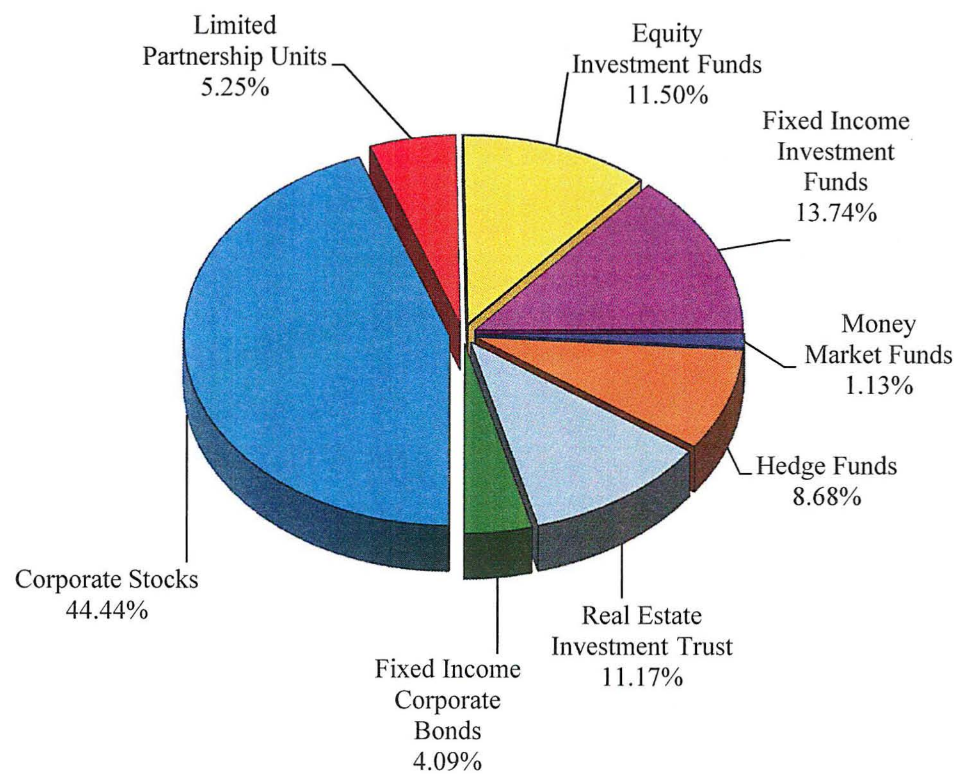
For The Years Ended September 30	Benefits Paid	Administrative Expenses	Refunds Of Members Contributions	Total
2014	**$ 34,416,962**	**1,424,217**	**1,205,393**	**37,046,572**
2013	34,535,838	1,730,087	3,260,793	39,526,718
2012	33,371,985	1,579,936	2,303,658	37,255,579
2011	32,030,971	1,162,784	2,191,639	35,385,394
2010	34,661,065	1,174,231	1,639,211	37,474,507
2009	34,230,413	977,713	1,206,585	36,414,711
2008	29,908,146	916,706	1,152,581	31,977,433
2007	29,742,364	903,835	1,390,936	32,037,135
2006	28,615,532	894,487	1,685,199	31,195,218
2005	27,624,677	766,082	1,380,787	29,771,546

(A) The City's contribution for the year ended September 30, 2013 was recalculated to be $9,803,957 for BB 109 and $10,278,591 was transferred out during the year ended September 30, 2014.

(B) 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.



September 30, 2014

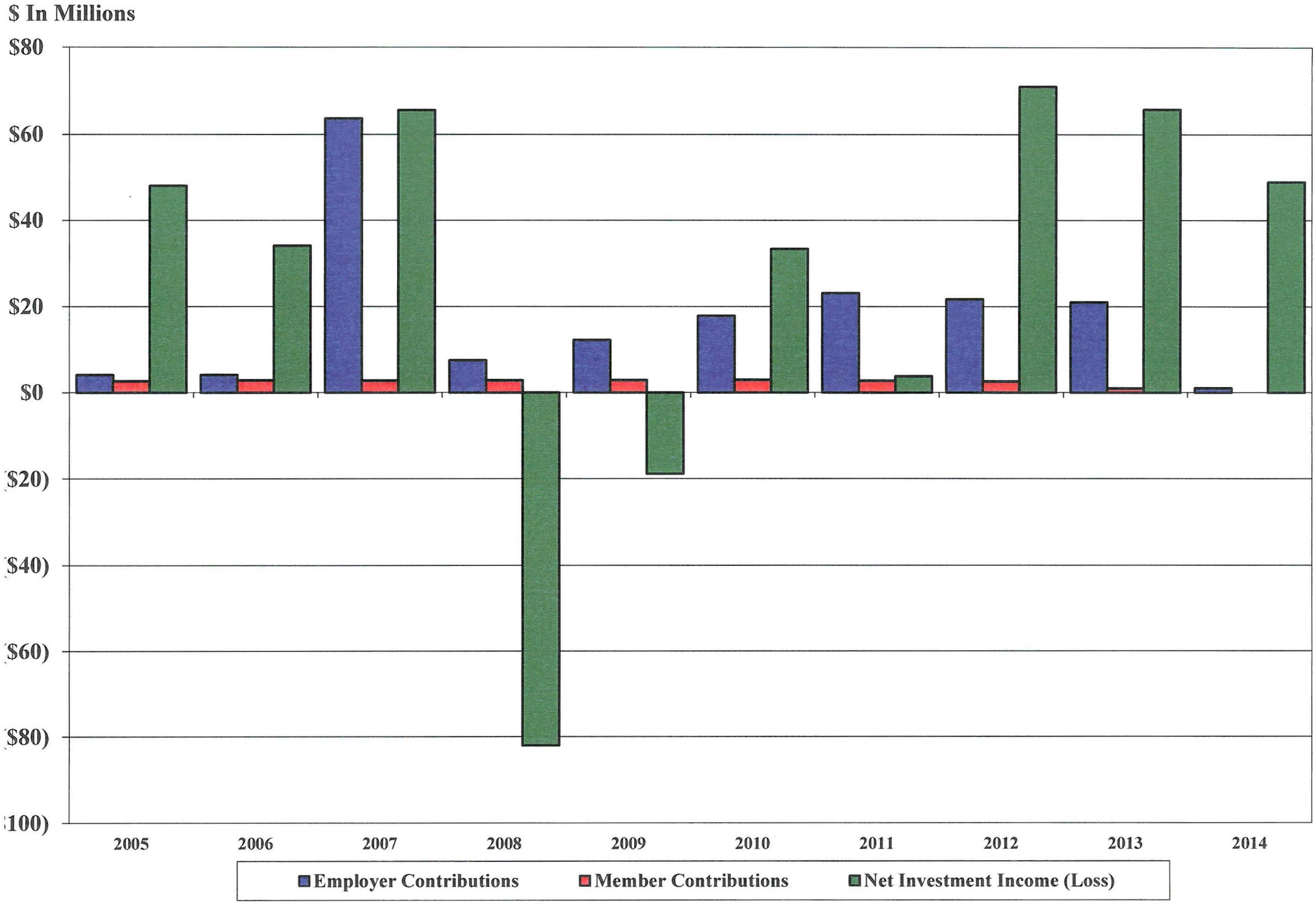


September 30, 2013

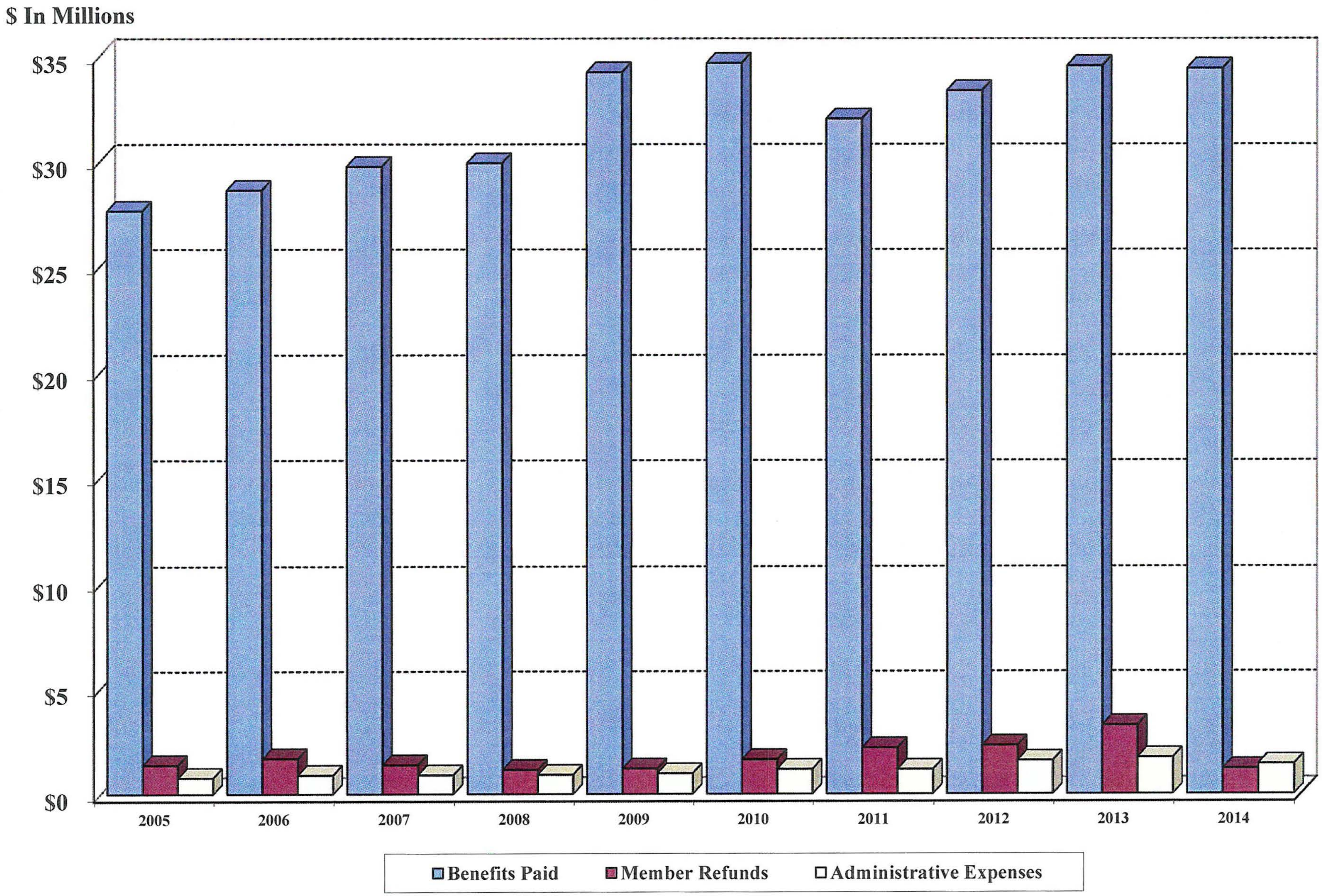
FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

ADDITIONS TO NET POSITION

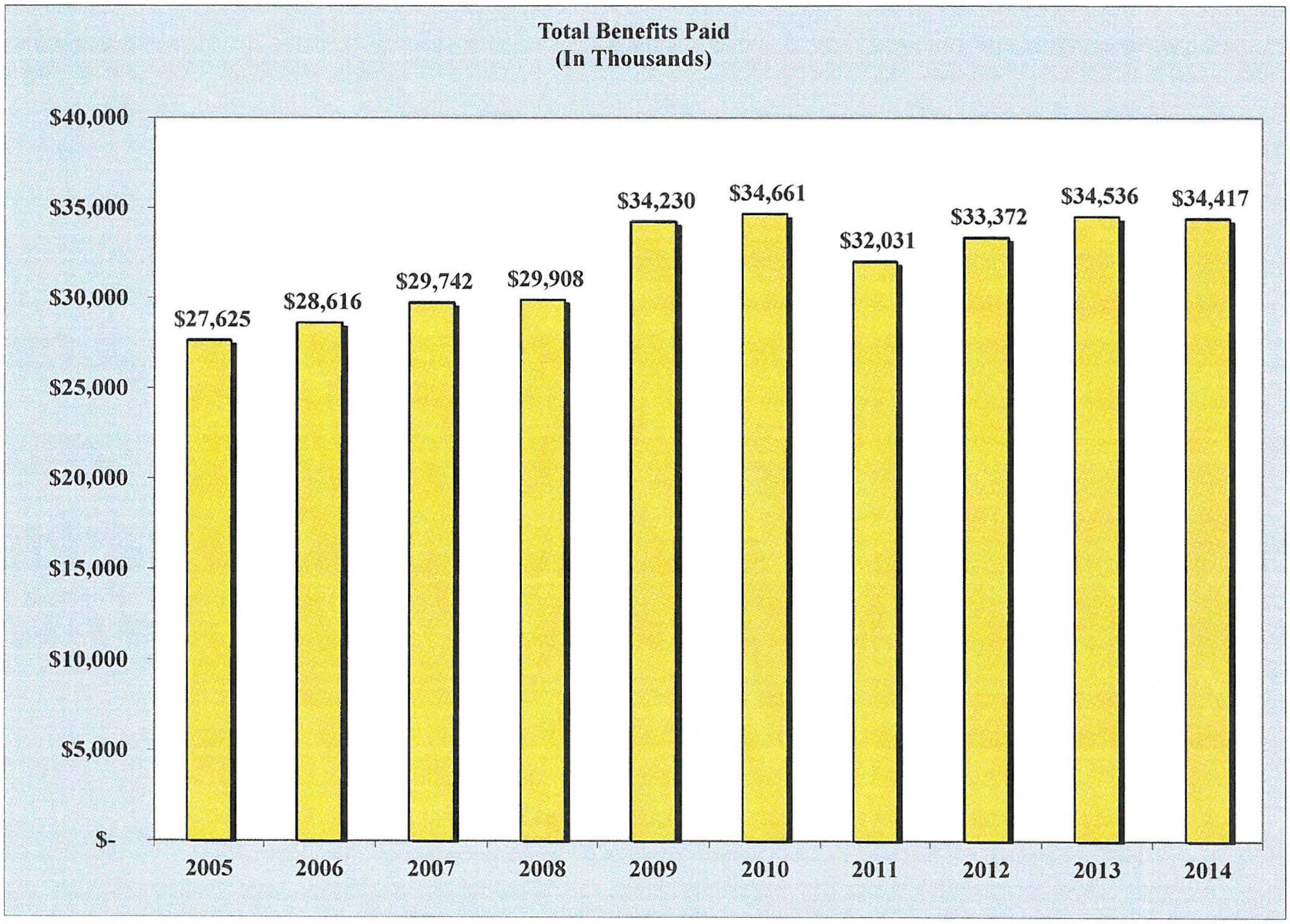
FOR THE YEARS ENDED SEPTEMBER 30



DEDUCTIONS FROM NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30



For The Fiscal Years Ended	Service Retirees**	Accidental Disability	Beneficiaries	Ordinary Disability	Death	Medical, Surgical, And Hospital	Total
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
2012	16,110,010	13,184,657	3,543,043	464,060	56,000	14,215	33,371,985
2013	16,948,351	13,228,482	3,788,048	495,398	64,000	11,559	34,535,838
2014	**16,606,662**	**13,155,325**	**3,999,493**	**587,993**	**58,000**	**9,489**	**34,416,962**



*Period includes 13 months.

**Includes DROP benefit payments.

INTERNAL CONTROL AND COMPLIANCE SECTION

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*

INDEPENDENT AUDITOR'S REPORT

February 26, 2015

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the statements of fiduciary net position and the related statements of changes in fiduciary net position of the **FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS** (the System), a Pension Trust Fund of the City of St. Louis, Missouri, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated February 26, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

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

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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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the System's financial statements are free from 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*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hochschild, Bloom & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS