FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

FINANCIAL REPORT
(Audited)

Year Ended September 30, 2015

Contents

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

INDEPENDENT AUDITOR'S REPORT

March 28, 2016

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, 2015 and 2014, 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.

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 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 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, 2015 and 2014, 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 Matters

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 March 28, 2016, 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, 2015. 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, 2015 and 2014, 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 $452 million at September 30, 2015, which represents a decrease of $49 million or 9.8% from September 30, 2014.

Additions to net position for fiscal year 2015 were a negative $11.1 million as compared to additions of $49.9 million for fiscal year 2014. The current period net negative additions are comprised of $11.1 million of net investment loss. The City was not required to make an employer contribution in fiscal year 2015, and no member contributions were received during the current year due to the System being frozen on February 1, 2013.

Deductions from net position were $36.8 million for fiscal year 2015 and $37 million for fiscal year 2014.

In addition, the System recorded a payable for a transfer of $1,070,749 to the Firefighters' Retirement Plan (FRP) for the actuarially determined cost of additional sick leave benefits accrued between September 20, 2010 and February 1, 2013 in accordance with the Settlement Agreement between the System and The Firefighters' Retirement Plan of the City of St. Louis (FRP) effective July 20, 2015. The System paid this transfer in October 2015.

The overall investment return for the System was (2.42%) for fiscal year 2015 as compared to 10.32% for fiscal year 2014. 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	
	2015	2014
Service retirements:		
Regular	**12**	13
Service connected disability	**-**	-
Ordinary disability	**-**	1
Members requesting a refund withdrawal	**17**	27
Retiree death benefits	**26**	29

FINANCIAL STATEMENTS

The financial statements, notes to financial statements, and required supplemental information (RSI) were prepared in conformity with Governmental Accounting Standards Board 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 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 the System's 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 the System's 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.
- Statements 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 expects assets will be sufficient to cover PNP.
- 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, employer's net pension liability, summary of actuarial assumptions, and sensitivity of net pension liability to changes in the discount rate.
- 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 financial statements contained in this section of the annual financial report consist of:

- The statements of fiduciary net position report the System's assets, deferred outflows, liabilities, deferred inflows, and resulting net position. The net position is restricted for pensions. 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 summarizes the System's financial transactions that have occurred during the fiscal year. 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.

Other items in the financial report are the MD&A, the RSI, and other supplemental information which provide other information considered useful in evaluating the condition of the System.

FINANCIAL ANALYSIS

Total assets at September 30, 2015 were $455,009,552 and were mainly comprised of cash and cash equivalents, investments, and receivables. Total assets decreased $47,923,964 or 9.5% from September 30, 2014.

Total liabilities at September 30, 2015 were $3,211,513 and consisted mainly of unsettled investment transactions, a payable due to FRP in settlement of the sick leave case, net pension liability - System's staff pension related, and accrued expenses. Total liabilities increased $1,044,656 or 48.2% from September 30, 2014.

The System implemented GASB 68, *Accounting and Financial Reporting by State and Local Governments*. The System's staff participate in the Employees Retirement System of the City of St. Louis (ERS), a cost sharing, multi-employer defined benefit plan. The System elected to report pension elements based on ERS' September 30, 2014 actuarial valuation beginning of the year as allowed by GASB 68. The pension elements required to be reported in the statements of fiduciary net position include: 1) net pension liability and 2) deferred outflows/inflows of resources. The net effect of implementing GASB 68 decreased net position at September 30, 2014 by $46,749.

Net position - restricted for pensions was $451,862,805 at September 30, 2015, a decrease of $48,903,854 or 9.77% from fiscal year 2014. This decrease mainly resulted from a net depreciation in fair value of investments of $16 million, benefits paid of $34 million, and no employer contribution during the year.

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

				Total Change			
	September 30			Amount		Percentage	
	2015	2014	2013	**2015**	2014	**2015**	2014
ASSETS							
Investments	**$ 448,989**	496,399	470,886	**(47,410)**	25,513	**(9.6) %**	5.4
Cash and cash equivalents	**3,591**	3,735	4,242	**(144)**	(507)	**(3.9)**	(12.0)
Receivables	**1,876**	2,197	25,549	**(321)**	(23,352)	**(14.6)**	(91.4)
Capital assets, net	**554**	603	657	**(49)**	(54)	**(8.1)**	(8.2)
Total Assets	**455,010**	502,934	501,334	**(47,924)**	1,600	**(9.5)**	0.3
DEFERRED OUTFLOWS							
System's staff pension related	**77**	-	-	**77**	-	**-**	-
LIABILITIES	**3,211**	2,018	2,977	**1,193**	(959)	**59.1**	(32.2)
DEFERRED INFLOWS							
System's staff pension related	**13**	-	-	**13**	-	**-**	-
NET POSITION	**$ 451,863**	500,915	498,357	**(49,052)**	2,558	**(9.8)**	0.5

Revenues - Additions to Net Position

Net investment loss totaled $11,079,856 in fiscal year 2015 as compared to net investment income of $48,876,120 in fiscal year 2014. Investment income is net of investment expenses (management and custodial fees) totaling $2,281,779 and $2,483,786 for the years ended September 30, 2015 and 2014, respectively.

The reserves needed to finance retirement benefits as well as death and disability benefits are accumulated through the collection of employer's contributions and through earnings on investments. Employer's contributions totaled $0 for the year ended September 30, 2015 as compared to $1,007,760 for the prior year. In total, contributions (employer and Members) decreased $1,007,760 for the year ended September 30, 2015, compared to the year ended September 30, 2014 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 2015 were $36,753,249, a decrease of $293,323 from fiscal year 2014. This decrease is mainly due to the decline in DROP lump sum payments.

Transfers Out

Transfers out represents transfers to FRP for the year ended September 30, 2015 for certain sick leave benefits and the year ended September 30, 2014 for a portion of the City's contribution to FRS for fiscal year September 30, 2013. See Note Q.

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		Total Change: Percentage	
	2015	2014	2013	**2015**	2014	**2015**	2014
ADDITIONS							
Net investment income (loss)	**$ (11,080)**	48,876	65,779	**(59,956)**	(16,903)	**(122.7) %**	(25.7)
Employer's contributions	**-**	1,008	20,999	**(1,008)**	(19,991)	**(100.0)**	(95.2)
Members' contributions	**-**	-	944	**-**	(944)	**-**	(100.0)
Total Additions	**(11,080)**	49,884	87,722	**(60,964)**	(37,838)	**(122.2)**	(43.1)
DEDUCTIONS							
Benefits paid	**33,865**	34,417	34,536	**(552)**	(119)	**(1.6)**	(0.3)
Administrative expenses	**1,594**	1,424	1,730	**170**	(306)	**11.9**	(17.7)
Refund of Members' contributions	**1,294**	1,206	3,260	**88**	(2,054)	**7.3**	(63.0)
Total Deductions	**36,753**	37,047	39,526	**(294)**	(2,479)	**(0.8)**	(6.3)
CHANGE IN NET POSITION BEFORE TRANSFER OUT	**(47,833)**	12,837	48,196	**(60,670)**	(35,359)	**(472.6)**	(73.4)
TRANSFER OUT	**1,071**	10,279	-	**(9,208)**	10,279	**(89.6)**	100.0
CHANGE IN NET POSITION	**(48,904)**	2,558	48,196	**(51,462)**	(45,638)	**(2,011.7)**	100.0
NET POSITION, BEGINNING OF YEAR	**500,915**	498,357	450,161	**2,558**	48,196	**0.5**	10.7
Effect of GASB implementation	**(148)**	-	-	**(148)**	-	**(100.0)**	-
NET POSITION, END OF YEAR	**$ 451,863**	500,915	498,357	**(49,052)**	2,558	**(9.8)**	0.5

SUMMARY

The System's net position - restricted for pensions has increased in six out of the past ten years. The decreases (which occurred in fiscal years 2015, 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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or
e-mail: jdbrewer@frs-stl.org

STATEMENTS OF FIDUCIARY NET POSITION

	September 30	
	2015	2014
ASSETS		
Investments at fair value:		
Equities:		
Corporate stocks	**$ 172,796,210**	194,458,720
Collective investment funds	**48,389,697**	62,465,582
Limited partnership units	**16,628,421**	30,843,672
Fixed income:		
Collective investment funds	**66,746,445**	65,571,395
Corporate bonds	**27,621,392**	28,129,715
Real estate investment trust	**59,023,913**	58,676,735
Hedge funds	**49,671,227**	48,891,035
Money market funds	**8,111,427**	7,362,432
Total Investments	**448,988,732**	496,399,286
Cash and cash equivalents	**3,590,558**	3,735,467
Receivables:		
Interest and dividends	**972,532**	947,030
Unsettled investment transactions	**414,708**	855,656
Other receivables	**489,270**	393,117
Total Receivables	**1,876,510**	2,195,803
Capital assets, less accumulated depreciation	**553,752**	602,960
Total Assets	**455,009,552**	502,933,516
DEFERRED OUTFLOWS OF RESOURCES		
System's staff pension related	**77,495**	-
LIABILITIES		
Unsettled investment transactions	**1,421,510**	1,089,898
Due to The Firefighters' Retirement Plan of the City of St. Louis	**1,124,668**	53,919
Accrued investment management fees	**457,626**	708,589
Net pension liability - System's staff pension related	**161,678**	-
Accrued administrative expenses	**46,031**	77,761
Members' contributions refundable	**-**	87,964
Total Liabilities	**3,211,513**	2,018,131
DEFERRED INFLOWS OF RESOURCES		
System's staff pension related	**12,729**	-
NET POSITION - RESTRICTED FOR PENSIONS	**$ 451,862,805**	500,915,385

See notes to financial statements

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	For The Years Ended September 30	
	2015	2014
ADDITIONS TO NET POSITION ATTRIBUTED TO		
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	**$ (15,616,757)**	44,471,186
Dividends	**4,705,051**	4,840,977
Interest	**1,858,684**	1,776,319
Securities lending income	**254,945**	271,424
Total Investment Income (Loss)	**(8,798,077)**	51,359,906
Less - Investment management and custodial fees	**2,281,779**	2,483,786
Net Investment Income (Loss)	**(11,079,856)**	48,876,120
Employer contributions	**-**	1,007,760
Total Additions, Net	**(11,079,856)**	49,883,880
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO		
Benefits paid to retirees and beneficiaries	**33,864,793**	34,416,962
Administrative expenses	**1,593,979**	1,424,217
Refunds of Members' contributions	**1,294,477**	1,205,393
Total Deductions	**36,753,249**	37,046,572
CHANGE IN NET POSITION BEFORE TRANSFER OUT	**(47,833,105)**	12,837,308
TRANSFER OUT	**(1,070,749)**	(10,278,591)
CHANGE IN NET POSITION	**(48,903,854)**	2,558,717
NET POSITION - RESTRICTED FOR PENSIONS, BEGINNING OF YEAR	**500,915,385**	498,356,668
RESTATEMENT OF NET POSITION - RESTRICTED FOR PENSIONS, BEGINNING OF YEAR		
Effect of recording net pension liability - System's staff pension related	**(148,726)**	-
NET POSITION - RESTRICTED FOR PENSIONS, END OF YEAR	**$ 451,862,805**	500,915,385

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 **2015**	September 30 2014	Increase (Decrease)
Retirees and beneficiaries currently receiving benefits	**967**	985	(18)
Current Members:			
Vested - participating in DROP	**62**	64	(2)
Vested - non-DROP	**172**	161	11
Nonvested	**323**	349	(26)
Total Current Members	**557**	574	(17)
Total Membership	**1,524**	1,559	(35)

The System provides retirement benefits as well as death and disability benefits. Members can voluntarily retire after a minimum of 20 years of service (compulsory retirement at age 60 with 30 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 February 1, 2013 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 employer 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 and currently participating at September 30, 2015 and 2014 were as follows:

	Currently Participating	Total DROP Accounts	DROP Account Balances
2015	62	206	$27,185,789
2014	64	179	25,904,150

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:

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 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 is 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's 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 System. 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 employer's 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Cash and Cash Equivalents

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 2015 and 2014 was $75,149,942 and $69,861,745, 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, 2015 and 2014 was $352,961,203 and $326,596,975, 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, 2015 and 2014 was $18,887,637 and $97,653,409, respectively. The

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Net Position - Restricted for Pensions (Continued)

September 30, 2014 balance as restated (reduced) for the effect of recording the beginning net pension liability of $148,726 from the implementation of GASB 68 by the System during 2015.

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 $302,746 and $415,041 were paid from the Future Benefit Fund during the years ended September 30, 2015 and 2014, respectively. The Future Benefit Fund is excluded from the assets used in determining the employer's contribution requirement. The balance at September 30, 2015 and 2014 was $4,804,701 and $6,326,389, 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 $7,250 and $28,079 for the years ended September 30, 2015 and 2014, respectively. The employees must make a one-time election as to how their accounts will be credited each anniversary date with interest on the account. Benefits were paid from the System Employees Benefit Fund during the years ended September 30, 2015 and 2014 in the amounts of $424,795 and $0, respectively. The System Employees Benefit Fund is excluded from the assets used in determining the employer's contribution requirement. The balance at September 30, 2015 and 2014 was $59,322 and $476,867, respectively.

The severance pay benefit program provided to administrative employees of the System was frozen to the current and future 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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Use of Estimates (Continued)

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.

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, net of accumulated depreciation, is summarized by major classification as follows:

	For The Year Ended September 30, 2015			
	Balance September 30 2014	Increases	Decreases	Balance September 30 2015
Capital assets not being depreciated:				
Land	$ 83,086	-	-	**83,086**
Capital assets being depreciated:				
Building	205,417	-	-	**205,417**
Building improvements	213,182	9,096	-	**222,278**
Furniture, equipment, and software	512,010	1,129	4,802	**508,337**
Total Capital Assets Being Depreciated	930,609	10,225	4,802	**936,032**
Less - Accumulated depreciation for:				
Building	67,616	5,135	-	**72,751**
Building improvements	209,281	10,199	-	**219,480**
Furniture, equipment, and software	133,838	44,099	4,802	**173,135**
Total Accumulated Depreciation	410,735	59,433	4,802	**465,366**
Total Capital Assets Being Depreciated, Net	519,874	(49,208)	-	**470,666**
Total Capital Assets, Net	$ 602,960	(49,208)	-	**553,752**

Depreciation expense for the years ended September 30, 2015 and 2014 was $59,433 and $58,723, respectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Staff Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Employers Retirement System of the City of St. Louis (ERS), a cost sharing, multi-employer defined benefit plan and additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, contributions from employers and net pension liability are recognized on an accrual basis of accounting.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of fiduciary net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of fiduciary net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The System currently has deferred inflows and outflows from GASB 68 pension elements from the System's staff participation in ERS which is reported on the statement of fiduciary net position.

NOTE C - CASH AND CASH EQUIVALENTS

The System's bank deposits are required by state law to be secured by the deposit of certain securities specified by RSMo 30.270. The collateralized securities are held by a trustee institution. The value of the securities must amount to the total of the System's cash not insured by the Federal Deposit Insurance Corporation (FDIC). The System's bank deposits as of September 30, 2015 and 2014 were $3,636,489 and $3,745,160, 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 $3,590,558 and $3,735,467 as of September 30, 2015 and 2014, 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, 2015 and 2014 was $0 and $1,007,760, respectively. A portion of the September 30, 2011 employer contributions due from the employer totaling $5,277,692 was mutually agreed (EAN Agreement) that the employer has the option to amortize this

NOTE D - CONTRIBUTION RECEIVABLE - EMPLOYER (Continued)

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, 2015.

Contribution receivable - employer consists of the following:

	September 30	
	2015	2014
Contributions receivable, beginning of year	$ -	24,061,481
Current year contributions due from the employer as calculated by the System's actuary	-	1,007,760
Interest charges	-	-
Total Current Year Contributions	-	1,007,760
Contributions received from the employer during the year	-	(25,069,241)
Total Contributions Receivable, End Of Year	$ -	-

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 contributions 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.

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:

	September 30	
	2015	2014
Aberdeen Asset Management, Inc. (core plus domestic fixed income):		
Collective investment fund - domestic fixed income	**$ 61,226,652**	60,281,068
Acadian Asset Management, LLC (international small cap):		
Collective investment fund - equity	**26,025,431**	29,516,328
Brandes Investment Partners, LP (international emerging markets):		
Collective investment fund - equity	**22,364,266**	32,949,254

NOTE E - INVESTMENTS (Continued)

	September 30 2015	2014
CastleArk Management, LLC (large cap growth):		
Corporate stocks	**25,881,046**	32,593,322
Money market fund	**834,931**	654,840
	26,715,977	33,248,162
Eagle Capital Management, LLC (large cap value):		
Corporate stocks	**26,217,827**	32,968,285
Money market fund	**479,160**	1,055,832
	26,696,987	34,024,117
EnTrust Partners Offshore, LLC (multi-strategy hedge fund):		
Hedge fund	**23,907,749**	24,161,670
Money market fund	**65**	65
	23,907,814	24,161,735
Fisher Investments, Inc. (international small cap value):		
Corporate stocks	**54,273,179**	57,948,080
Money market fund	**231,137**	408,923
	54,504,316	58,357,003
Intech Investment Management, LLC (large cap enhanced plus):		
Corporate stocks	**28,646,388**	27,758,334
Money market fund	**191,286**	133,437
	28,837,674	27,891,771
Integrity Asset Management, LLC (small cap):		
Corporate stocks	**19,293,236**	22,208,189
Money market fund	**758,876**	578,846
	20,052,112	22,787,035
Magnitude Institutional, LLC (multi-strategy hedge fund):		
Hedge fund	**25,763,478**	23,893,919
Money market fund	**15**	15
	25,763,493	23,893,934
The Northern Trust Company (index bonds and TIPS fund):		
Collective investment fund - fixed income	**5,519,793**	5,290,327
Corporate stocks	**389,116**	362,370
Money market fund	**2,128,750**	1,501,885
	8,037,659	7,154,582
Penn Capital Management Company, Inc. (fixed income):		
Corporate bonds	**27,621,392**	28,129,715
Corporate preferred stocks	**36,114**	-
Money market fund	**943,285**	896,339
	28,600,791	29,026,054

NOTE E - INVESTMENTS (Continued)

	September 30	
	2015	2014
Pinnacle Associates, Ltd. (small/mid cap growth):		
Corporate stocks	**18,059,304**	20,620,140
Money market fund	**828,478**	365,424
	18,887,782	20,985,564
Principal Financial Group (core real estate):		
Real estate investment trust	**59,023,913**	58,676,735
Tortoise Capital Advisors, LLC (master limited partnerships):		
Limited partnership units - energy	**16,628,421**	30,843,672
Money market fund	**685,768**	737,902
	17,314,189	31,581,574
UBP Asset Management, LLC (multi-strategy hedge fund):		
Hedge fund	**-**	835,446
Money market fund	**1,029,676**	1,028,924
	1,029,676	1,864,370
Total Investments	**$ 448,988,732**	496,399,286

Money market funds are invested in Northern Trust's Collective Government Short-term Investment Fund.

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.

In fiscal year 2015, the System adopted GASB 72, *Fair Value Measurement and Application*. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements. The System categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The inputs and methodologies used for valuing investment securities are not necessarily an indication of the risk associated with investing in these securities.

The System has the following recurring fair value measurements as of September 30, 2015 and 2014:

NOTE E - INVESTMENTS (Continued)

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments, at fair value:				
Corporate stocks:				
Domestic	**$ 114,887,194**	**-**	**-**	**114,887,194**
International	**57,909,016**	**-**	**-**	**57,909,016**
Collective investment funds - government bonds, agencies, and mortgaged-backed securities	**-**	**5,519,793**	**-**	**5,519,793**
Corporate bonds:				
Domestic	**-**	**26,737,900**	**-**	**26,737,900**
International	**-**	**883,492**	**-**	**883,492**
Collective investment funds - international equity	**48,389,697**	**-**	**-**	**48,389,697**
Collective investment funds - domestic fixed income	**-**	**61,226,652**	**-**	**61,226,652**
Hedge funds	**-**	**49,671,227**	**-**	**49,671,227**
Real estate investment trust	**-**	**59,023,913**	**-**	**59,023,913**
Limited partnership units - energy	**-**	**16,628,421**	**-**	**16,628,421**
Money market funds	**8,111,427**	**-**	**-**	**8,111,427**
Total Investments	**$ 229,297,334**	**219,691,398**	**-**	**448,988,732**

	2014			
	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Corporate stocks:				
Domestic	$ 132,170,314	-	-	132,170,314
International	62,288,406	-	-	62,288,406
Collective investment funds - government bonds, agencies, and mortgaged-backed securities	-	5,290,326	-	5,290,326
Corporate bonds:				
Domestic	-	27,231,165	-	27,231,165
International	-	898,550	-	898,550
Collective investment funds - international equity	62,465,582	-	-	62,465,582
Collective investment funds - domestic fixed income	-	60,281,069	-	60,281,069
Hedge funds	-	48,891,035	-	48,891,035
Real estate investment trust	-	58,676,735	-	58,676,735
Limited partnership units - energy	-	30,843,672	-	30,843,672
Money market funds	7,362,432	-	-	7,362,432
Total Investments	$ 264,286,734	232,112,551	-	496,399,285

NOTE E - INVESTMENTS (Continued)

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Investments classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments classified in Level 3 are securities whose stated market price is unobservable by the market place, many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the System's custodian bank. Debt and equity securities held in Collective Trust Funds are held in those funds on behalf of the System and there is no restriction on the use and or liquidation of those assets.

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:

	Maturities As Of September 30, 2015				
Fixed Income Investment Category	**Total**	**Less Than One Year**	**1 - 5 Years**	**6 - 10 Years**	**More Than 10 Years**
Collective investment funds	**$ 66,746,445**	**9,368,861**	**19,943,014**	**23,475,000**	**13,959,570**
Corporate bonds	**27,621,392**	**745,777**	**6,049,085**	**19,804,538**	**1,021,992**
Total	**$ 94,367,837**	**10,114,638**	**25,992,099**	**43,279,538**	**14,981,562**

	Maturities As Of September 30, 2014				
Fixed Income Investment Category	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

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:

NOTE E - INVESTMENTS (Continued)

Credit Rating As Of September 30

Credit Rating Level	2015 Total	2015 Collective Investment Funds	2015 Corporate Bonds	2014 Total	2014 Collective Investment Funds	2014 Corporate Bonds
AAA	**$ 35,407,356**	**35,407,356**	**-**	29,951,366	29,951,366	-
AA	**7,065,185**	**7,065,185**	**-**	5,319,302	5,319,302	-
A	**12,097,530**	**12,097,530**	**-**	11,297,750	11,297,750	-
BBB	**12,008,801**	**11,207,781**	**801,020**	12,389,253	12,302,051	87,202
BB	**11,476,609**	**270,609**	**11,206,000**	13,578,731	2,976,641	10,602,090
B	**14,244,668**	**483,691**	**13,760,977**	18,231,661	2,515,589	15,716,072
Not rated	**2,067,688**	**214,293**	**1,853,395**	2,933,047	1,208,696	1,724,351
Total	**$ 94,367,837**	**66,746,445**	**27,621,392**	93,701,110	65,571,395	28,129,715

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:

Foreign Currency Exposures By Asset Class In U.S. Dollars As Of September 30, 2015

Currency	Equities	Fixed Income	Real Estate Investment Trust	Hedge Funds	Money Market Funds	Total
Australian Dollar	**$ 1,824,047**	**-**	**-**	**-**	**-**	**1,824,047**
British Pound Sterling	**11,353,010**	**-**	**-**	**-**	**-**	**11,353,010**
Canadian Dollar	**-**	**-**	**-**	**-**	**-**	**-**
Danish Krone	**2,071,512**	**-**	**-**	**-**	**-**	**2,071,512**
Euro	**20,136,228**	**-**	**-**	**-**	**-**	**20,136,228**
Hong Kong Dollar	**1,998,476**	**-**	**-**	**-**	**-**	**1,998,476**
Japanese Yen	**4,708,370**	**-**	**-**	**-**	**-**	**4,708,370**
Singapore Dollar	**713,427**	**-**	**-**	**-**	**-**	**713,427**
South Korean Won	**880,182**	**-**	**-**	**-**	**-**	**880,182**
Swedish Krona	**593,734**	**-**	**-**	**-**	**-**	**593,734**
Swiss Franc	**6,285,964**	**-**	**-**	**-**	**-**	**6,285,964**
Total Foreign Currency	**50,564,950**	**-**	**-**	**-**	**-**	**50,564,950**
United States Dollar	**187,249,378**	**94,367,837**	**59,023,913**	**49,671,227**	**8,111,427**	**398,423,782**
Total	**$ 237,814,328**	**94,367,837**	**59,023,913**	**49,671,227**	**8,111,427**	**448,988,732**

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 Fund	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

Investments Policies

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

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

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

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's policy does not allow the concentration per issuer to exceed 5% of the portfolio's 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.

NOTE E - INVESTMENTS (Continued)

It is the System's current policy to invest in each asset class ranging between a minimum and maximum of total System's 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, 2015 are summarized in the following table:

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)	5.0
Money market	-

The above long-term expected real rates of return represent best estimates of mathematical rates of return for each major asset class included. These rates of return are shown net of inflation (assumed at 2.75%) 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)

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	
	2015	2014
Aberdeen Core Plus Fixed Income Portfolio	**$61,226,652**	60,281,068
The Principal U.S. Property Account	**59,023,912**	58,676,735
Acadian International Small Cap Fund	**26,025,432**	29,516,328
Magnitude Institutional Ltd. Class A Hedge Fund	**25,763,478**	-
Entrust Cap Diversified QP Lid Class E1 Series 0405 Hedge Fund	**23,907,750**	-
Brandes Investment Trust Emerging Markets Fund	**-**	32,949,254

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	
	2015	2014
Equities:		
Corporate stocks	**$ (2,364,455)**	19,378,987
Collective investment funds	**(10,593,027)**	4,424,398
Limited partnership units	**(10,363,039)**	8,814,889
Fixed income:		
Collective investment funds	**970,313**	3,821,121
Corporate bonds	**(3,226,718)**	(1,421,199)
Real estate investment trust	**8,547,178**	6,063,594
Hedge funds	**1,412,991**	3,389,396
Total	**$ (15,616,757)**	44,471,186

NOTE H - ACTUARIALLY DETERMINED CONTRIBUTIONS BASED ON STATUTORY REQUIRED CONTRIBUTIONS

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 this method are as shown in the following table:

NOTE H - ACTUARIALLY DETERMINED CONTRIBUTIONS BASED ON STATUTORY REQUIRED CONTRIBUTIONS (Continued)

	For The Years Ended September 30		Covered Payroll Percentage	
	2015	2014	**2015**	2014
Required contributions - employer:				
Portion of normal cost attributable to the System's fiscal year	**$ 755,820**	7,604,908	**2.5 %**	22.4
Unfunded actuarial accrued liability amortization payment	**-**	-	**-**	-
Total Employer Required Contributions	**$ 755,820**	7,604,908	**2.5 %**	22.4
Contributions Made By Employer During System's Fiscal Year	**$ -**	14,790,650	**- %**	43.6

This amount 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, 2015 and 2014, are shown in the schedules of employer's 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, 2015 and 2014 are based on an actuarial valuation performed as of September 30, 2015 and 2014, and a measurement date of September 30, 2015 and 2014 using generally accepted actuarial procedures.

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

Schedules of Employer's Net Pension Liability

	September 30	
	2015	2014
Total pension liability (2014 - restated)	**$495,019,559**	451,541,709
System's fiduciary net pension (FNP)	**447,058,104**	494,588,996
Employer's Net Pension Liability (Excess Assets)	**$ 47,961,455**	(43,047,287)
System's Fiduciary Net Position as a Percentage of Total Pension Liability	**90.31%**	109.53
Covered Employee Payroll (excluding DROP participants)	**$30,288,086**	29,767,542
Employer's Net Pension Liability (Excess Assets) as a Percentage of Covered Employee Payroll	**158.35%**	(144.61)

The System's 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 $4,804,801 and $6,326,389 at September 30, 2015 and 2014, respectively.

The total pension liability as of September 30, 2014 was restated due to an actuarial revision to develop the System's liabilities assuming benefits are fully earned because the System is closed to new Members, and benefits have been frozen as of February 1, 2013. The actuarial accrued liability is now equal to the present value of frozen accrued benefits and DROP balances as of the measurement date.

Sensitivity of the net pension liability (excess assets) to changes in the discount rate: The following presents the employer's net pension liability, calculated using the discount rate of 7.3%, as well as what the employer's net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.3%) or 1% point higher (8.3%) than the current rate.

	1% Decrease (6.3%)	**Current Discount Rate Assumption (7.3%)**	**1% Increase (8.3%)**
Total pension liability (TPL)	$547,203,769	495,019,559	451,399,976
Employer's net pension liability	$100,145,665	47,961,455	4,341,872
System's FNP/TPL	81.70%	90.31	99.04

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

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

A single discount rate was used to measure the pension liability. This single discount rate was based on the expected rate of return on the System's investments of 7.3% (before administrative expenses assumption of 0.3%). 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 and their beneficiaries. 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 pension liability:

Method:	
Valuation date	October 1, 2015
Actuarial cost method (GASB 67 reporting)	Entry Age - Normal
Amortization method/period	30-year closed period from establishment
Remaining amortization period	Various
Asset valuation method	3-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.3%, net of investment expenses of 50 basis points
Long-term municipal bond rate	3.71%
Rate of payroll growth	3% to 4% based on service. Benefits have been frozen as of February 1, 2013; therefore, no salary increases have been assumed for purposes of determining benefits
Consumer price inflation	2.75%
Mortality	Post-retirement ordinary - RP-2014 Healthy Annuitant Mortality Table, sex distinct Pre-retirement - RP-2014 Employee Mortality Tables, sex distinct Post-disability - assumed to be 20% higher than post-retirement mortality rates

Cost-of-living adjustments (COLA):

Under Age 60

Service Years	COLA
20 - 24	1.50%
25 - 29	2.25%
30 or more	3.00%

Over Age 60

5% with a maximum of 25% in increases after age 60

NOTE J - SECURITIES LENDING

The System participated in The Northern Trust Company's (NTC) 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 NTC. 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 NTC receives the remaining 30% of the net lending fees as compensation for its services provided in the securities lending program. The NTC 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, 2015 and 2014, outstanding loans to borrowers were $68,037,739 and $50,961,125, respectively. The System earned income of $254,945 and $271,424 for its participation in the securities lending program for the years ended September 30, 2015 and 2014, respectively.

NOTE K - SYSTEM STAFF PENSION PLAN

General Information about the Pension Plan

Plan Description

All full-time staff at the System are provided with pension benefits through the Employees Retirement System of the City of St. Louis (ERS), a cost-sharing, multiple-employer defined benefit pension plan.

Benefits Provided

Upon retirement at age 65, or at any age plus years if credited service equals or exceeds 85 (Rule of 85), employees receive monthly payments for life of yearly benefits equal to years of credited service multiplied by 1.3% of average final compensation plus 2.05% of average final compensation in excess of employee's benefit compensation in excess of the current Social Security wage base. Early retirement can occur at age 60 with at least five years of service. This early service retirement allowance is reduced by 4% for each year prior to age 65 or at the age at which the Rule of 85 would have been satisfied had the employee continued working until that age, if earlier.

Disability retirement is available if an employee has 5 years of creditable service and is totally disabled as determined by the Medical Board. The disability pension is computed in the same manner as normal service retirement.

NOTE K - SYSTEM STAFF PENSION PLAN (Continued)

In lieu of the benefit paid over the lifetime of the employee, reduced benefit options are available for survivor and beneficiary payments.

Employees are eligible, after accumulation of 5 years of credited service, for disability benefits prior to eligibility of normal retirement. Survivor benefits are available for beneficiaries of employees who die after at least 5 years of service.

The Deferred Retirement Option Plan (DROP) allows employees who have reached retirement eligibility to begin receiving a pension benefit while continuing to work. The benefit is paid to an employee's DROP account where it earns interest. No creditable service is earned during DROP participation. An employee can participate in DROP for a maximum of 5 years and can immediately retire or continue to work and resume earning creditable service.

Contributions

The ERS does not require employee contributions.

The System was contractually required to contribute a percentage of annual payroll for the years ended June 30, 2015 and 2014, which were 15.17% and 15.56%, respectively. The amount is actuarially determined and is expected to finance the costs of benefits earned by employees during the year along with any additional amount to finance the unfunded accrued liability. Contributions to the ERS from the System were $46,238 and $43,526 for the years ended September 30, 2015 and 2014, respectively.

Net Pension Expense (Income)

Net pension expense (income) is the sum of changes in the net pension liability and deferred inflows and outflows of resources. For fiscal year 2015 the System's net pension expense (income) was calculated as follows:

System's employer contributions	$ 46,238
Change in net pension liability	12,952
Deferred inflows of resources	12,729
Deferred outflows of resources	(77,495)
Net Pension Expense (Income)	($ 5,576)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured at September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At September 30, 2014, the System had a liability of $161,678 (or 0.1046%) for its proportionate share of the ERS' net pension liability. The System's proportion of the net pension liability was based on a projection of the System's long-term share of contributions to the ERS relative to the projected contributions of all participating employers, actuarially determined.

NOTE K - SYSTEM STAFF PENSION PLAN (Continued)

For the year ended September 30, 2014, the actuarially determined pension recovery was $5,576, and reported deferred outflows of resources and deferred inflows of resources related to ERS were from the following sources:

	Outflows	Inflows	Net Outflows
Net difference between expected and actual experience	$ -	(2,875)	(2,875)
Net difference between projected and actual earnings on ERS' investments	-	(9,854)	(9,854)
Net impact from changes in proportion allocation between the participating employers	31,257	-	31,257
Fiscal year 2015 paid contributions	46,238	-	46,238
Total	$ 77,495	(12,729)	64,766

	For The Years Ending September 30				
	Total	2016	2017	2018	2019
Deferred outflows (inflows) future recognition	$64,766	53,235	6,997	6,997	(2,463)

Actuarial Assumptions

The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.5% plus merit component based on employee's years of service
Investment rate of return	8%, net of pension plan investment expense
Mortality rates	1994 Group Annuity Mortality Table

Discount Rate

The discount rate used to measure the total pension liability was 8.09%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to follow the current funding policy. Based on those assumptions, the fiduciary net position was projected to be sufficient to make all projected future benefits payments of current plan employees.

NOTE K - SYSTEM STAFF PENSION PLAN (Continued)

Sensitivity of the System's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the System's proportionate share of the net pension liability calculated using the discount rate of 8% increased by 0.09% administrative expenses, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (7.09%) or 1% point higher (9.09%) than the current rate:

	1% Decrease (7.9%)	Current Discount Rate Assumption (8.9%)	1% Increase (9.9%)
Net pension liability	$259,504	161,678	77,961

Detailed information about the ERS' fiduciary net position is available in the separately issued ERS' financial report.

NOTE L - RELATED PARTY TRANSACTIONS

The System reimburses the City 100% of the total salaries, payroll taxes, and employee fringe benefits for the System's employees. The System's expense for the years ended September 30, 2015 and 2014 was $933,798 and $436,541, 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, 2015 and 2014 was $5,696 and $10,934, respectively.

NOTE M - RISK MANAGEMENT

The System is exposed to various risks of loss related to breach of fiduciary duties, 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 N - 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, 2015 and 2014 of $1,421,510 and $1,089,898, respectively. These amounts are reflected in the statements of fiduciary net position as a liability for unsettled investment transactions.

NOTE N - COMMITMENTS AND CONTINGENCIES (Continued)

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.

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 challenged 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.

NOTE N - COMMITMENTS AND CONTINGENCIES (Continued)

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.

The System entered into a settlement agreement with FRP in July 2015 which addresses the sick leave and sick leave matters noted above. Firefighters employed by the City prior to February 1, 2013 are entitled to use unused medical leave that accrued from September 2, 2010 and February 1, 2013 for pension purposes. The cost of the additional sick leave benefits will be funded in part with a one-time transfer of $1,070,749 from the System Future Benefits Fund to FRP. The remaining actuarial present value of the cost of the additional sick leave benefits applicable to the System shall be paid in full from the System's Future Benefit Fund to the General Reserve Fund of the System on a 15 year amortized basis, with annual payments of $166,792 beginning October 2015. The System shall begin crediting unused medical leave for pension purposes that accrued during that period for future retirees and shall calculate and pay any additional sick leave benefits to those retirees entitled to such benefits for those who are already retired and were employed firefighters between September 20, 2010 and February 1, 2013. An estimate of these additional sick leave benefits (true-up of either a lump-sum or monthly retirement benefits) to retirees is $111,000.

NOTE O - 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 P - RATE OF RETURN

For the years ended September 30, 2015, 2014, and 2013, the annual money-weighted rate of return (loss) on ERS' investments, net of investment expenses, was (2.42%), 10.32%, 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 Q - TRANSFER OUT

During the year ended September 30, 2015, the System recorded a payable of $1,070,749 for a transfer to FRP pursuant to a settlement and release entered into with FRP in July 2015. Under the agreement, firefighters who were employed by the City prior to February 1, 2013 are entitled to use unused medical leave that accrued during the period between September 20, 2010 and February 1, 2013 for pension purposes. This amount was funded with this one-time transfer of funds from the System to FRP to pay for the actuarially determined full cost to FRP of the additional sick leave benefits due to salary increases after February 1, 2013. This transfer was made on October 2, 2015 in accordance with the agreement.

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 ended 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 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 R - PRIOR PERIOD ADJUSTMENT

The previously stated net position balance has been restated as follows:

Net position, September 30, 2014, as previously reported	$500,915,385
Restatement for GASB 68 implementation - proportionate share of ERS' net pension liability at September 30, 2014	(148,726)
Net Position, September 30, 2014, As Restated	$500,766,659

NOTE S - NEW ACCOUNTING STANDARDS ADOPTED

In fiscal year 2015, the System adopted GASB 68, *Accounting and Financial Reporting for Pensions*. 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. The System implemented GASB 68 for the System's staff retirement benefits provided through ERS, a cost-sharing, multi-employer defined benefit system for the fiscal year ended September 30, 2015. The System's beginning net position decreased by $148,726 from implementing GASB 68 in fiscal year 2015.

NOTE S - NEW ACCOUNTING STANDARDS ADOPTED (Continued)

In fiscal year 2015, the System adopted GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68 (GASB 71)*. This statement addresses contributions made after an employer's liability measurement date, which may not have been reported as deferred outflows of resources at transition under GASB 68. As a result, GASB 71 reduces the risk of an understatement of an employer's beginning fiduciary net position and expenses in the initial period of implementation. It is required that the statement be applied simultaneously with the provisions of GASB 68. There was no material impact on the System's financial statements as a result of implementation of GASB 71.

In fiscal year 2015, the System adopted GASB 72, *Fair Value Measurement and Application*. GASB 72 requires the System to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach, or an income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. There was no material impact on the System's financial statements as a result of the implementation of GASB 72.

While these new accounting pronouncement affect the accounting measures, they did not have an effect on the actuarial methods and assumptions used by the System to determine the employer's contributions needed to fund the System as required under State Statute. The new accounting pronouncements did, however, impact the financial statement presentation for pension accounting and related disclosures for the System.

NOTE T - SUBSEQUENT EVENTS

The System has performed an evaluation of subsequent events through March 28, 2016, the date the basic financial statements were available to be issued. No material events were identified by the System.

NOTE U - SYSTEM RESERVES

Changes in the System's reserves for the years ended September 30, 2015 and 2014 are as follows:

	Total	Member's Savings Fund	Benefit Reserve Fund	General Reserve Fund	Future Benefit Fund	System Employees Benefit Fund
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
Prior year restatement for GASB 68 net pension liability	(148,726)	-	-	(148,726)	-	-
Balance, September 30, 2014, as restated	500,766,659	69,861,745	326,596,975	97,504,683	6,326,389	476,867
Contributions	-	-	-	-	-	-
Net investment income less administrative expenses	(12,673,835)	(1,817,488)	(8,135,382)	(2,580,122)	(148,093)	7,250
Transfer due to (surplus) deficit	-	8,400,162	68,061,557	(76,461,719)	-	-
Adjustment for benefits paid to System employees	-	-	-	424,795	-	(424,795)
Benefits paid to retirees and beneficiaries	(33,864,793)	-	(33,561,947)	-	(302,846)	-
Refunds of Members' contributions	(1,294,477)	(1,294,477)	-	-	-	-
Transfer out due to settlement agreement	(1,070,749)	-	-	-	(1,070,749)	-
Change in reserves for the year ended September 30, 2015	(48,903,854)	5,288,197	26,364,228	(78,617,046)	(1,521,688)	(417,545)
Balance, September 30, 2015	**$ 451,862,805**	**75,149,942**	**352,961,203**	**18,887,637**	**4,804,701**	**59,322**

REQUIRED SUPPLEMENTAL INFORMATION SECTION

SCHEDULES OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY

	For The Years Ended September 30		
	2015	**2014 (A)**	
Total Pension Liability			
Service cost	$ -	-	
Interest on total pension liability	**34,403,495**	34,449,637	
Benefit changes	**-**	-	
Differences between expected and actual experience	**15,441**	-	
Assumption changes	**43,915,338**	-	
Benefit payments	**(33,561,947)**	(34,001,921)	
Refunds of Members' contributions	**(1,294,477)**	(1,205,393)	
Net Change In Total Pension Liability	**43,477,850**	(757,677)	
Total Pension Liability Beginning	**451,541,709**	452,299,386	
Total Pension Liability Ending (a)	**$ 495,019,559**	451,541,709	
System Fiduciary Net Position			
Contributions - Employer	**$ -**	1,007,760	
Contribuitons - Members	**-**	-	
Net investment income (loss)	**(10,931,763)**	48,269,780	
Benefit payments	**(33,561,947)**	(34,001,921)	
Refunds of Members' contributions	**(1,294,477)**	(1,205,393)	
Administrative expenses	**(1,593,979)**	(1,424,217)	
Other - transfer to FRP	**-**	-	
Net Change In System Fiduciary Net Position	**(47,382,166)**	12,646,009	
Transfer out	**-**	(10,278,591)	
System Fiduciary Net Position Beginning	**494,440,270** (B)	492,221,578	
System Fiduciary Net Position Ending (b)	**$ 447,058,104** (C)	494,588,996	(C)
Net Pension Liability (Excess Assets) Ending (a-b)	**$ 47,961,455**	(43,047,287)	

Notes:

(A) The September 30, 2014 total pension liability was restated due to an actuarial revision to develop the System's liabilities assuming benefits are fully earned because the System is closed to new Members, and benefits have been frozen as of February 1, 2013. The actuarial accrued liability is now equal to the present value of frozen accrued benefits and DROP balances as of the measurement date.

(B) The September 30, 2014 System fiduciary net position was restated (decreased) by $148,726 from recording the beginning net pension liaibiity, resulting from implementing GASB 68 for the System's staff participaton in ERS during the year ended September 30, 2015

(C) The plan fiduciary net position shown in the above schedules of changes in employer's net pension liability excludes the Future Benefit Fund, including its earnings allocated, transfer out, and SHARE program benefits. The Future Benefit Fund balances stated for the years ended September 30, 2015 and 2014, were $4,804,701 and $6,326,389, respectively.

SCHEDULES OF EMPLOYER'S NET PENSION LIABILITY

	For The Years Ended September 30	
	2015	**2,014**
System Fiduciary Net Position as a Percentage of the Total Pension Liability	**90.31 %**	109.53
Covered Members' Payroll (excluding DROP participants)	**$ 30,288,086**	29,767,542
Employer's Net Pension Liability as a Percentage of Covered Members' Payroll	**158.35 %**	(144.61)

SCHEDULES OF EMPLOYER'S CONTRIBUTIONS

	For The Years Ended September 30		
	2015	2014	2013
Employer actuarially determined contributions	**$ -**	1,007,760	9,803,957
Contributions in relation to the actuarially determined contributions	**-**	1,007,760	10,137,271
Contributions Surplus	**$ -**	-	333,314
Covered Employee Payroll (Excluding DROP Participants)	**$ 30,288,086**	29,767,542	30,021,550
Contributions as a Percentage of Covered Members' Payroll	**- %**	3.39	33.77

SCHEDULES OF ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS

	For The Years Ended September 30		
	2015	2014	2013
Annual money-weighted rate of return, net of investment expenses	**(2.42) %**	10.32	14.41

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2015

1. Changes in Benefit Terms

There were no changes in benefits during the year ended September 30, 2015.

2. Changes in Actuarial Assumptions

An experience study for the period October 1, 2010 to September 30, 2014 was performed to compare actual demographic and economic experience with the actuarial assumptions used in the actuarial valuation. The following represents changes in assumptions from this study:

a. Decrease in the price inflation assumption from 3% to 2.75%.
b. Decrease in investment return assumption from 7.925% to 7.3% (before administrative expenses assumption of 0.3%) which reflects an underlying inflation assumption of 2.75%.
c Decrease in wage inflation from 3.25% to 3%.
d. Assume salary increases are higher in earlier years of employment and lower in later years of employment.
e. Decrease in overall retirement rates to reflect observed experience.
f. Assume Members will enter DROP after completing 23 years of service and will return to service after 5 years of DROP.
g. Decrease in the expected turnover.
h. Update post-retirement mortality table assumption from the RP-2000 Mortality table projected to 2015 to the RP-2014 Mortality Table for Healthy Annuitants, sex distinct.
i. Update mortality table for disabled Members from 120% of the RP-2000 Mortality table projected to 2015 to 120% of the healthy mortality rates which are higher than nondisabled Members.
j. Update pre-retirement mortality rates from 85% of the RP-2000 mortality table, sex distinct, with rates projected to 2015 to the RP-2014 Mortality Table for employees, sex distinct.
k. Decrease in disability rates based on observed experience.

3. Changes in Actuarial Method

None

4. Method and Assumptions used in Calculations of Actuarially Determined Pension Liability

The actuarially determined employer's contributions were calculated as of the September 30 preceding the fiscal year in which contributions are made. That is, the contributions calculated as of the September 30, 2014 actuarial valuation was made during the fiscal year ended September 30, 2015. The following actuarial methods and assumptions were used to determine pension liability reported in the schedules of changes in employer's net pension liability (schedule):

Method:	
Valuation date	October 1, 2015
Actuarial cost method (GASB 67 reporting)	Entry Age - Normal
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	7.3%, net of investment expenses of 50 basis points
Long-term municipal bond rate	3.71%
Rate of payroll growth	3% to 4% based on service. Benefits have been frozen as of February 1, 2013; therefore, no salary increases have been assumed.
Consumer price inflation	2.75%
Mortality	Post-retirement ordinary - RP-2014 Healthy Annuitant Mortality Tables, sex distinct Pre-retirement - RP-2014 Employee Mortality Tables, sex distinct Post-disability - assumed to be 20% higher than post-retirement mortality rates

(Continued)

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2015 (Continued)

5. 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.

6. 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.

7. 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 the System's 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%. 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 the System's administrative expenses. Investment expenses (management 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 7.3%. This rate is gross of administrative expenses.

For the purpose of this valuation, the expected rate of return on the System's investments is 7.3%; the municipal bond rate is 3.71% (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 7.3%. The single discount rate is unchanged from the expected rate of return on the System's investments because the System is closed to new Members and the present value of benefits is projected to be sufficient to pay benefits of all current Members and their beneficiaries 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 2115.

8. Covered Payroll

The covered payroll for active Members were as follows:

	For The Years Ended September 30			
	2015		2014	
	Number	**Compensation**	Number	Compensation
Active Members non-DROP	**495**	**$ 30,288,086**	510	$ 29,767,542
Active Members participating in DROP	**62**	**4,128,459**	64	4,163,451
Total Covered Payroll	**557**	**$ 34,416,545**	574	$ 33,930,993

SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF THE EMPLOYEES RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS (ERS), A COST-SHARING, MULTI-EMPLOYER DEFINED BENEFIT PENSION PLAN

	September 30, 2015
Proportionate Share of the Employer's Contributions	**0.1045741 %**
Proportionate Share of the Collective Net Pension Liability	**$ 161,678**
Covered Employee Payroll	**$ 260,505**
Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Employee Payroll	**62.06 %**
ERS' Fiduciary Net Position as a Percentage of the Total Pension Liability	**83.47 %**

Notes:

(A) The System elected to report pension elements using the beginning of the year actuarial valuation as allowed by GASB 68. Therefore, the amounts presented were determined as of the ERS' fiscal year ended September 30, 2014 actuarial valuation.

(B) The System implemented GASB 68 for the fiscal year ended September 30, 2015. Years will be added to this schedule in future fiscal years until 10 years of information is provided.

SCHEDULE OF THE SYSTEM'S CONTRIBUTIONS TO THE EMPLOYEES RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS (ERS), A COST-SHARING, MULTI-EMPLOYER DEFINED BENEFIT PENSION PLAN

	For The Year Ended September 30 2014
Contractually required contribution	$ 43,526
Contributions in relation to the contractually required contribution	(43,526)
Contribution Deficiency (Excess)	$ -
Covered Employee Payroll	$ 260,505
Contributions as a Percentage of Covered Employee Payroll	16.71 %

Notes to schedule:

(A) Acutarial Methods and Assumptions:

Valuation date:

Actuarially determined contributions are calculated as of October 1, 2013. Valuation date is used to calculate the required contribution for the fiscal year ending September 30, 2014.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Rolling 30-year level dollar amortization of unfunded liability
Asset valuation method	5-year smoothing
Inflation	3.125%
Salary increases	3.5% plus merit component based on employee's years of service
Investment rate of return	8%, net of pension plan investment expenses
Mortality	1994 Group Annuity Mortality Table

(B) The System elected to report pension elements using the beginning of the year actuarial valuation as allowed by GASB 68. Therefore, the amounts presented were determined as of the ERS' fiscal year ended September 30, 2014 actuarial valuation.

(C) The System implemented GASB 68 for the fiscal year ended September 30, 2015. Years will be added to this schedule in future fiscal years until 10 years of information is provided.

OTHER SUPPLEMENTAL INFORMATION SECTION

	For The Years Ended September 30	
	2015	2014
BENEFITS PAID TO RETIREES AND BENEFICIARIES		
Monthly annuity:		
Service retirees	**$ 14,467,182**	14,245,346
Accidental disability	**12,930,902**	13,155,325
Beneficiaries	**3,935,283**	3,999,493
Ordinary disability	**584,622**	587,993
Medical, surgical, and hospital	**8,495**	9,489
Total Monthly Annuity	**31,926,484**	31,997,646
Lump sum:		
DROP	**1,886,309**	2,361,316
Death	**52,000**	58,000
Total Lump Sum	**1,938,309**	2,419,316
Total Benefits Paid To Retirees And Beneficiaries	**$ 33,864,793**	34,416,962
ADMINISTRATIVE EXPENSES		
Personnel costs:		
Salaries (2015 includes deferred compensation benefits paid totaling $424,795)	**$ 865,518**	321,145
Payroll taxes	**39,624**	23,129
Employee fringe benefits:		
Group benefits	**34,232**	48,741
Net pension expense (income)	**(5,576)**	43,526
Total Personnel Costs	**933,798**	436,541
Investment consultant's fees	**172,930**	168,275
Actuary fees	**107,385**	79,151
Legal fees	**80,612**	382,560
Depreciation	**59,433**	58,723
Accounting and auditing fees	**48,310**	44,929
Travel and seminars	**46,669**	32,905
Insurance	**34,689**	33,195
Computer and website	**23,512**	89,492
Building operations	**17,738**	15,387
Office supplies and expenses	**16,846**	21,523
Medical reviews, consulting, and investigations	**12,460**	11,121
Equipment rental and maintenance	**12,210**	15,959
Postage and delivery	**10,211**	8,272
Costs allocated from City	**5,696**	10,934
Bank charges	**5,281**	4,495
Telephone	**5,233**	9,789
Property assessment	**966**	966
Total Administrative Expenses	**$ 1,593,979**	1,424,217

INVESTMENT MANAGEMENT AND CUSTODIAL FEES

	For The Years Ended September 30	
	2015	2014
Investment managers' fees:		
Fisher Investments, Inc.	**$ 403,012**	442,662
Eagle Capital Management, LLC	**254,101**	266,056
Integrity Asset Management, LLC	**222,605**	234,383
Acadian Asset Management, LLC	**219,714**	245,490
Aberdeen Asset Management, Inc.	**183,478**	176,438
Pinnacle Associates, Ltd.	**180,708**	209,285
Tortoise Capital Advisors, LLC	**164,598**	248,920
Penn Capital Management Company, Inc.	**147,369**	146,213
Intech Investment Management, LLC	**104,682**	94,238
CastleArk Management, LLC	**95,431**	101,445
Total Investment Managers' Fees	**1,975,698**	2,165,130
Custodial fees:		
The Northern Trust Company	**306,081**	318,656
Total Investment Management And Custodial Fees	**$ 2,281,779**	2,483,786

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:

EnTrust Partners Offshore, LLC (Hedge Fund)
Magnitude Institutional, LLC (Hedge Fund)
UBP Asset Management, LLC (Hedge Fund)

SUMMARY OF INSURANCE COVERAGE

Type	Coverage
Fiduciary Liability	$ 5,000,000
Property:	
Building	$ 463,649
Contents	$ 486,840
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

HISTORICAL TREND INFORMATION

Additions to Net Position

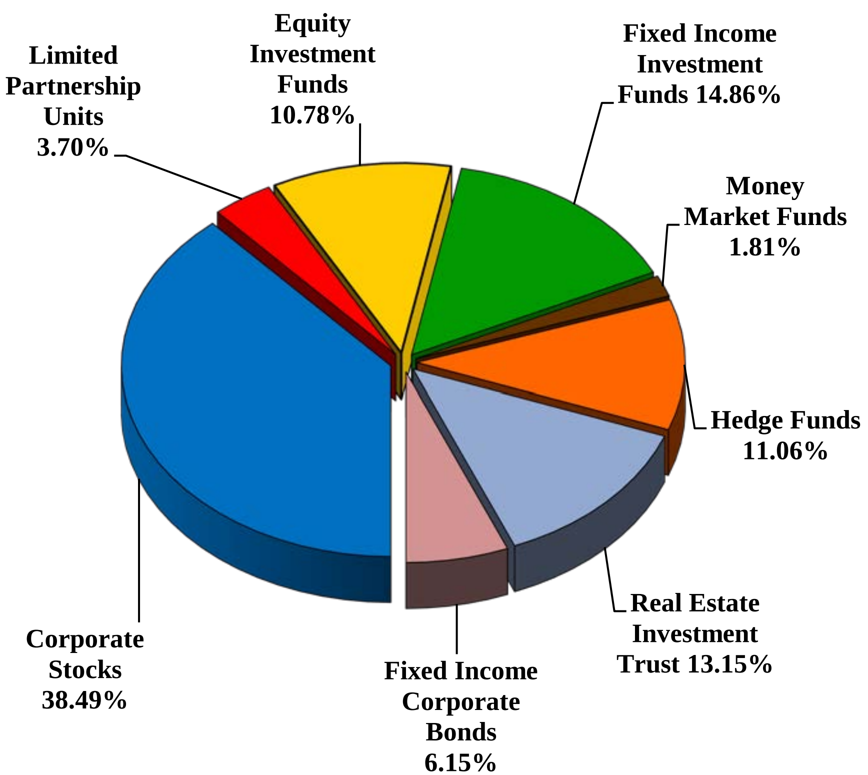
For The Years Ended September 30		Contributions Employer	Contributions Members	Net Investment Income (Loss)	Total
2015		**$ -**	**-**	**(11,079,856)**	**(11,079,856)**
2014		1,007,760	-	48,876,120	49,883,880
2013	(A)	20,998,953	944,098	65,779,337	87,722,388
2012		21,680,123	2,569,508	71,064,693	95,314,324
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

Deductions from Net Position

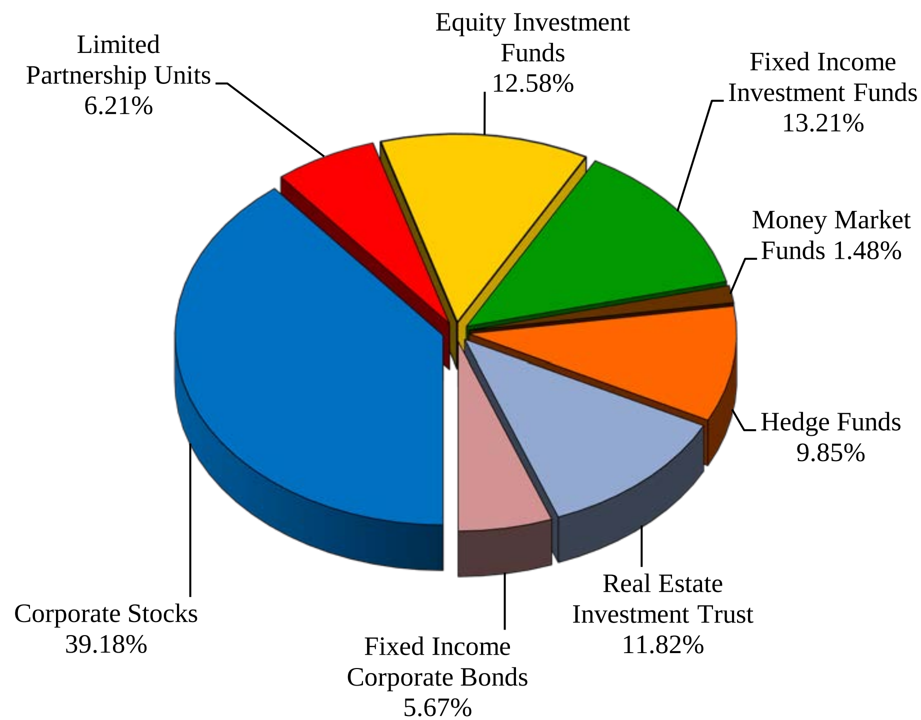
For The Years Ended September 30	Benefits Paid	Refunds Of Members Contributions	Administrative Expenses	Total
2015	**$ 33,864,793**	**1,294,477**	**1,593,979**	**36,753,249**
2014	34,416,962	1,205,393	1,424,217	37,046,572
2013	34,535,838	3,260,793	1,730,087	39,526,718
2012	33,371,985	2,303,658	1,579,936	37,255,579
2011	32,030,971	2,191,639	1,162,784	35,385,394
2010	34,661,065	1,639,211	1,174,231	37,474,507
2009	34,230,413	1,206,585	977,713	36,414,711
2008	29,908,146	1,152,581	916,706	31,977,433
2007	29,742,364	1,390,936	903,835	32,037,135
2006	28,615,532	1,685,199	894,487	31,195,218

(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.

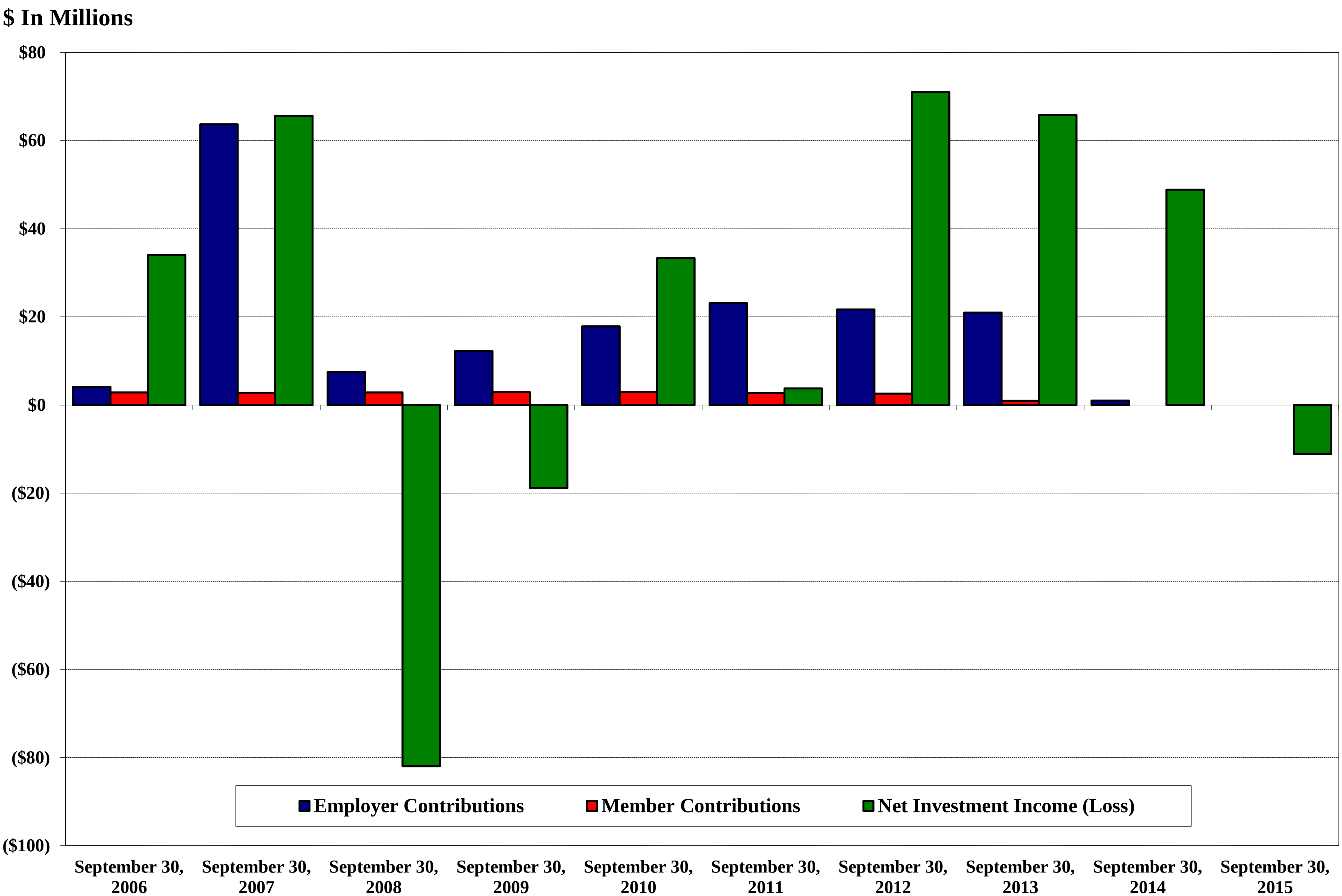


September 30, 2015

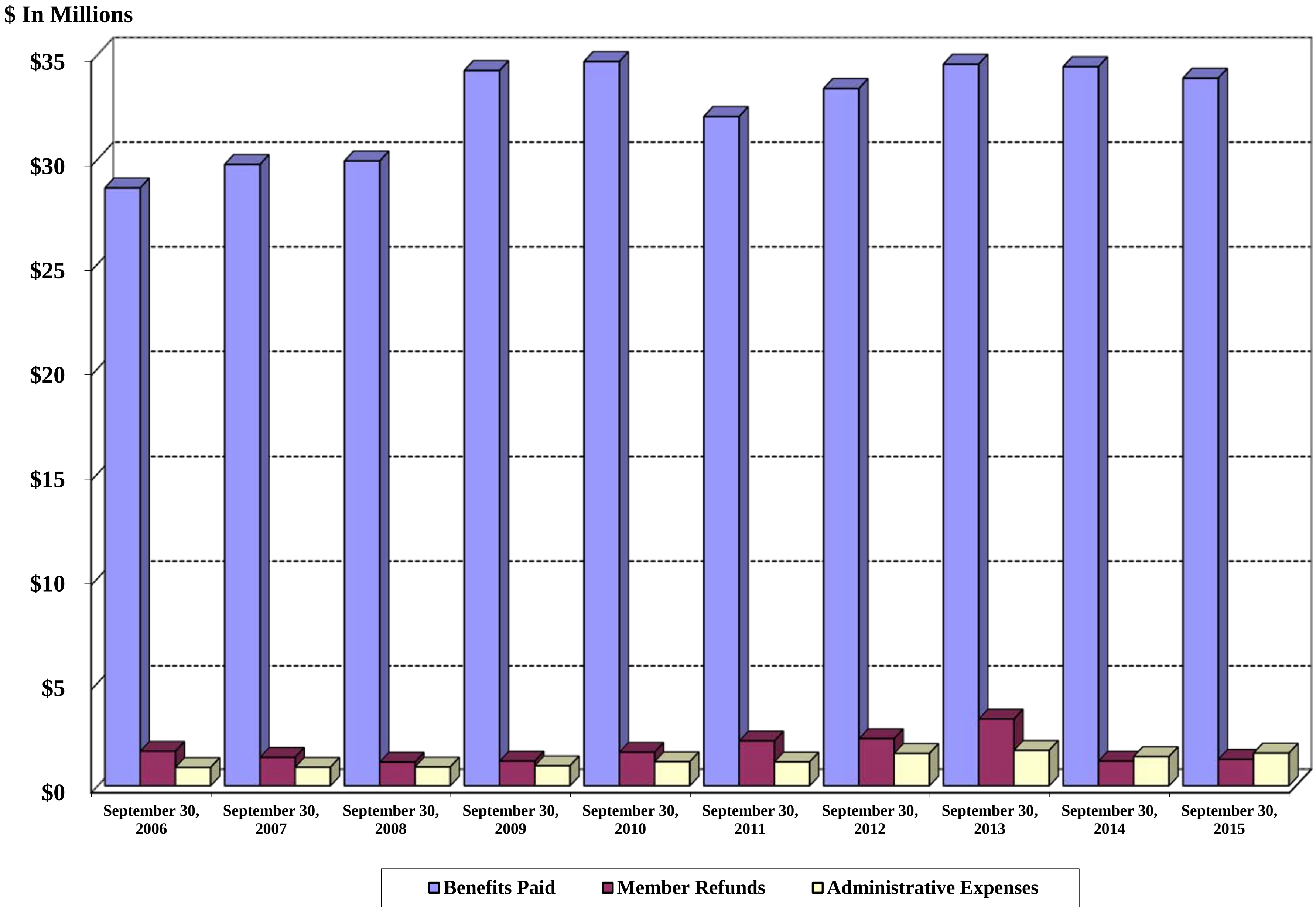


September 30, 2014

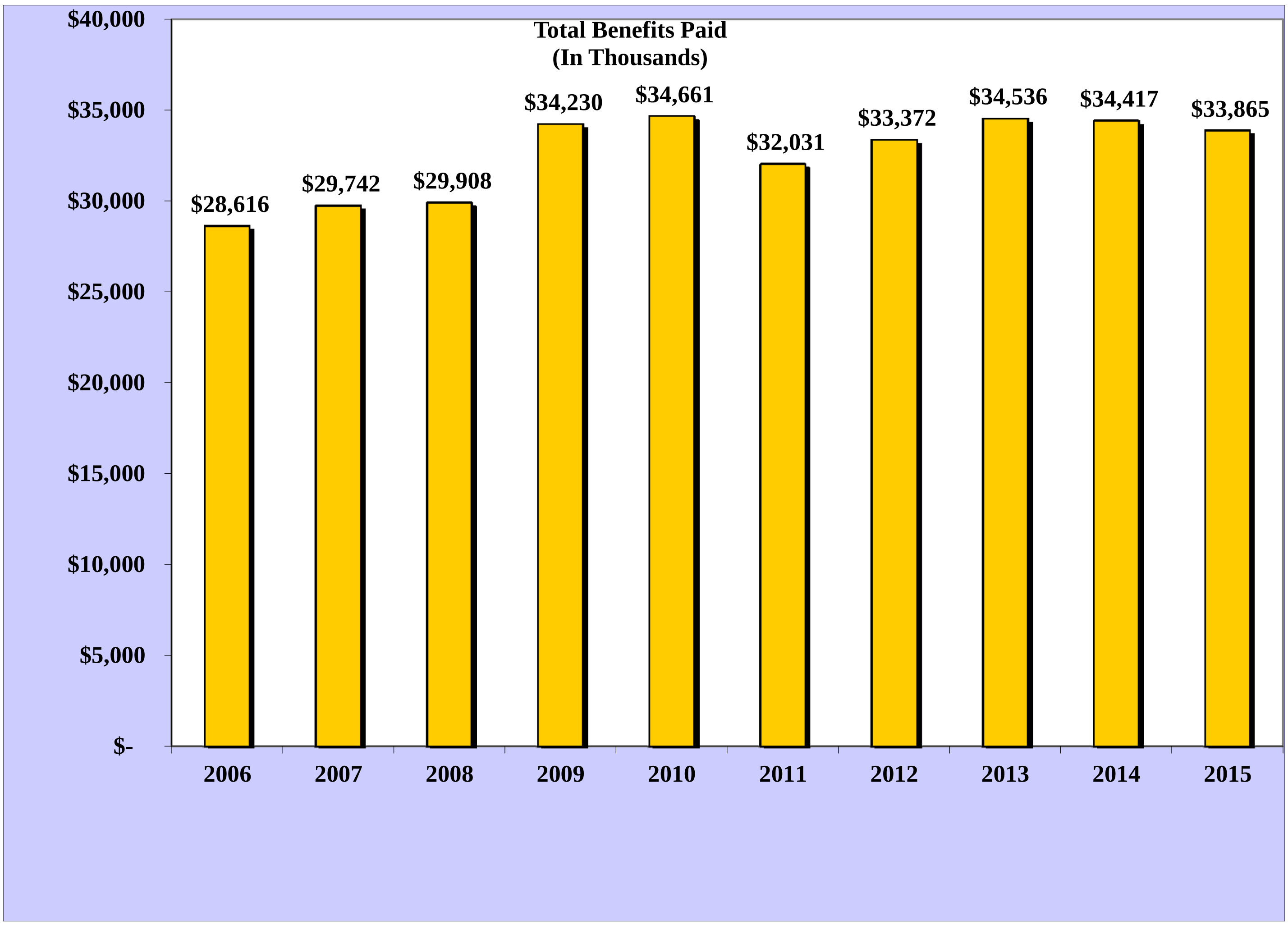
FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
ADDITIONS TO NET POSITION
FOR THE YEARS ENDED



DEDUCTIONS FROM NET POSITION
FOR THE YEARS ENDED



For The Fiscal Years Ended	Service Retirees*	Accidental Disability	Beneficiaries	Ordinary Disability	Death	Medical, Surgical, And Hospital	Total
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
2015	**16,353,491**	**12,930,902**	**3,935,283**	**584,622**	**52,000**	**8,495**	**33,864,793**



*Includes DROP benefit payments.

INTERNAL CONTROL AND COMPLIANCE SECTION

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

INDEPENDENT AUDITOR'S 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*

March 28, 2016

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, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated March 28, 2016.

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 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.

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www.hbclp.com

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