



**FIREMEN'S RETIREMENT
SYSTEM OF ST. LOUIS**

FINANCIAL REPORT
(Audited)

Year Ended September 30, 2016

FIREMEN’S RETIREMENT SYSTEM OF ST. LOUIS
FINANCIAL REPORT

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

INDEPENDENT AUDITOR'S REPORT

February 14, 2017

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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit 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, 2016 and 2015, 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 Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2017, 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

**FIREMEN’S RETIREMENT SYSTEM OF ST. LOUIS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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, 2016. 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, 2016 and 2015, 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 \$459 million at September 30, 2016, which represents an increase of \$7 million or 1.5% from September 30, 2015.

Additions to net position for fiscal year 2016 were \$41.4 million as compared to negative additions of \$11.1 million for fiscal year 2015. The current period net additions are comprised of \$38.6 million of net investment income. The City was required to make an employer contribution in the amount of \$2.7 million in fiscal year 2016 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 \$34.5 million for fiscal year 2016 and \$36.8 million for fiscal year 2015.

In addition, the System recorded a payable as of September 30, 2015 for a transfer of \$1,070,749 to the Firefighters’ Retirement Plan of the City of St. Louis (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 FRP effective July 20, 2015. The System paid this transfer in October 2015.

The overall investment return for the System was 9.2% for fiscal year 2016 as compared to a loss of return of (2.42%) for fiscal year 2015. 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	
	<u>2016</u>	<u>2015</u>
Service retirements:		
Regular	10	12
Service connected disability	-	-
Ordinary disability	-	-
Members requesting a refund withdrawal	19	17
Retiree death benefits	25	26

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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 replaced 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 7.3% 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 current and previous fiscal years.
- 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.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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, 2016 were \$460,675,207 and were mainly comprised of cash and cash equivalents, investments, and receivables. Total assets increased \$5,665,655 or 1.2% from September 30, 2015.

Total liabilities at September 30, 2016 were \$2,125,322 and consisted mainly of unsettled investment transactions, net pension liability - System's staff pension related, and accrued expenses. Total liabilities decreased \$1,086,191 or 33.8% from September 30, 2015.

The System implemented GASB 68, *Accounting and Financial Reporting by State and Local Governments*, for the fiscal year 2015. 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 actuarial valuations at the beginning of the fiscal 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.

Net position - restricted for pensions was \$458,691,204 at September 30, 2016, an increase of \$6,828,399 or 1.5% from fiscal year 2015. This increase mainly resulted from net investment income of \$39 million, deductions of \$35 million, and \$3 million employer contribution during the year.

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

	September 30			Total Change			
				Amount		Percentage	
	2016	2015	2014	2016	2015	2016	2015
ASSETS							
Investments	\$ 454,431	448,989	496,399	5,442	(47,410)	1.2 %	(9.6)
Cash and cash equivalents	3,896	3,591	3,735	305	(144)	8.5	(3.9)
Receivables	1,844	1,876	2,196	(32)	(320)	(1.7)	(14.6)
Capital assets, net	504	554	603	(50)	(49)	(9.0)	(8.1)
Total Assets	460,675	455,010	502,933	5,665	(47,923)	1.2	(9.5)
DEFERRED OUTFLOWS							
System's staff pension related	149	77	-	72	77	-	-
LIABILITIES							
	2,125	3,211	2,018	(1,086)	1,193	(33.8)	59.1
DEFERRED INFLOWS							
System's staff pension related	8	13	-	(5)	13	-	-
NET POSITION							
	\$ 458,691	451,863	500,915	6,828	(49,052)	1.5 %	(9.8)

Revenues - Additions to Net Position

Net investment income totaled \$38,641,812 in fiscal year 2016 as compared to net investment loss of \$11,079,856 in fiscal year 2015. Investment income is net of investment expenses (investment management and custodial fees) totaling \$2,150,417 and \$2,281,779 for the years ended September 30, 2016 and 2015, respectively.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

The reserves needed to finance retirement benefits as well as death and disability benefits are accumulated through the collection of employer contributions and through earnings on investments. Employer contributions totaled \$2,715,140 for the year ended September 30, 2016 as compared to \$0 for the prior year.

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 2016 were \$34,528,553, a decrease of \$2,224,696 from fiscal year 2015. This decrease is mainly due to the decline in disability benefits paid and DROP lump sum payments as well as a decrease in salaries expense due to the retirement benefits paid to two employees who retired in fiscal year 2015.

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			Total Change			
	Ended September 30			Amount		Percentage	
	2016	2015	2014	2016	2015	2016	2015
ADDITIONS							
Net investment income (loss)	\$ 38,642	(11,080)	48,876	49,722	(59,956)	448.8 %	(122.7)
Employer contributions	2,715	-	1,008	2,715	(1,008)	100.0	(100.0)
Total Additions	<u>41,357</u>	<u>(11,080)</u>	<u>49,884</u>	<u>52,437</u>	<u>(60,964)</u>	473.3	(122.2)
DEDUCTIONS							
Benefits paid	32,155	33,865	34,417	(1,710)	(552)	(5.0)	(1.6)
Refund of Members' contributions	1,279	1,294	1,206	(15)	88	(1.1)	7.3
Administrative expenses	1,095	1,594	1,424	(499)	170	(31.3)	11.9
Total Deductions	<u>34,529</u>	<u>36,753</u>	<u>37,047</u>	<u>(2,224)</u>	<u>(294)</u>	(6.1)	(0.8)
CHANGE IN NET POSITION BEFORE TRANSFER OUT	6,828	(47,833)	12,837	54,661	(60,670)	114.3	(472.6)
TRANSFER OUT	-	1,071	10,279	(1,071)	(9,208)	(100.0)	(89.6)
CHANGE IN NET POSITION	6,828	(48,904)	2,558	55,732	(51,462)	114.0	(2,011.7)
NET POSITION, BEGINNING OF YEAR	451,863	500,915	498,357	(49,052)	2,558	(9.8)	0.5
Effect of GASB implementation	-	(148)	-	148	(148)	100.0	(100.0)
NET POSITION, END OF YEAR	<u>\$ 458,691</u>	<u>451,863</u>	<u>500,915</u>	<u>6,828</u>	<u>(49,052)</u>	1.5 %	(9.8)

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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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FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

STATEMENTS OF FIDUCIARY NET POSITION

	September 30	
	2016	2015
ASSETS		
Investments at fair value:		
Equities:		
Corporate stocks	\$ 175,774,809	172,796,210
Collective investment funds	29,944,062	48,389,697
Limited partnership units	19,960,301	16,628,421
Fixed income:		
Collective investment funds	70,611,070	66,746,445
Corporate bonds	30,941,996	27,621,392
Hedge funds	76,203,322	49,671,227
Real estate investment trust	41,979,114	59,023,913
Money market funds	9,015,964	8,111,427
Total Investments	<u>454,430,638</u>	<u>448,988,732</u>
Cash and cash equivalents	<u>3,896,091</u>	<u>3,590,558</u>
Receivables:		
Interest and dividends	764,130	972,532
Other receivables	654,268	489,270
Unsettled investment transactions	425,823	414,708
Total Receivables	<u>1,844,221</u>	<u>1,876,510</u>
Capital assets, less accumulated depreciation	<u>504,257</u>	<u>553,752</u>
Total Assets	<u>460,675,207</u>	<u>455,009,552</u>
DEFERRED OUTFLOWS OF RESOURCES		
System's staff pension related	<u>149,219</u>	<u>77,495</u>
LIABILITIES		
Unsettled investment transactions	1,235,031	1,421,510
Accrued investment management fees	450,499	457,626
Net pension liability - System's staff pension related	254,939	161,678
Members' contributions refundable	154,174	-
Accrued administrative expenses	30,679	46,031
Due to The Firefighters' Retirement Plan of the City of St. Louis	-	1,124,668
Total Liabilities	<u>2,125,322</u>	<u>3,211,513</u>
DEFERRED INFLOWS OF RESOURCES		
System's staff pension related	<u>7,900</u>	<u>12,729</u>
NET POSITION - RESTRICTED FOR PENSIONS	<u>\$ 458,691,204</u>	<u>451,862,805</u>

See notes to financial statements

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	For The Years	
	Ended September 30	
	2016	2015
ADDITIONS TO NET POSITION ATTRIBUTED TO		
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	\$ 33,864,366	(15,616,757)
Dividends	4,319,908	4,705,051
Interest	1,865,183	1,858,684
Class action lawsuit proceeds	468,757	-
Securities lending income	274,015	254,945
Total Investment Income (Loss)	<u>40,792,229</u>	<u>(8,798,077)</u>
Less - Investment management and custodial fees	2,150,417	2,281,779
Net Investment Income (Loss)	<u>38,641,812</u>	<u>(11,079,856)</u>
Employer contributions	2,715,140	-
Total Additions, Net	<u>41,356,952</u>	<u>(11,079,856)</u>
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO		
Benefits paid to retirees and beneficiaries	32,154,888	33,864,793
Refunds of Members' contributions	1,278,330	1,294,477
Administrative expenses	1,095,335	1,593,979
Total Deductions	<u>34,528,553</u>	<u>36,753,249</u>
CHANGE IN NET POSITION BEFORE TRANSFER OUT	6,828,399	(47,833,105)
TRANSFER OUT	<u>-</u>	<u>(1,070,749)</u>
CHANGE IN NET POSITION	6,828,399	(48,903,854)
NET POSITION - RESTRICTED FOR PENSIONS, BEGINNING OF YEAR	451,862,805	500,915,385
RESTATEMENT OF NET POSITION - RESTRICTED FOR PENSIONS, BEGINNING OF YEAR		
Effect of recording net pension liability - System's staff pension related	<u>-</u>	<u>(148,726)</u>
NET POSITION - RESTRICTED FOR PENSIONS, END OF YEAR	<u>\$ 458,691,204</u>	<u>451,862,805</u>

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
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). 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 are based on the Member's service and salary earned as of February 1, 2013. Membership in the System consists of:

	September 30		Increase (Decrease)
	2016	2015	
Retirees and beneficiaries currently receiving benefits	944	967	(23)
Current Members:			
Vested - participating in DROP	62	62	-
Vested - non-DROP	184	172	12
Nonvested	294	323	(29)
Total Current Members	540	557	(17)
Total Membership	1,484	1,524	(40)

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 DROP, the Member will not receive credit for employer contributions or credit for service. A Member may participate in 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 installments. The number of Members with DROP account balances and currently participating at September 30, 2016 and 2015 were as follows:

	Currently Participating	Total DROP Accounts	DROP Account Balances
2016	62	196	\$30,130,664
2015	62	206	27,185,789

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

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 System's benefit provisions. 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. GASB 67 Financial Reporting Model

The System's financial statements are prepared in conformity with GASB 67's financial reporting requirements for governmental pension systems. GASB 67 includes required presentation of the financial statements, notes to financial statements, and RSI. An actuarial calculation of the total and net pension liability as defined in the accounting standard is included in the notes to the financial statements and RSI. Other comprehensive footnote disclosures include the sensitivity of the net pension liability to the discount rate and investment activity disclosures. The total employer's projected net pension liability is presented in the notes to financial statements and is calculated using a discount rate (long-term or blended) depending on the sufficiency of projected net position to cover projected benefit payments of retirees and beneficiaries.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

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 September 30, 2016 and 2015 was \$77,140,271 and \$75,149,942, 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, 2016 and 2015 was \$344,798,628 and \$352,961,203, respectively.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Net Position - Restricted for Pensions (Continued)

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, 2016 and 2015 was \$31,630,140 and \$18,887,637, respectively.

Future Benefit Fund -- The Future Benefit Fund was established June 29, 1990 by City Ordinance as a method to fund increased benefits for retired Members. The funding of the Future Benefit Fund was terminated per the City Ordinance after fiscal year ended August 31, 1993. The balance in the fund will be used for future benefits until it is exhausted. Benefits of \$0 and \$302,846 were paid from the Future Benefit Fund during the years ended September 30, 2016 and 2015, respectively. The System entered into a settlement agreement with the City regarding sick leave benefits. The settlement required a one-time payment of \$1,070,749 during the year ended September 30, 2015 and 15 annual transfers between the Future Benefit Fund and the General Reserve Fund of \$166,792 starting with the year ended September 30, 2016 (see Note N). The Future Benefit Fund is excluded from the assets used in determining the employer's contribution requirement. The balance at September 30, 2016 and 2015 was \$5,051,183 and \$4,804,701, 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 \$11,660 and \$7,250 for the years ended September 30, 2016 and 2015, 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, 2016 and 2015 in the amounts of \$0 and \$424,795, respectively. The System Employees Benefit Fund is excluded from the assets used in determining the employer's contribution requirement. The balance at September 30, 2016 and 2015 was \$70,982 and \$59,322, 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. Future interest accrual or losses on employees' vested accounts is limited to one identified employee of the System.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 actu-ary to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from net position during the reporting period. Actual results could differ from those estimates.

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 disposi-tion of property and equipment are included in changes in fiduciary net position as realized.

Capital assets, net of accumulated depreciation, is summarized by major classification as fol-lows:

	For The Year Ended September 30, 2016			Balance September 30 2016
	Balance September 30 2015	Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 83,086	-	-	83,086
Capital assets being depreciated:				
Building	205,417	-	-	205,417
Building improvements	222,278	10,424	-	232,702
Furniture, equipment, and software	508,336	-	-	508,336
Total Capital Assets Being Depreciated	936,031	10,424	-	946,455
Less - Accumulated depreciation for:				
Building	72,751	5,135	-	77,886
Building improvements	248,577	11,016	-	259,593
Furniture, equipment, and software	144,037	43,768	-	187,805
Total Accumulated Depreciation	465,365	59,919	-	525,284
Total Capital Assets Being Depreciated, Net	470,666	(49,495)	-	421,171
Total Capital Assets, Net	\$ 553,752	(49,495)	-	504,257

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Capital Assets (Continued)

Depreciation expense for the years ended September 30, 2016 and 2015 was \$59,919 and \$59,433, respectively.

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 Employees 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, 2016 and 2015 were \$3,967,302 and \$3,636,489, 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 \$3,896,091 and \$3,590,558 as of September 30, 2016 and 2015, respectively.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

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, 2016 and 2015 was \$2,715,140 and \$0, respectively.

Contribution receivable - employer consists of the following:

	September 30	
	2016	2015
Contributions receivable, beginning of year	\$ -	-
Current year contributions due from the employer as calculated by the System's actuary	2,715,140	-
Contributions received from the employer during the year	(2,715,140)	-
Total Contributions Receivable, End Of Year	\$ -	-

NOTE E - INVESTMENTS

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

	September 30	
	2016	2015
Aberdeen Asset Management, Inc. (core plus domestic fixed income):		
Collective investment fund - domestic fixed income	\$ 65,292,247	61,226,652
Acadian Asset Management, LLC (international small cap):		
Collective investment fund - equity	29,944,062	26,025,431
AJO, LP (emerging markets):		
Hedge fund	28,449,963	-
Argent Capital Management, LLC (U.S. large cap growth index)		
Corporate stocks	26,569,663	-
Money market fund	759,625	-
	27,329,288	-
Brandes Investment Partners, LP (international emerging markets):		
Collective investment fund - equity	-	22,364,266
CastleArk Management, LLC (large cap growth):		
Corporate stocks	-	25,881,046
Money market fund	-	834,931
	-	26,715,977

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

	September 30	
	2016	2015
Eagle Capital Management, LLC (large cap value):		
Corporate stocks	25,496,522	26,217,827
Money market fund	1,416,574	479,160
	26,913,096	26,696,987
EnTrust Partners Offshore, LLC (multi-strategy hedge fund):		
Hedge fund	21,889,478	23,907,749
Money market fund	-	65
	21,889,478	23,907,814
Fisher Investments, Inc. (international small cap value):		
Corporate stocks	58,170,659	54,273,179
Money market fund	198,289	231,137
	58,368,948	54,504,316
Intech Investment Management, LLC (large cap enhanced plus):		
Corporate stocks	25,929,916	28,646,388
Money market fund	148,012	191,286
	26,077,928	28,837,674
Integrity Asset Management, LLC (small cap):		
Corporate stocks	19,810,335	19,293,236
Money market fund	858,819	758,876
	20,669,154	20,052,112
Magnitude Institutional, LLC (multi-strategy hedge fund):		
Hedge fund	25,863,881	25,763,478
Money market fund	-	15
	25,863,881	25,763,493
The Northern Trust Company (index bonds and TIPS fund):		
Collective investment fund - fixed income	5,318,823	5,519,793
Corporate stocks	484,488	389,116
Money market fund	3,806,837	3,158,426
	9,610,148	9,067,335
Penn Capital Management Company, Inc. (fixed income):		
Corporate bonds	30,941,996	27,621,392
Corporate preferred stocks	-	36,114
Money market fund	1,143,228	943,285
	32,085,224	28,600,791
Pinnacle Associates, Ltd. (small/mid cap growth):		
Corporate stocks	19,313,226	18,059,304
Money market fund	251,970	828,478
	19,565,196	18,887,782

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

	September 30	
	2016	2015
Principal Financial Group (core real estate):		
Real estate investment trust	41,979,114	59,023,913
Tortoise Capital Advisors, LLC (master limited partnerships):		
Limited partnership units - energy	19,960,301	16,628,421
Money market fund	432,610	685,768
	20,392,911	17,314,189
Total Investments	\$ 454,430,638	448,988,732

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.

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 and give the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

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. 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 categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as an indication of the risk associated with investing in these securities.

For the investments measured at net asset value (NAV) at September 30, 2016 and 2015:

- There were no unfunded purchase commitments.
- Redemption frequency, when currently eligible, is quarterly.
- Notice period for redemptions is 1 to 90 days.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

The System has the following recurring fair value measurements as of September 30, 2016 and 2015:

	2016			Total
	Level 1	Level 2	Level 3	
Investments, at fair value:				
Corporate stocks:				
Domestic	\$ 116,420,714	-	-	116,420,714
International	59,354,095	-	-	59,354,095
Collective investment funds - government bonds, agencies, and mortgaged-backed securities	-	5,318,823	-	5,318,823
Corporate bonds:				
Domestic	-	30,941,996	-	30,941,996
International	-	-	-	-
Collective investment funds - international equity	29,944,062	-	-	29,944,062
Collective investment funds - domestic fixed income	-	65,292,247	-	65,292,247
Limited partnership units - energy	-	19,960,301	-	19,960,301
Money market funds	9,015,964	-	-	9,015,964
	<u>9,015,964</u>	<u>-</u>	<u>-</u>	<u>9,015,964</u>
Total Investments By Fair Value Level	<u>\$ 214,734,835</u>	<u>121,513,367</u>	<u>-</u>	<u>336,248,202</u>
Investments measured at NAV:				
Hedge funds				76,203,322
Real estate investment trust				41,979,114
Total Investments Measured At NAV				<u>118,182,436</u>
Total Investments Measured At Fair Value				<u>\$ 454,430,638</u>

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

	2015			Total
	Level 1	Level 2	Level 3	
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
Limited partnership units - energy	-	16,628,421	-	16,628,421
Money market funds	8,111,427	-	-	8,111,427
Total Investments By Fair Value Level	\$ 229,297,334	110,996,258	-	340,293,592
Investments measured at NAV:				
Hedge funds				49,671,227
Real estate investment trust				59,023,913
Total Investments Measured At NAV				108,695,140
Total Investments Measured At Fair Value				\$ 448,988,732

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:

<u>Fixed Income Investment Category</u>	<u>Maturities As Of September 30, 2016</u>				
	<u>Total</u>	<u>Less Than One Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>More Than 10 Years</u>
Collective investment funds	\$ 70,611,070	7,901,957	31,346,100	16,776,311	14,586,702
Corporate bonds	30,941,996	-	9,479,390	18,221,061	3,241,545
Total	\$ 101,553,066	7,901,957	40,825,490	34,997,372	17,828,247

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

Fixed Income Investment Category	Maturities As Of September 30, 2015				
	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	<u>\$ 94,367,837</u>	<u>10,114,638</u>	<u>25,992,099</u>	<u>43,279,538</u>	<u>14,981,562</u>

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

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

Credit Rating Level	Credit Rating As Of September 30					
	2016			2015		
	Total	Collective Investment Funds	Corporate Bonds	Total	Collective Investment Funds	Corporate Bonds
AAA	\$ 42,355,920	42,355,920	-	35,407,356	35,407,356	-
AA	7,076,133	7,076,133	-	7,065,185	7,065,185	-
A	8,866,206	8,866,206	-	12,097,530	12,097,530	-
BBB	15,164,338	11,430,072	3,734,266	12,008,801	11,207,781	801,020
BB	14,763,572	456,055	14,307,517	11,476,609	270,609	11,206,000
B	12,759,031	241,385	12,517,646	14,244,668	483,691	13,760,977
Not rated	567,866	185,299	382,567	2,067,688	214,293	1,853,395
Total	<u>\$ 101,553,066</u>	<u>70,611,070</u>	<u>30,941,996</u>	<u>94,367,837</u>	<u>66,746,445</u>	<u>27,621,392</u>

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:

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

Foreign Currency Exposures By Asset Class In U.S. Dollars As Of September 30, 2016

Currency	Equities	Fixed Income	Real Estate Investment Trust	Hedge Funds	Money Market Funds	Total
Australian Dollar	\$ 2,133,091	-	-	-	-	2,133,091
British Pound Sterling	8,840,963	-	-	-	-	8,840,963
Canadian Dollar	745,012	-	-	-	-	745,012
Danish Krone	1,606,443	-	-	-	-	1,606,443
Euro	23,151,433	-	-	-	-	23,151,433
Hong Kong Dollar	2,681,837	-	-	-	-	2,681,837
Japanese Yen	5,159,080	-	-	-	-	5,159,080
Singapore Dollar	706,374	-	-	-	-	706,374
South Korean Won	1,479,965	-	-	-	-	1,479,965
Swedish Krona	438,048	-	-	-	-	438,048
Swiss Franc	5,193,167	-	-	-	-	5,193,167
Total Foreign Currency	52,135,413	-	-	-	-	52,135,413
United States Dollar	173,543,759	101,553,066	41,979,114	76,203,322	9,015,964	402,295,225
Total	<u>\$ 225,679,172</u>	<u>101,553,066</u>	<u>41,979,114</u>	<u>76,203,322</u>	<u>9,015,964</u>	<u>454,430,638</u>

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

Currency	Equities	Fixed Income	Real Estate Investment Trust	Hedge Fund	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	<u>\$ 237,814,328</u>	<u>94,367,837</u>	<u>59,023,913</u>	<u>49,671,227</u>	<u>8,111,427</u>	<u>448,988,732</u>

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

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

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

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

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

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

Asset Class As A Percent Of Total Assets			
<u>Asset Class</u>	<u>Minimum</u>	<u>Target Mix</u>	<u>Maximum</u>
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, 2016 are summarized in the following table:

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

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

The above long-term expected real 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:

- AJO, LP (Hedge Fund)
- 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:

	<u>September 30</u>	
	<u>2016</u>	<u>2015</u>
Aberdeen Core Plus Fixed Income Portfolio	\$65,292,247	61,226,652
The Principal U.S. Property Account	41,979,113	59,023,912
Acadian International Small Cap Fund	29,944,062	26,025,432
CF AJO Emerging Mkts All-Cap Offshore Fund Ltd		
CI AA Ser 2015-12A	28,449,963	-
Magnitude Institutional Ltd. Class A Hedge Fund	25,863,881	25,763,478
Entrust Cap Diversified QP Lid Class E1 Series 0405 Hedge Fund	-	23,907,750

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

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	
	2016	2015
Equities:		
Corporate stocks	\$ 14,087,343	(2,364,455)
Collective investment funds	6,691,655	(10,593,027)
Limited partnership units	1,566,917	(10,363,039)
Fixed income:		
Collective investment funds	4,364,625	970,313
Corporate bonds	895,781	(3,226,718)
Real estate investment trust	4,755,201	8,547,178
Hedge funds	1,502,844	1,412,991
Total	\$ 33,864,366	(15,616,757)

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:

	For The Years		Covered Payroll	
	Ended September 30		Percentage	
	2016	2015	2016	2015
Required contributions - employer:				
Portion of normal cost attributable to the System's fiscal year	\$ -	-	-	%
Unfunded actuarial accrued liability amortization payment	678,785	755,820	2.3	2.5
Total Employer Required Contributions	\$ 678,785	755,820	2.3	% 2.5
Contributions Made By Employer During System's Fiscal Year	\$ 2,715,140	-	9.0	% -

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.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

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

Covered payroll is the payroll on which contributions to the System are based. The covered payroll was \$30,219,253 and \$30,288,086 for the years ended September 30, 2016 and 2015, respectively.

The reduction in unfunded accrued liability (UAL) 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 (FIL). Consequently, the FIL for the System was set equal to zero at that date. A new FIL was added at September 30, 2015 resulting from actuarial assumption changes (mortality and discount rate) as a result of an actuarial cost study performed. The FIL was \$33,335,610 and \$33,692,290 at September 30, 2016 and 2015, respectively. The FIL amortization period is 30 years.

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, 2016 and 2015, 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, 2016 and 2015 are based on an actuarial valuation performed as of October 1, 2016 and 2015, and a measurement date of September 30, 2016 and 2015 using generally accepted actuarial procedures.

Schedules of Employer's Net Pension Liability

	<u>September 30</u>	
	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 489,518,153	495,019,559
System's fiduciary net pension	<u>453,640,021</u>	<u>477,058,104</u>
Employer's Net Pension Liability	<u>\$ 35,878,132</u>	<u>47,961,455</u>
System's Fiduciary Net Position as a Percentage of Total Pension Liability	92.67%	90.31
Covered Members Payroll (excluding DROP participants)	\$30,219,253	30,288,086
Employer's Net Pension Liability as a Percentage of Covered Members Payroll	118.73%	158.35

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

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

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 \$5,051,183 and \$4,804,801 at September 30, 2016 and 2015, respectively.

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.

	<u>1% Decrease (6.3%)</u>	<u>Current Discount Rate Assumption (7.3%)</u>	<u>1% Increase (8.3%)</u>
Total pension liability	\$540,027,016	489,518,153	477,206,500
Employer's net pension liability	86,386,995	35,878,132	(6,433,521)
System's fiduciary net pension/ total pension liability	84.00%	92.67	101.44

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

A single discount rate was used to measure the total 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 Missouri state statutes. 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, 2016
Actuarial cost method (funding by state statutes)	Entry Age - Frozen Initial Liability
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

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

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

Actuarial assumptions:

Investment rate of return	7.3%, net of investment expenses of 50 basis points
Long-term municipal bond rate	3.06%
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.

NTC receives the remaining 30% of the net lending fees as compensation for its services provided in the securities lending program. 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.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE J - SECURITIES LENDING (Continued)

At September 30, 2016 and 2015, outstanding loans to borrowers were \$66,680,343 and \$68,037,739, respectively. The System earned income of \$274,015 and \$254,945 for its participation in the securities lending program for the years ended September 30, 2016 and 2015, 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.

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

ERS does not require employee contributions.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE K - SYSTEM STAFF PENSION PLAN (Continued)

The System was contractually required to contribute a percentage of annual payroll as follows:

<u>Service Period</u>	<u>Contribution Rate</u>
July 2016 to current	12.51%
July 2015 to June 2016	13.93
July 2014 to June 2015	15.17

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 ERS from the System were \$46,429 and \$46,238 for the years ended September 30, 2016 and 2015, 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. The System's net pension expense (income) was calculated as follows:

	For The Years	
	Ended September 30	
	<u>2016</u>	<u>2015</u>
System's employer contributions	\$ 46,429	46,238
Increase in net pension liability	93,261	12,952
Increase (decrease) in deferred inflows of resources	(4,829)	12,729
(Increase) in deferred outflows of resources	<u>(71,724)</u>	<u>(77,495)</u>
Net Pension Expense (Income)	<u>\$ 63,137</u>	<u>(5,576)</u>

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

The net pension liability was measured as of the beginning of the Systems fiscal years September 30, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The System had a liability of \$254,939 (or 0.11%) and \$161,678 (or 0.10%) for its proportionate share of ERS' net pension liability for the years ended September 30, 2016 and 2015, respectively. The System's proportion of the net pension liability was based on a projection of the System's long-term share of contributions to ERS relative to the projected contributions of all participating employers, actuarially determined.

The actuarially determined deferred outflows of resources and deferred inflows of resources related to ERS were from the following sources:

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE K - SYSTEM STAFF PENSION PLAN (Continued)

	For The Year Ended September 30, 2016		
	Outflows	Inflows	Net Outflows
Net difference between expected and actual experience	\$ -	(4,078)	(4,078)
Net difference from assumption changes	-	(3,822)	(3,822)
Net difference between projected and actual earnings on ERS' investments	73,447	-	73,447
Net impact from changes in proportion allocation between the participating employers	29,343	-	29,343
Fiscal year 2016 paid contributions	46,429	-	46,429
Total	\$ 149,219	(7,900)	141,319

	For The Years Ending September 30				
	Total	2017	2018	2019	2020
Deferred outflows (inflows) future recognition	\$141,319	74,852	28,422	17,701	20,344

Actuarial Methods and Assumptions used in Calculations of Actuarially Determined Pension Liability

Valuation date:

Actuarially determined contributions are calculated as of October 1, 2015 and 2014 (beginning of year) valuation date used to calculate the required contribution for the fiscal years ending September 30, 2016 and 2015.

Actuarial methods:

Actuarial cost method (Funding)	Projected Unit Credit Cost Method
Actuarial cost method (GASB 68)	Entry Age Normal
Amortization method	Rolling 30-year level dollar amortization of unfunded liability
Asset valuation method	5-year smoothing

Actuarial assumptions:

Inflation	2.5%
Salary increases	3.5% plus merit component based on employee's years of service
Investment rate of return	2016 - 7.5% and 2015 - 8%, net of pension plan investment expenses
Mortality rates - ordinary - 2016	RP-2000 healthy mortality 3 year set-forward with generational projections using scale A
Mortality rates - ordinary - 2015	1994 Group Annuity Mortality Table
Mortality rates - disability - 2016	RP-2000 disabled mortality 3 year set-forward with generational projections using scale AA
Mortality rates - disability - 2015	1953 Railroad Retirement Board disabled life mortality table

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE K - SYSTEM STAFF PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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 ERS' fiduciary net position was projected to be sufficient to make all projected future benefits payments of current plan employees and their beneficiaries.

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 long-term expected rate of return of 7.5%, 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 (6.5%) or 1% point higher (8.5%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate Assumption</u>	<u>1% Increase</u>
Discount rate	6.5%	7.5	8.5
Net pension liability	\$363,652	254,939	161,999

Detailed information about 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, 2016 and 2015 was \$440,933 and \$933,798, 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, 2016 and 2015 was \$8,999 and \$5,696, 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.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

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, 2016 and 2015 of \$1,235,031 and \$1,421,510, respectively. These amounts are reflected in the statements of fiduciary net position as a liability for unsettled investment transactions.

Lawsuits

The System entered into a settlement agreement with the Firefighters' Retirement Plan (FRP) in July 2015 whereby 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 was funded in part with a one-time transfer of \$1,070,749 from the System's Future Benefit Fund to FRP paid on October 2, 2015. The remaining actuarial present value of the cost of the additional sick leave benefits applicable to the System of \$1,515,608 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 actuarially determined net present value of the remaining balance to transfer totals was \$1,458,139 as of September 30, 2016.

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, 2016, 2015, 2014, and 2013, the annual money-weighted rate of return (loss) on ERS' investments, net of investment expenses, was 9.20%, (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.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

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.

NOTE R - NEW ACCOUNTING STANDARDS ADOPTED

In fiscal year 2016, the System adopted GASB 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses certain pension issues raised regarding: 1) presentation of payroll-related measures and the definition of covered payroll, 2) selection of actuarial assumptions used on determining the total pension liability and related measures, and 3) classification of employer-paid Members contributions as Member contributions. There was no material impact on the System's financial statements as a result of the implementation of GASB 82.

In fiscal year 2015, the System adopted GASB 68, *Accounting and Financial Reporting for Pensions*, which was issued June 2012 and is effective for fiscal years beginning after June 15, 2014 (System's year ended September 30, 2015). GASB 68 amends GASB 27 and GASB 50 as they relate to governmental employers that provide pensions through trusts. GASB 68 establishes procedures for measuring and recognizing the obligations associated with pensions as well as identifies methods for attributing the associated costs to the appropriate period as they are earned over a staff'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 net position decreased by \$148,726 from implementing GASB 68 in fiscal year 2015.

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*. 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 the 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.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE R - NEW ACCOUNTING STANDARDS ADOPTED (Continued)

ity. 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 pronouncements will affect the accounting measures, they did not have an effect on the actuarial methods and assumptions used by the System to determine the employer contributions needed to fund the System as required under Missouri state statutes. The new accounting pronouncements did, however, impact the financial statement presentation for pension accounting and related disclosures for the System.

NOTE S - SUBSEQUENT EVENTS

The System has performed an evaluation of subsequent events through February 14, 2017, the date the basic financial statements were available to be issued. No material events were identified by the System.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE T - SYSTEM RESERVES

Changes in the System's reserves for the years ended September 30, 2016 and 2015 are as follows:

	<u>Total</u>	<u>Member's Savings Fund</u>	<u>Benefit Reserve Fund</u>	<u>General Reserve Fund</u>	<u>Future Benefit Fund</u>	<u>System Employees Benefit Fund</u>
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, 2014	(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
Contributions	2,715,140	-	-	2,715,140	-	-
Net investment income less administrative expenses	37,546,477	6,409,146	28,977,545	1,734,852	413,274	11,660
Transfer due to (surplus) deficit	-	(3,140,487)	(4,985,232)	8,125,719	-	-
Transfer in accordance with Sick Leave Settlement	-	-	-	166,792	(166,792)	-
Benefits paid to retirees and beneficiaries	(32,154,888)	-	(32,154,888)	-	-	-
Refunds of Members' contributions	(1,278,330)	(1,278,330)	-	-	-	-
Change in reserves for the year ended September 30, 2016	6,828,399	1,990,329	(8,162,575)	12,742,503	246,482	11,660
Balance, September 30, 2016	\$ 458,691,204	77,140,271	344,798,628	31,630,140	5,051,183	70,982

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
REQUIRED SUPPLEMENTAL INFORMATION

REQUIRED SUPPLEMENTAL INFORMATION SECTION

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
REQUIRED SUPPLEMENTAL INFORMATION -
GASB STATEMENT NO. 67 PENSION ELEMENTS - SYSTEM RELATED

SCHEDULES OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY

	For The Years Ended September 30		
	2016	2015	2014 (A)
Total Pension Liability (B)			
Service cost	\$ -	-	-
Interest on total pension liability	34,916,115	34,403,495	34,449,637
Benefit changes	-	-	-
Differences between expected and actual experience	(6,984,303)	15,441	-
Assumption changes	-	43,915,338	-
Benefit payments	(32,154,888)	(33,561,947)	(34,001,921)
Refunds of Members' contributions	(1,278,330)	(1,294,477)	(1,205,393)
Net Change In Total Pension Liability	(5,501,406)	43,477,850	(757,677)
Total Pension Liability Beginning	495,019,559	451,541,709	452,299,386
Total Pension Liability Ending (a)	\$ 489,518,153	495,019,559	451,541,709
System Fiduciary Net Position			
Contributions - Employer	\$ 2,715,140	-	1,007,760
Contributions - Members	-	-	-
Net investment income (loss)	38,228,538	(10,931,763)	48,269,780
Benefit payments	(32,154,888)	(33,561,947)	(34,001,921)
Refunds of Members' contributions	(1,278,330)	(1,294,477)	(1,205,393)
Administrative expenses	(1,095,335)	(1,593,979)	(1,424,217)
Transfer from Future Benefit Fund	166,792	-	-
Net Change In System Fiduciary Net Position	6,581,917	(47,382,166)	12,646,009
Transfer out	-	-	(10,278,591)
System Fiduciary Net Position Beginning	447,058,104	494,440,270 (C)	492,221,578
System Fiduciary Net Position Ending (b)	\$ 453,640,021 (D)	447,058,104 (D)	494,588,996 (D)
Net Pension Liability (Excess Assets) Ending (a-b)	\$ 35,878,132	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 total pension liability as of the end of each measurement year is measured as of the measurement date (October 1) at the beginning of each year and projected to the end of each year.
- (C) The September 30, 2014 System fiduciary net position was restated (decreased) by \$148,726 from recording the beginning net pension liability, resulting from implementing GASB 68 for the System's staff participation in ERS during the year ended September, 30, 2015.
- (D) The System's 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, 2016, 2015, and 2014, were \$5,051,183, \$4,804,701 and \$6,326,389, respectively.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
REQUIRED SUPPLEMENTAL INFORMATION -
GASB STATEMENT NO. 67 PENSION ELEMENTS - SYSTEM RELATED

SCHEDULES OF EMPLOYER'S NET PENSION LIABILITY

	For The Years Ended September 30		
	2016	2015	2014
Total pension liability	\$ 489,518,153	495,019,559	451,541,709
System fiduciary net position	453,640,021	447,058,104	494,588,996
Employer's Net Pension Liability (Excess Assets)	\$ 35,878,132	47,961,455	(43,047,287)
System Fiduciary Net Position as a Percentage of the Total Pension Liability	92.67 %	90.31	109.53
Covered Members' Payroll (excluding DROP participants)	\$ 30,219,253	30,288,086	29,767,542
Employer's Net Pension Liability as a Percentage of Covered Members' Payroll	118.73 %	158.35	(144.61)

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
REQUIRED SUPPLEMENTAL INFORMATION -
GASB STATEMENT NO. 67 PENSION ELEMENTS - SYSTEM RELATED

SCHEDULES OF EMPLOYER'S CONTRIBUTIONS

	For The Years Ended September 30			
	2016	2015	2014	2013
Employer actuarially determined contributions	\$ 2,715,140	-	1,007,760	9,803,957
Contributions in relation to the actuarially determined contributions	2,715,140	-	1,007,760	10,137,271
Contributions Excess	\$ -	-	-	333,314
Covered Members' Payroll (excluding DROP participants)	\$ 30,219,253	30,288,086	29,767,542	30,021,550
Contributions as a Percentage of Covered Members' Payroll	8.98 %	-	3.39	33.77

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
REQUIRED SUPPLEMENTAL INFORMATION -
GASB STATEMENT NO. 67 PENSION ELEMENTS - SYSTEM RELATED

SCHEDULES OF ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS

	For The Year Ended September 30			
	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expenses	9.20 %	(2.42)	10.32	14.41

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
REQUIRED SUPPLEMENTAL INFORMATION -
GASB STATEMENT NO. 67 PENSION ELEMENTS - SYSTEM RELATED

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. Changes in Benefit Terms

Changes in benefit terms must be enacted by the General Assembly of the State of Missouri. There were no changes in benefits during the year ended September 30, 2016.

2. Changes in Actuarial Assumptions

None

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, 2015 actuarial valuation was made during the fiscal year ended September 30, 2016. 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, 2016
Actuarial cost method (funding by state statutes)	Entry Age - Frozen Initial Liability
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	3.06%
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

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.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
REQUIRED SUPPLEMENTAL INFORMATION -
GASB STATEMENT NO. 67 PENSION ELEMENTS - SYSTEM RELATED

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2016 (Continued)

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 Missouri state statutes, 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 (investment 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 3.06% (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 Missouri state statutes.

The System currently expects assets will be sufficient to cover projected System net position using actuarial assumptions until 2116.

8. Total Payroll and Covered Payroll

The covered payroll for active Members is the payroll on which contributions to the System are based. Member payroll were as follows:

	For The Years Ended September 30			
	2016		2015	
	Number	Compensation	Number	Compensation
Active Members non-DROP "covered payroll"	478	\$ 30,219,253	495	\$ 30,288,086
Active Members participating in DROP	62	4,175,102	62	4,128,459
Total Payroll	540	\$ 34,394,355	557	\$ 34,416,545

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
REQUIRED SUPPLEMENTAL INFORMATION -
GASB STATEMENT NO. 68 PENSION ELEMENTS -
SYSTEM STAFF PENSION RELATED

SCHEDULES 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	
	2016	2015
Proportionate Share of the Employer's Contributions	0.11 %	0.10
Proportionate Share of the Collective Net Pension Liability	\$ 254,939	161,678
Covered Employee Payroll	\$ 828,263	260,505
Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Employee Payroll	30.78 %	62.06
ERS' Fiduciary Net Position as a Percentage of the Total Pension Liability	76.22 %	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 ERS' fiscal years ended September 30, 2015 and 2014 actuarial valuations and projected to the end of the years.

(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.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
REQUIRED SUPPLEMENTAL INFORMATION -
GASB STATEMENT NO. 68 PENSION ELEMENTS -
SYSTEM STAFF PENSION RELATED

SCHEDULES 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 Years	
	Ended September 30	
	2016	2015
Contractually required contribution	\$ 39,776	38,471
Contributions in relation to the contractually required contribution	<u>(39,776)</u>	<u>(38,471)</u>
Contribution Excess	<u>\$ -</u>	<u>-</u>
Covered Employee Payroll	\$ 828,263	260,505
Contributions as a Percentage of Covered Employee Payroll	4.80 %	14.77

Notes:

(A) Actuarial Methods and Assumptions used in Calculations of Actuarially Determined Pension Liability

Valuation date:

Actuarially determined contributions are calculated as of October 1, 2015 and 2014 (beginning of year) valuation date used to calculate the required contribution for the fiscal years ending September 30, 2016 and 2015.

Actuarial methods:

Actuarial cost method (Funding)	Projected Unit Credit Cost Method
Actuarial cost method (GASB 68)	Entry Age Normal
Amortization method	Rolling 30-year level dollar amortization of unfunded liability
Asset valuation method	5-year smoothing

Actuarial assumptions:

Inflation	2.5%
Salary increases	3.5% plus merit component based on employee's years of service
Investment rate of return	2016 - 7.5% and 2015 - 8%, net of pension plan investment expenses
Mortality rates - ordinary - 2016	RP-2000 healthy mortality 3 year set-forward with generational projections using scale A
Mortality rates - ordinary - 2015	1994 Group Annuity Mortality Table
Mortality rates - disability - 2016	RP-2000 disabled mortality 3 year set-forward with generational projections using scale AA
Mortality rates - disability - 2015	1953 Railroad Retirement Board disabled life mortality table

(B) Actuarial cost method for funding changed from entry age normal to projected unit credit cost method for the September 30, 2015 actuarial valuation.

(C) 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 ERS' fiscal years ended September 30, 2015 and 2014 actuarial valuations and projected to the end of the years.

(D) 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

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
OTHER SUPPLEMENTAL INFORMATION

	For The Years	
	Ended September 30	
	2016	2015
BENEFITS PAID TO RETIREES AND BENEFICIARIES		
Monthly annuity:		
Accidental disability	\$ 12,583,999	12,930,902
Beneficiaries	3,898,375	3,935,283
Medical, surgical, and hospital	8,917	8,495
Ordinary disability	493,231	584,622
Service retirees	14,316,925	14,467,182
Total Monthly Annuity	31,301,447	31,926,484
Lump sum:		
Death	50,000	52,000
DROP	803,441	1,886,309
Total Lump Sum	853,441	1,938,309
Total Benefits Paid To Retirees And Beneficiaries	\$ 32,154,888	33,864,793
 ADMINISTRATIVE EXPENSES		
Personnel costs:		
Salaries (2015 includes deferred compensation benefits paid totaling \$424,795)	\$ 305,908	865,518
Payroll taxes	22,362	39,624
Employee fringe benefits:		
Group benefits	49,526	34,232
Net pension expense (income)	63,137	(5,576)
Total Personnel Costs	440,933	933,798
Accounting and auditing fees	49,316	48,310
Actuary fees	87,600	107,385
Bank charges	4,131	5,281
Building operations	13,459	17,738
Computer and website	82,411	23,512
Costs allocated from City	8,999	5,696
Depreciation	59,919	59,433
Equipment rental and maintenance	13,359	12,210
Insurance	28,058	34,689
Investment consultant's fees	174,098	172,930
Legal fees	68,148	80,612
Medical reviews, consulting, and investigations	150	12,460
Office supplies and expenses	15,159	16,846
Postage and delivery	6,183	10,211
Property assessment	966	966
Telephone	6,514	5,233
Travel and seminars	35,932	46,669
Total Administrative Expenses	\$ 1,095,335	1,593,979

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

OTHER SUPPLEMENTAL INFORMATION

INVESTMENT MANAGEMENT AND CUSTODIAL FEES

	For The Years	
	Ended September 30	
	2016	2015
Investment management fees:		
Aberdeen Asset Management, Inc.	\$ 190,286	183,478
Acadian Asset Management, LLC	208,887	219,714
Argent Capital Management, LLC	92,391	-
CastleArk Management, LLC	23,163	95,431
Eagle Capital Management, LLC	217,678	254,101
Fisher Investments, Inc.	387,812	403,012
Intech Investment Management, LLC	94,464	104,682
Integrity Asset Management, LLC	191,338	222,605
Penn Capital Management Company, Inc.	150,052	147,369
Pinnacle Associates, Ltd.	162,967	180,708
Tortoise Capital Advisors, LLC	137,893	164,598
Total Investment Management Fees	<u>1,856,931</u>	<u>1,975,698</u>
Custodial fees:		
The Northern Trust Company	<u>293,486</u>	<u>306,081</u>
Total Investment Management And Custodial Fees	<u>\$ 2,150,417</u>	<u>2,281,779</u>

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:

AJO, LP (Hedge Fund)
EnTrust Partners Offshore, LLC (Hedge Fund)
Magnitude Institutional, LLC (Hedge Fund)
Principal U.S. Property Account (Real Estate separate Account)

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

OTHER SUPPLEMENTAL INFORMATION

SUMMARY OF INSURANCE COVERAGE

<u>Type</u>	<u>Coverage</u>
Fiduciary Liability	\$ 5,000,000
Property:	
Building	\$ 472,922
Contents	\$ 496,577
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

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
OTHER SUPPLEMENTAL INFORMATION

HISTORICAL TREND INFORMATION

Additions to Net Position

For The Years Ended September 30	Contributions		Net Investment Income (Loss)	Total
	Employer	Members		
2016	\$ 2,715,140	-	38,641,812	41,356,952
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

Deductions from Net Position

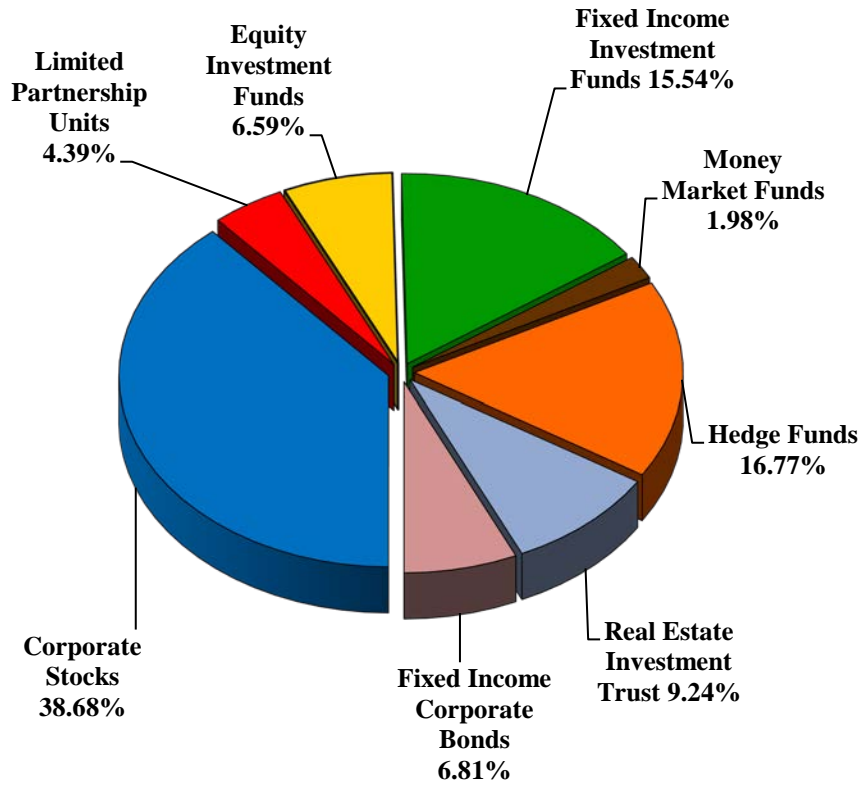
For The Years Ended September 30	Benefits Paid	Refunds Of Members Contributions	Admini- strative Expenses	Total
2016	\$ 32,154,888	1,278,330	1,095,335	34,528,553
2015	33,864,793	1,294,477	1,593,979	36,753,249
2014	34,416,962	1,205,393	1,424,217	37,046,572
2013	34,535,838	3,260,793	1,730,087	39,526,718
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

(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.

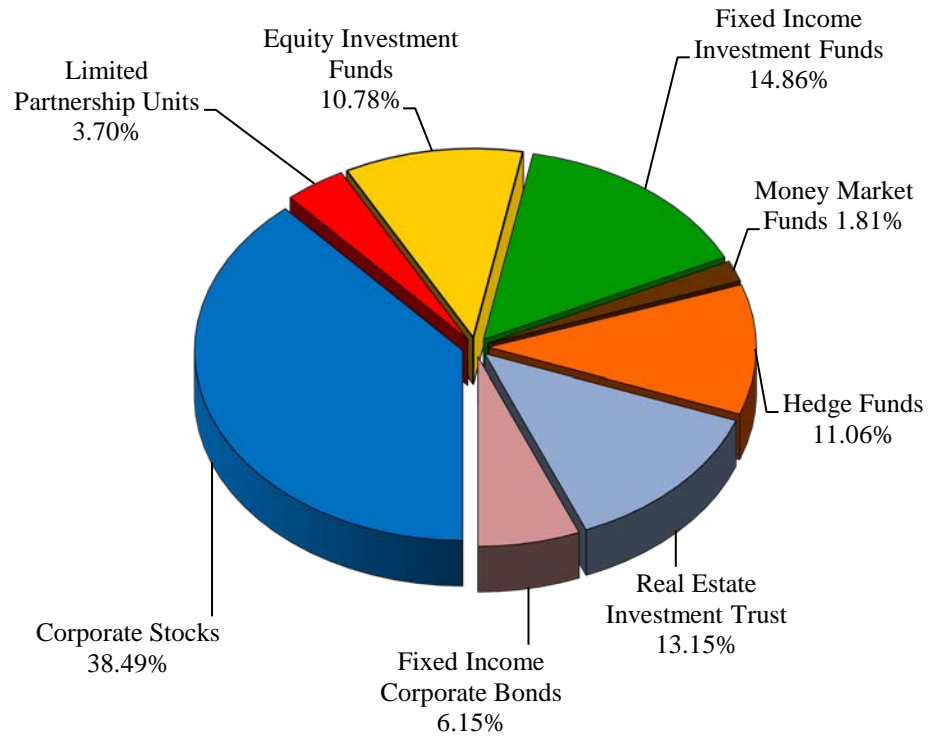
(B) The City's contribution for the year ended September 30, 2007 includes delinquent contributions for the previous four fiscal years and related interest charges totaling \$49,404,691.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

INVESTMENTS



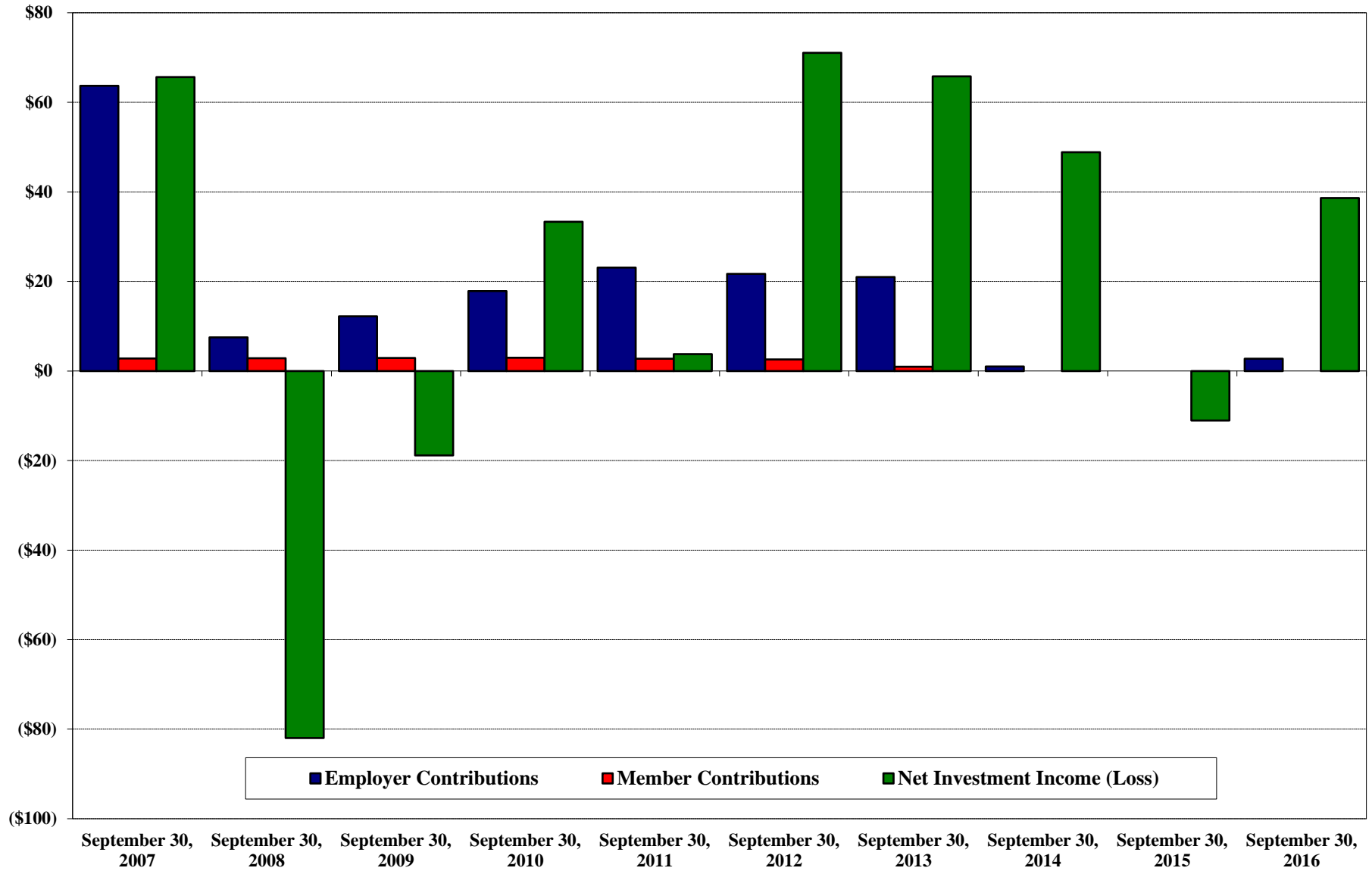
September 30, 2016



September 30, 2015

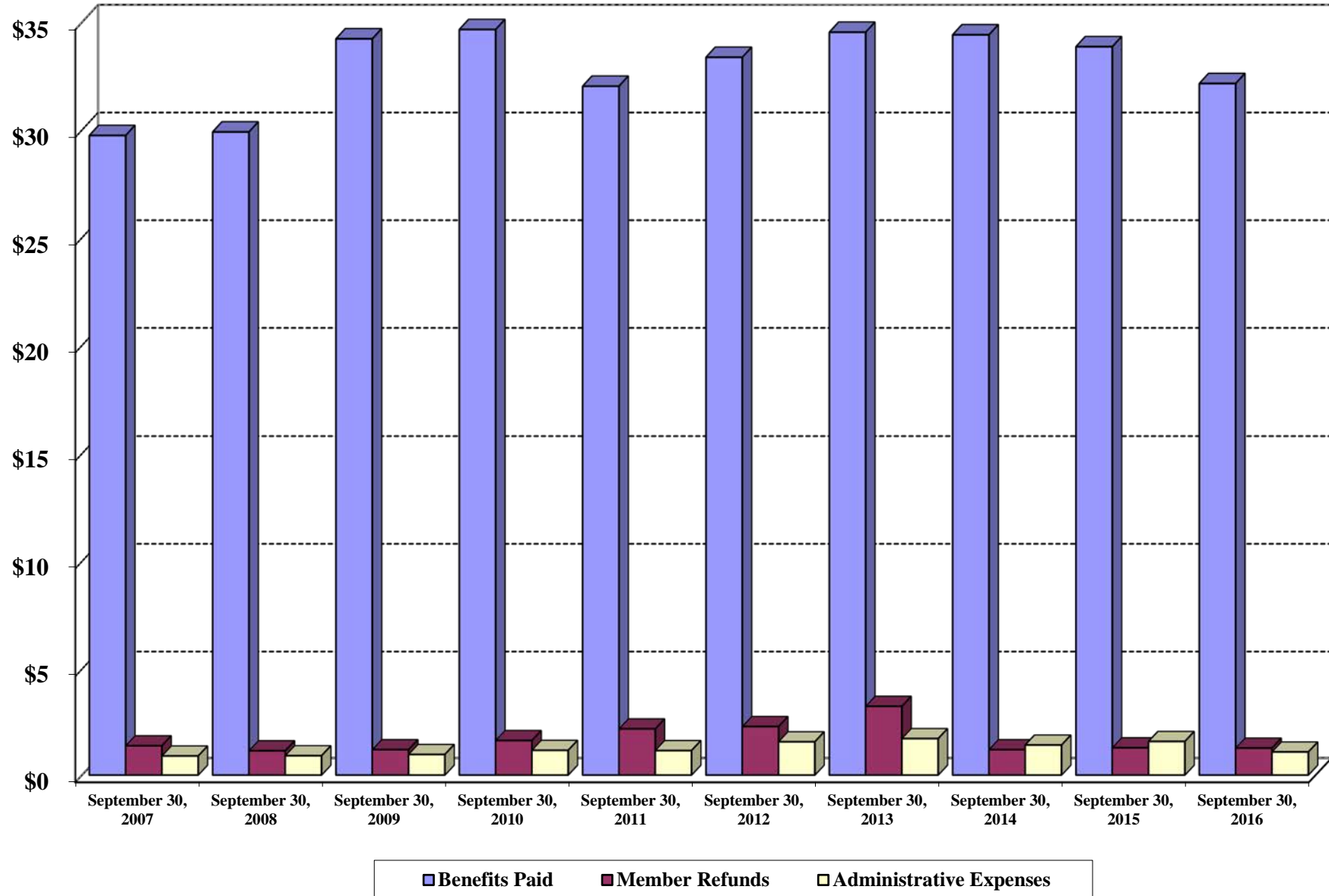
FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
ADDITIONS TO NET POSITION
FOR THE YEARS ENDED

\$ In Millions



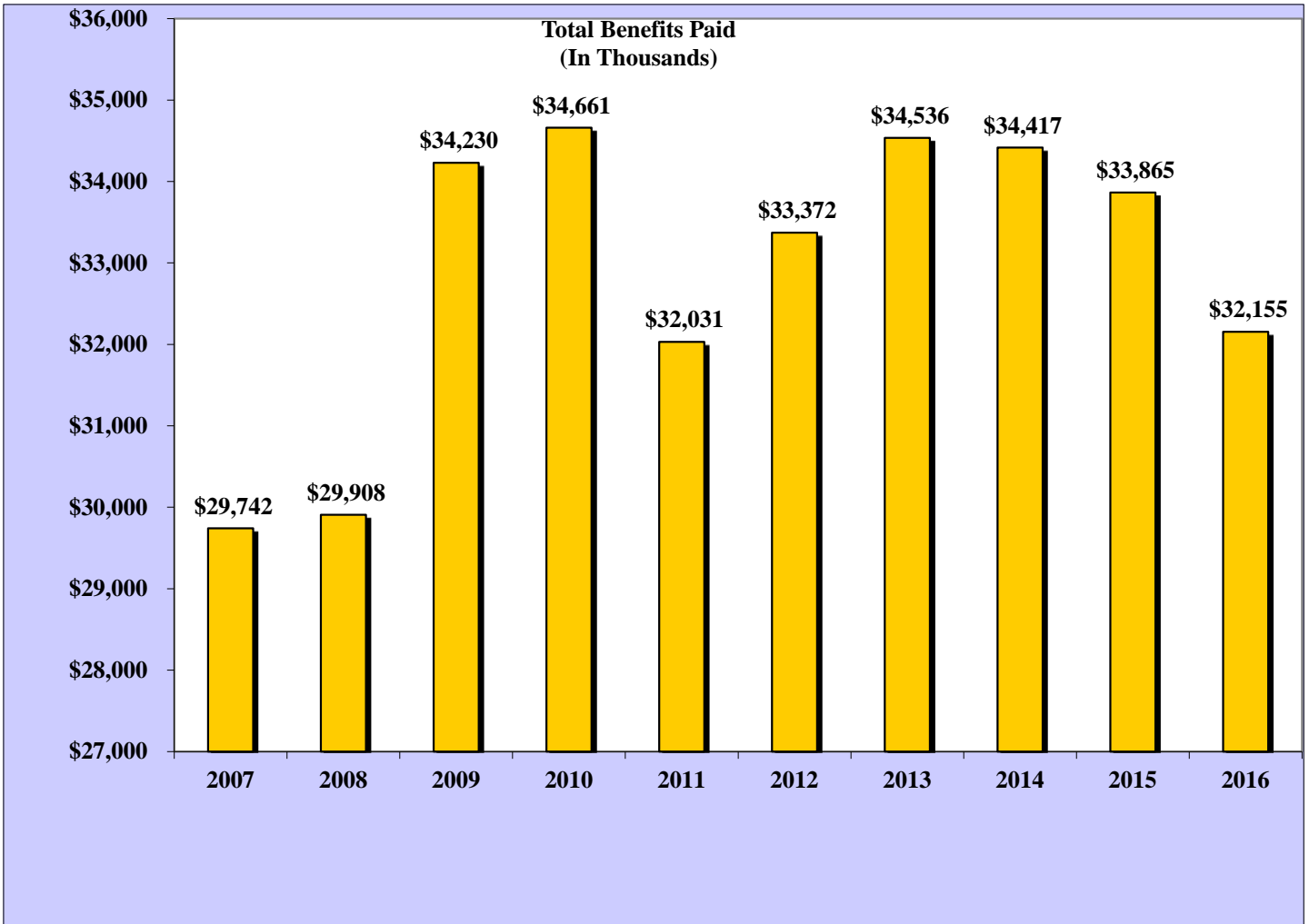
FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
DEDUCTIONS FROM NET POSITION
FOR THE YEARS ENDED

\$ In Millions



FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
BENEFITS PAID BY TYPE

For The Fiscal Years Ended	Service Retirees*	Accidental Disability	Beneficiaries	Ordinary Disability	Death	Medical, Surgical, And Hospital	Total
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
2016	15,120,366	12,583,999	3,898,375	493,231	50,000	8,917	32,154,888



*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**

February 14, 2017

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, 2016, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated February 14, 2017.

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.

- 15450 South Outer Forty Road, Suite 135, Chesterfield, Missouri 63017-2066, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P. O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

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