



THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

ANNUAL FINANCIAL REPORT
(Audited)

Fiscal Year Ended September 30, 2019

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
BOARD OF TRUSTEES AND KEY STAFF MEMBERS

BOARD OF TRUSTEES

Active Police Officers

Det. Wallace K. (Kent) Leopold, Chairman - Term Expires September 30, 2021

Sgt. Mickey A. Owens - Term Expires September 30, 2020

Capt. Michael J. Mueller - Term Expires September 30, 2022

Retired Police Officers

Sgt. Michael A. Frederick, Secretary - Term Expires September 30, 2021

Lt. Michael J. Anderson - Term Expires September 30, 2020

Sgt. Gary R. Wiegert - Term Expires September 30, 2022

Mayoral Appointees

Ann M. Hunter - Term Expires September 30, 2020

Richard L. Kismer - Term Expires September 30, 2020

Ex-Officio

Darlene Green, Comptroller

or

Beverly Fitzsimmons, Deputy Comptroller - designee

KEY STAFF MEMBERS

Mark Lawson, J.D., Executive Director

Cheryl A. Donofrio, Assistant Executive Director

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
MISSION STATEMENT

Founded in 1957 -- The mission of
THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
is to provide retirement benefits for all commissioned
Members of the St. Louis Metropolitan Police Department
and their legal survivors and dependents. The Board of
Trustees and its staff shall act as fiduciaries to the trust
fund, utilizing all the powers granted under Missouri state
statutes to protect the fund from fraud or
any other adverse action.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
FINANCIAL REPORT

	Page
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
Statements of Fiduciary Net Position	10
Statements of Changes in Fiduciary Net Position	11
Notes to Financial Statements	12
REQUIRED SUPPLEMENTAL INFORMATION	
GASB Statement No. 67 Pension Elements - System Related:	
Schedules of Changes in Net Pension Liability	40
Schedules of Net Pension Liability and Related Ratios	41
Schedules of Employer’s Contributions	42
Schedules of Annual Money-weighted Rate of Return on Investments	43
Notes to Required Supplemental Information	44
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	46
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	47
OTHER SUPPLEMENTAL INFORMATION	
Graphs:	
Net Position	49
Additions to Net Position	50
Deductions from Net Position	51
Investments	52
Benefits Paid to Retirees and Beneficiaries	53
Administrative Expenses	53
Investment Management and Custodial Fees	54
Summary of Insurance Coverage	55
Historical Trend Information	56
INTERNAL CONTROL AND COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	58

INDEPENDENT AUDITOR'S REPORT

February 26, 2020

The Board of Trustees
THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **THE POLICE 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, 2019 and 2018, 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of September 30, 2019 and 2018, 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 26, 2020 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

Chesterfield, Missouri

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

The following Management's Discussion and Analysis (MD&A) of The Police Retirement System of St. Louis (the System) provides an overview of the System's financial activities for the fiscal year ended September 30, 2019. 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, 2019 and 2018, global economies have shown signs of strengthening. The global low rate environment has resulted in limited returns from fixed income investments and has caused investors to focus on finding income returns in equity markets and alternative investments. With this in mind the System is well diversified and the portfolio is continually managed and monitored to an investment policy established to minimize market risks. Economic indicators in the U.S. remain strong with falling unemployment, active consumers, growth in manufacturing, and a strong U.S. dollar. The System's overall investment returns were below expectations for fiscal years ended September 30, 2019 and 2018, but above expectations for the fiscal years ended September 30, 2017 and 2016. This followed the September 30, 2015 fiscal year where the System's investments had a significant decrease. The current U.S. equity bull market began ten years ago and the returns from this portion of the System's portfolio have investment returns exceeding the actuarial assumption for the four years of that ten-year period. The System is a long-range proposition and is responsible for administering benefits to police officers of the City of St. Louis (the City) who have dedicated their careers as public servants to the residents and businesses of the St. Louis metropolitan area. The System has and will continue to provide benefits in a prudent and professional manner to its active and retired Members and their beneficiaries.

The System's net position was \$785 million at September 30, 2019, which represents a decrease of \$11 million or 1.4% from September 30, 2018. This decrease was primarily due to less appreciation in the fair value of investments in the current year of \$12 million versus the appreciation in the fair value of investments in the prior year of \$45 million.

Additions to net position for the fiscal year 2019 were \$59 million as compared to additions of \$89 million for fiscal year 2018. This figure is comprised of \$18 million in net investment gain, \$5 million in Members' contributions, and \$36 million in employer's contributions. Additions to net position decreased \$31 million from 2018, a 34% decrease due to a \$33 million higher return on the System's investments in fiscal year 2018 less a \$3 million increase in employer and employee contributions in fiscal year 2019. The employer's contributions were \$36 and \$33 million for the 2019 and 2018 fiscal years, respectively.

Deductions from net position were \$70 million for both fiscal years 2019 and 2018. Benefit payments and refunds of Member's contributions combined represent 98% of the total deductions from net position for both fiscal years 2019 and 2018.

The overall investment return for the System was 2.29% and 7.43% for fiscal years ended September 30, 2019 and 2018, respectively. The investment return for both 2019 and 2018 was below the actuarial assumption interest rate of return of 7.5% (7.65% less 0.15% for administrative expense). Active oversight by the Board of Trustees continues to ensure the System retains top performing investment managers while maintaining a balanced investment portfolio.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Changes in active Members' benefits resulted from:

	For The Years	
	<u>Ended September 30</u>	
	<u>2019</u>	<u>2018</u>
New entrants	106	107
Service retirements:		
Regular	(42)	(46)
Disability	(5)	(7)
Death	(3)	-
Members requesting a refund withdrawal	<u>(42)</u>	<u>(54)</u>
Net Change In Active Members	<u>14</u>	<u>-</u>

As of October 1, 2019, the date of the most recent actuarial valuation (aggregate actuarial cost method), the System's actuarial value of assets, including present value of future Members' contributions, were 74.71% of the actuarial present value of all future benefits which is an increase from the October 1, 2018 ratio of 74.04%. This ratio increased as a result of higher investment returns than the actuarial expected returns during two of the last five years (2017 and 2016). For actuarial valuation computations, actuarial expected investment returns on the actuarial value of assets are recognized over a 5-year period starting with the year originated. The ratio also decreased due to an increase in liability due to Plan experience including a one-time pay increase given to all officers as a result of Proposition P.

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.

In accordance with GASB 67, the System highlights the following information reflected in this financial report:

- GASB 67 only affects reporting requirements and does not prescribe funding methods which could be different. The System will continue to use a funding policy that computes contribution amounts (normal cost) over the future working lifetime of current participants (the aggregate 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.
- GASB 67 classifies the System as a single-employer public pension plan for reporting purposes.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2019

- 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 7.5% investment return (7.65% less 0.15% administrative expenses) and expects assets will be sufficient to cover PNP until 2067. Since the PNP was projected to be insufficient to make all projected benefit payments of current plan Members and their beneficiaries, a blended discount rate of 6.69% was used to calculate the System's present value of future benefit payments.
- 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.
- RSI 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 section of the annual financial report consists of:

- The statements of fiduciary net position include 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.

Other items included in the annual financial report are the MD&A, 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, 2019 were \$796,124,420 and were mainly comprised of cash and investments. Total assets decreased \$3,961,036 or 0.5% from the prior year, mainly due to less investment income and plan contributions versus benefits and administrative expenses during fiscal year 2019.

Total liabilities at September 30, 2019 were \$11,405,672 and consisted of unsettled investment purchase transactions, net pension liability - System's staff pension related, members' contributions refundable, and accrued expenses. Total liabilities increased \$7,467,610 or 190% from the prior year, mainly due to the increase in unsettled investment purchase transactions at September 30, 2019.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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 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 \$784,752,472 at September 30, 2019, a decrease from the prior year of \$11,407,938 or 1.4%. This decrease mainly resulting from benefits paid by the system exceeding investment earnings and contributions in 2019. Benefits paid by the System have exceeded investment earnings in seven of the last ten fiscal years, including 2019; however, in 2018, the System's investment earnings exceed benefits paid.

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

	September 30			Total Change			
				Amount		Percentage	
	2019	2018	2017	2019	2018	2019	2018
ASSETS							
Investments	\$ 768,981	790,218	769,331	(21,237)	20,887	(2.7) %	2.7
Cash and cash equivalents	8,512	8,343	7,739	169	604	2.0	7.8
Receivables	18,492	1,333	1,034	17,159	299	1287.2	28.9
Capital assets, net	139	191	244	(52)	(53)	(27.2)	(21.7)
Total Assets	<u>796,124</u>	<u>800,085</u>	<u>778,348</u>	<u>(3,961)</u>	<u>21,737</u>	<u>(0.5)</u>	<u>2.8</u>
DEFERRED OUTFLOWS							
System's staff pension related	60	38	105	22	(67)	57.9	(63.8)
LIABILITIES	11,406	3,938	1,861	7,468	2,077	189.6	111.6
DEFERRED INFLOWS							
System's staff pension related	<u>26</u>	<u>25</u>	<u>13</u>	<u>1</u>	<u>12</u>	<u>4.0</u>	<u>92.3</u>
NET POSITION	<u>\$ 784,752</u>	<u>796,160</u>	<u>776,579</u>	<u>(11,408)</u>	<u>19,581</u>	<u>(1.4) %</u>	<u>2.5</u>

Revenues - Additions to Net Position

Net investment income totaled \$17,514,881 in fiscal year 2019 which represents a decrease of \$33,574,377 from the previous fiscal year of \$51,089,258. The decrease resulted mainly from appreciation in the fair value of investments being \$33,173,441 less for fiscal year 2019 as compared to fiscal year 2018. Investment income above is net of investment expenses (management and custodial fees) totaling \$2,589,416 which decreased by \$276,099 or 10% from fiscal year 2018.

The reserves needed to finance retirement benefits as well as death and disability benefits are accumulated through the collection of employer's and Members' contributions and through earnings on investments. Members, excluding Members participating in the DROP, contribute 7% of their salary to fund future retirement benefits. This percentage is set by State Statute and was unchanged from the prior fiscal year. Contributions

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

income totaled \$41,199,068 (\$35,970,630 from the employer and \$5,228,438 from Members) for the year ended September 30, 2019, an increase of \$2,965,353 or 8% from the prior year.

Expenses - Deductions from Net Position

The primary expenses of the System include the payment of pension benefits to retirees and beneficiaries, refunds of Members' contributions, and administrative expenses to operate the System. Total expenses for fiscal year 2019 were \$70,121,887, an increase of \$379,846 or 0.5% from fiscal year 2018. This increase is mainly due to an increase in benefits paid to retirees and beneficiaries, which is a function of the number of Members who retired during the year and their respective years of service, average final compensation, and DROP account when elected as a lump-sum distribution, and an increase in refunds of members' contributions.

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	
	2019	2018	2017	2019	2018	2019	2018
ADDITIONS							
Net investment income	\$ 17,515	51,089	93,520	(33,574)	(42,431)	(65.7) %	(45.4)
Employer's contributions	35,971	33,105	33,826	2,866	(721)	8.7	(2.1)
Members' contributions	5,228	5,129	4,654	99	475	1.9	10.2
Total Additions	<u>58,714</u>	<u>89,323</u>	<u>132,000</u>	<u>(30,609)</u>	<u>(42,677)</u>	<u>(34.3)</u>	<u>(32.3)</u>
DEDUCTIONS							
Benefits paid	63,865	63,604	59,959	261	3,645	0.4	6.1
Refunds of Members' contributions	4,684	4,972	3,493	(288)	1,479	(5.8)	42.3
Administrative expenses	1,573	1,166	1,206	407	(40)	34.9	(3.3)
Total Deductions	<u>70,122</u>	<u>69,742</u>	<u>64,658</u>	<u>380</u>	<u>5,084</u>	<u>0.5</u>	<u>7.9</u>
CHANGE IN NET POSITION	(11,408)	19,581	67,342	(30,989)	(47,761)	(158.3)	(70.9)
NET POSITION, BEGINNING OF YEAR	<u>796,160</u>	<u>776,579</u>	<u>709,237</u>	<u>19,581</u>	<u>67,342</u>	<u>2.5</u>	<u>9.5</u>
NET POSITION, END OF YEAR	<u>\$ 784,752</u>	<u>796,160</u>	<u>776,579</u>	<u>(11,408)</u>	<u>19,581</u>	<u>(1.4) %</u>	<u>2.5</u>

SUMMARY

The System's net position - restricted for pensions has increased in seven out of the past ten years. The decreases (which occurred in fiscal years 2019, 2015, and 2011) 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 in the immediate future. However, current actuarial projections using the GASB method indicate that the System may have an insufficient net position to make all projected future benefit payments of current Members of the System and their beneficiaries after 2067 if there are no contributions for future mem-

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

bers. With a continued focus on a prudent investment program, cost controls, and strategic planning, the System should over time improve its current financial position.

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:

Mark Lawson, J.D., Executive Director
The Police Retirement System of St. Louis
2020 Market Street
St. Louis, MO 63103-2210
or
mark.lawson@stlouisprs.org

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
STATEMENTS OF FIDUCIARY NET POSITION

	September 30	
	2019	2018
ASSETS		
Investments at fair value:		
Equities:		
Collective investment funds	\$ 260,234,083	242,518,092
Corporate stocks	121,305,263	153,337,396
Real estate securities funds	72,344,595	66,698,035
Fixed income:		
Corporate bonds	45,160,644	47,508,443
Mortgage backed securities	25,261,979	24,247,039
Government securities	12,179,635	12,686,857
Collective investment funds	6,251,210	15,203,010
Partnership interests	168,736,440	160,422,634
Money market funds	37,390,955	44,119,192
Hedge funds	19,251,927	22,587,884
Investment property	864,400	889,624
Total Investments	768,981,131	790,218,206
Cash and cash equivalents	8,512,063	8,342,877
Receivables:		
Unsettled investment sale transactions	17,599,722	294,303
Interest and dividends	818,843	952,027
Benefits recoverable	73,427	87,238
Total Receivables	18,491,992	1,333,568
Capital assets, net of accumulated depreciation	139,234	190,805
Total Assets	796,124,420	800,085,456
DEFERRED OUTFLOWS OF RESOURCES		
System's staff pension related	59,878	38,412
LIABILITIES		
Unsettled investment purchase transactions	10,120,870	2,322,850
Accrued investment management fees	452,949	597,808
Members' contributions refundable	385,856	626,617
Net pension liability - System's staff pension related	274,500	248,006
Accrued administrative expenses	171,497	142,781
Total Liabilities	11,405,672	3,938,062
DEFERRED INFLOWS OF RESOURCES		
System's staff pension related	26,154	25,396
NET POSITION - RESTRICTED FOR PENSIONS	\$ 784,752,472	796,160,410

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	For The Years	
	Ended September 30	
	2019	2018
ADDITIONS TO NET POSITION ATTRIBUTED TO		
Investment income:		
Net appreciation in fair value of investments	\$ 11,994,881	45,168,322
Interest:		
Corporate bonds	2,594,392	2,548,354
Government obligations	985,815	881,345
Other	659,145	569,142
Dividends	3,746,813	4,633,130
Securities lending income	112,524	134,112
Recapture commissions	8,327	8,128
Class action settlements	2,400	12,240
Total Investment Income	20,104,297	53,954,773
Less - Investment management and custodial fees	2,589,416	2,865,515
Net Investment Income	17,514,881	51,089,258
Contributions:		
Employer	35,970,630	33,104,561
Members	5,110,119	4,600,917
Portability	118,319	528,237
Total Contributions	41,199,068	38,233,715
Total Additions	58,713,949	89,322,973
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO		
Benefits paid to retirees and beneficiaries	63,865,309	63,603,561
Refunds of Members' contributions	4,683,627	4,972,550
Administrative expenses	1,572,951	1,165,930
Total Deductions	70,121,887	69,742,041
CHANGE IN NET POSITION	(11,407,938)	19,580,932
NET POSITION - RESTRICTED FOR PENSIONS, BEGINNING OF YEAR	796,160,410	776,579,478
NET POSITION - RESTRICTED FOR PENSIONS, END OF YEAR	\$ 784,752,472	796,160,410

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE A - DESCRIPTION OF PLAN

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS (the System) administers a single employer defined benefit pension plan providing pension benefits to the City of St. Louis police officers (the Members). Membership in the System consists of:

	September 30		Increase (Decrease)
	2019	2018	
Benefit status:			
Retirees	1,444	1,441	3
Beneficiaries	484	479	5
Total Benefit Status	<u>1,928</u>	<u>1,920</u>	<u>8</u>
Current active Members:			
Vested - participating in DROP	80	123	(43)
Vested - non-DROP	266	247	19
Total Vested	<u>346</u>	<u>370</u>	<u>(24)</u>
Nonvested	929	891	38
Total Current Active Members	<u>1,275</u>	<u>1,261</u>	<u>14</u>
Total Membership	<u><u>3,203</u></u>	<u><u>3,181</u></u>	<u><u>22</u></u>

The System provides retirement benefits as well as death and disability benefits. Members can voluntarily retire after a minimum of 20 years of service or attaining age 55. The monthly allowance consists of 40% of the two-year average final compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 4% of average final compensation for each additional year of service after 25 years up to a maximum of 30 years. The monthly allowance of Members who have in excess of 30 years of service is increased by 5%. The maximum pension is 75% of average final compensation.

Covered Members contributed 7% of their salary as specified by RSMo 86.320. Upon leaving employment due to service retirement, death, or disability due to an accident in the actual performance of duty, the Member's contributions are refunded. In addition, terminated Members receive interest.

The System implemented a Deferred Retirement Option Plan (DROP) feature during the System's fiscal year ended September 30, 1996. 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 will no longer make contributions to the System. During participation in DROP, the Member will not receive credit for service and the Member shall not share in any benefit improvement that is enacted or becomes effective while such Member is participating in DROP. A Member may participate in DROP only once for any period up to five years, at which point the Member may re-enter the System. At retirement the funds in the Member's DROP account plus interest is available to the Member in a lump sum or in installments. The number of active Members with DROP account balances and currently participating at September 30, 2019 and 2018 were as follows:

	<u>Currently Participating</u>	<u>Total DROP Accounts</u>	<u>DROP Account Balances</u>
2019	80	324	\$ 48,810,027
2018	123	327	39,129,144

THE POLICE 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 below:

1. Reporting Entity

The System is a pension trust fund of the City of St. Louis, Missouri (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 nine (9) Trustees, three (3) of whom are elected by the active Members of the System, three (3) of whom are elected by the retired Members of the System, two (2) of whom are appointed by the Mayor of the City, and one (1) of whom are Trustees by virtue of offices (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 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.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Investment Valuation

Investments are reported at fair value. Short-term money market investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. On September 30 or on the last reported bid price if no sale was made on that date, fixed-income securities are valued principally using quoted market prices provided by independent pricing services. For collective investments, fair value is determined and certified by the investment managers as of the reporting date. Hedge funds, limited partnership units, and real estate investment trust are measured at net asset value (NAV). Real estate investments are valued at estimated fair value as determined by the general partner, based upon appraisals provided by the investment manager. Hedge funds and limited partnership unit investments are reported at estimated fair value as determined by the general partner of the investment vehicle.

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 and paid by the System.

8. Use of Estimates

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

9. Capital Assets

Expenditures for furniture, equipment, and software 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
Furniture, equipment, and software	3 - 10

Expenditures for repairs and maintenance are expensed as incurred. Gains and losses on disposition of capital assets are included in changes in fiduciary net position as realized.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Capital Assets (Continued)

Capital assets consist of the following:

	September 30	
	2019	2018
Furniture, equipment, and software - at cost	\$ 689,314	694,840
Accumulated depreciation	(550,080)	(504,035)
Total Capital Assets, Net Of Accumulated Depreciation	<u>\$ 139,234</u>	<u>190,805</u>

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

	For The Year Ended September 30, 2019			
	Balance September 30 2018	Increases	Decreases	Balance September 30 2019
Furniture, equipment, and software, net	<u>\$ 190,805</u>	<u>11,074</u>	<u>62,645</u>	<u>139,234</u>

Depreciation expense for the years ended September 30, 2019 and 2018 was \$62,645 and \$62,134, respectively.

10. 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.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statements 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.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statements 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 statements of fiduciary net position.

NOTE C - CASH AND CASH EQUIVALENTS

The System's bank deposits and repurchase agreements 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 were fully secured or collateralized at September 30, 2019 and 2018. The System's bank deposits and repurchase agreements were insured by the FDIC and collateralized with securities held by the Federal Reserve Bank in the System's name. The repurchase agreements at September 30, 2019 are pledged by a Federal Home Loan Mortgage Pool certificate (maturing May 1, 2033), Federal National Mortgage Association certificate (maturing March 1, 2045), and a Federal Home Loan Bank certificate (maturing August 8, 2031). The repurchase agreements at September 30, 2018 were pledged by a Federal Home Loan Mortgage Pool certificate (maturing May 1, 2033), Federal National Mortgage Association certificate (maturing March 1, 2045), and a Federal Home Loan Bank certificate (maturing August 8, 2031). All pledged collateral securities had an AA+ credit rating level.

Cash and cash equivalents consist of the following:

	September 30			
	2019		2018	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Repurchase agreements	\$ 8,088,194	8,088,194	7,772,788	7,772,788
Bank deposits	750,059	423,869	745,068	570,089
Total	\$ 8,838,253	8,512,063	8,517,856	8,342,877

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE D - CONTRIBUTIONS RECEIVABLE - EMPLOYER

Contributions receivable - employer consists of the following:

	September 30	
	2019	2018
Current year contributions due from the employer as calculated by the System's actuary	\$ 35,970,630	33,104,561
Contributions received from the employer during the year	<u>(35,970,630)</u>	<u>(33,104,561)</u>
Total Contributions Receivable - Employer At End Of Year	<u>\$ -</u>	<u>-</u>

Missouri revised State Statutes require the City's contributions to be paid to the System in six equal monthly payments starting on July 1 and ending on December 1, 2019 and 2018, respectively.

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	
	2019	2018
Brandes Investment Partners (international equity - small cap): Partnership interest - venture capital	\$ 37,889,069	41,693,652
CenterSquare Investment Management Company (international real estate - equity): Real estate securities fund	<u>18,849,996</u>	<u>16,369,734</u>
Commerce Bank N.A. (fixed income and equity):		
Corporate bonds	45,160,644	47,508,443
Mortgage backed securities	25,261,979	24,247,039
Government securities	12,179,635	12,686,857
Collective investment funds - fixed income	6,251,210	-
Money market fund	3,425,472	1,817,657
Collective investment funds - equity	1,700,661	-
Corporate stocks	-	1,625,720
	<u>93,979,601</u>	<u>87,885,716</u>
Crescent Capital Group (opportunistic fixed income):		
Partnership interest - venture capital	39,255,799	37,522,814
Money market fund	5,000,000	-
	<u>44,255,799</u>	<u>37,522,814</u>
Dover Street IX, L.P. (private equity - fund of funds):		
Partnership interest - venture capital	<u>15,153,622</u>	<u>8,691,888</u>

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

	September 30	
	2019	2018
ElmTree Net Lease Fund III, L.P. (core real estate - private equity): Real estate securities fund	8,375,606	7,747,059
EnTrust Capital Diversified Fund QP, Ltd. (multi-strategy hedge fund): Hedge fund	1,010,755	1,074,060
EnTrust Special Opportunities Fund III, L.P. (multi-strategy hedge fund of funds): Hedge fund	7,216,250	10,671,248
EnTrust Special Opportunities Fund IV, L.P (hedged equity hedge fund of funds): Partnership interest - venture capital secondary market	7,279,543	2,833,581
Falcon E&P Opportunities Fund, L.P. (private equity - oil and gas): Partnership interest	3,209,213	5,918,157
IFM Global Infrastructure (U.S.), L.P. (private equity - core infrastructure): Partnership interest - venture capital	12,956,934	12,858,850
Kennedy Capital Management, Inc. (domestic mid-cap equity - value): Corporate stocks	24,290,295	23,968,507
Money market fund	683,320	900,504
	24,973,615	24,869,011
Lazard Asset Management, Inc. (international equity - emerging markets): Collective investment fund	41,095,544	42,962,875
MFS Institutional Advisors, Inc. (domestic large-cap equity - value): Corporate stocks	49,119,616	48,130,940
Money market fund	716,707	848,405
	49,836,323	48,979,345
Neuberger Berman Secondary Opportunities Fund III, L.P. (private equity - fund of funds): Partnership interest - venture capital secondary market	5,593,756	6,007,102
Neuberger Berman U.S. Equity Index PutWrite Fund, LLC (multi-strategy hedge fund): Hedge fund	11,024,922	10,842,576
Collective investment fund - equity	4,500,000	-
	15,524,922	10,842,576

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

	September 30	
	2019	2018
Neumeier Poma Investment Counsel, LLC (domestic small-cap equity - value):		
Corporate stocks	21,831,430	23,460,346
Money market fund	5,177,704	4,723,146
	27,009,134	28,183,492
The Northern Trust Company (domestic large-cap equity - core and growth):		
Collective investment funds - equity	117,147,885	101,699,896
Money market fund	21,524,969	34,455,885
Corporate stocks	454,865	448,532
	139,127,719	136,604,313
Pacific Investment Management Company (international fixed income):		
Collective investment funds - government securities	-	15,203,010
Parametric Defensive Equity Fund LLC (private equity - S&P index option based):		
Partnership interest - venture capital	15,480,778	11,251,060
Petrocap Partners II, L.P. (private equity - oil and gas):		
Partnership interest	8,079,231	7,709,501
Petrocap Partners III, L.P. (private equity - oil and gas):		
Partnership interest	2,074,628	-
PNC Capital Advisors (domestic small-cap equity - growth):		
Money market fund	20,253	610,485
Corporate stocks	-	28,063,061
	20,253	28,673,546
Principal U.S. Property Account (core real estate - equity):		
Real estate securities fund	45,118,993	42,581,242
Salient Zarvona Energy Fund II-A, L.P. (private equity - oil and gas):		
Partnership interest	5,921,568	8,727,516
Silchester International Investors (international equity - value)		
Collective investment fund	47,600,287	-
Trilogy Global Advisors, LLC (international large-cap equity - growth):		
Collective investment fund	-	48,771,612

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

	September 30	
	2019	2018
Ullico Infrastructure Taxable Fund, L.P. (private equity - infrastructure/ energy):		
Partnership interest - oil and gas	14,630,148	14,163,791
Wellington Trust Company, N.A. (international large-cap equity - value):		
Collective investment fund	48,189,706	49,083,709
Westfield Capital Management Company, L.P. (domestic mid-cap - growth):		
Corporate stocks	25,609,057	27,640,290
Money market fund	842,530	763,110
	26,451,587	28,403,400
Zarvonja III-A, L.P. (private equity - oil and gas):		
Partnership interest	1,212,151	3,044,722
Total Investments Managed	768,116,731	789,328,582
Investment property - real estate	864,400	889,624
Total Investments	\$ 768,981,131	790,218,206

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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value (NAV). NAV is used as a practical expedient to estimate the fair value of the System's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of September 30, 2019, the System had no specific plans or intentions to sell investments at amounts different from NAV.

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

The System has the following recurring fair value level measurements as of September 30, 2019 and 2018:

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

	2019			
	Total	Level 1	Level 2	Level 3
Investments by fair value level:				
Corporate stocks:				
Domestic	\$ 115,455,955	115,455,955	-	-
International	5,849,308	5,849,308	-	-
Government bonds, agencies, and mortgaged backed securities	37,441,614	-	37,441,614	-
Corporate bonds:				
Domestic	39,555,560	-	39,555,560	-
International	5,605,084	-	5,605,084	-
Collective investment funds:				
Domestic equity	137,837,910	137,837,910	-	-
International equity	122,396,173	122,396,173	-	-
Domestic fixed income	6,251,210	-	6,251,210	-
Money market funds	37,390,955	37,390,955	-	-
Investment property	864,400	-	-	864,400
Total Investments By Fair Value Level	<u>508,648,169</u>	<u>418,930,301</u>	<u>88,853,468</u>	<u>864,400</u>
Investments measured at net asset value (NAV):				
Limited partnership units:				
Venture capital	133,609,501			
Energy	35,126,939			
Hedge funds	19,251,927			
Real estate investment trust	72,344,595			
Total Investments Measured At NAV	<u>260,332,962</u>			
Total Investments Measured At Fair Value	<u>\$ 768,981,131</u>			
2018				
	Total	Level 1	Level 2	Level 3
Investments by fair value level:				
Corporate stocks:				
Domestic	\$ 153,337,396	153,337,396	-	-
Government bonds, agencies, and mortgaged backed securities	36,933,896	-	36,933,896	-
Corporate bonds:				
Domestic	41,653,557	-	41,653,557	-
International	5,854,886	-	5,854,886	-
Collective investment funds:				
International equity	144,662,771	144,662,771	-	-
Domestic equity	97,855,321	97,855,321	-	-
Domestic fixed income	15,203,010	-	15,203,010	-
Money market funds	44,119,192	44,119,192	-	-
Investment property	889,624	-	-	889,624
Total Investments By Fair Value Level	<u>540,509,653</u>	<u>439,974,680</u>	<u>99,645,349</u>	<u>889,624</u>
Investments measured at net asset value (NAV):				
Limited partnership units:				
Venture capital	120,858,947			
Energy	39,563,687			
Hedge funds	22,587,884			
Real estate investment trust	66,698,035			
Total Investments Measured At NAV	<u>249,708,553</u>			
Total Investments Measured At Fair Value	<u>\$ 790,218,206</u>			

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

For the investments measured at NAV at September 30, 2019, the System had the following unfunded purchase commitments, redemption frequency, when currently available, and redemption notice periods as follows:

	<u>September 30 2019</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period (Days)</u>
Partnership interest - venture capital: Dover Street IX, L.P.	\$ 15,153,622	7,400,000	N/A	N/A
Partnership interest - venture capital secondary market: EnTrust Special Opportunities Fund IV, L.P.	7,279,543	3,198,457	N/A	N/A
Neuberger Berman Secondary Opportunities Fund III, L.P.	5,593,756	3,162,362	N/A	N/A
Partnership interest - private equity oil and gas: Falcon E&P Opportunities Fund, L.P.	3,209,213	1,294,999	N/A	N/A
PetroCap Partners II, L.P.	8,079,231	5,157,113	N/A	N/A
Zarvona III-A, L.P.	1,212,151	2,049,286	N/A	N/A
Real estate securities fund: ElmTree Fund III, L.P.	8,375,606	4,496,115	N/A	N/A
Total	<u>\$ 48,903,122</u>	<u>26,758,332</u>		
Hedge funds: Entrust Cap Diversified Fund CL X Series 3/31/17	\$ 505,351	N/A	Quarterly	1-90
Entrust Cap Diversified Fund CL X Series 12/31	505,404	N/A	Quarterly	1-90
Entrust Special Opportunities III, L.P.	7,216,250	N/A	Quarterly	1-90
Neuberger Bernman U.S. Equity Index PutWrite Fund LLC	11,024,922	N/A	Daily, Monthly	1-30
Total Hedge Funds	<u>\$ 19,251,927</u>			

Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the System's custodian bank. Debt and equity securities held in Collective Trust Funds are held in those funds on behalf of the System and there is no restriction on the use and or liquidation of those assets.

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

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

Fixed Income Investment Categories	Maturities As Of September 30, 2019				
	Total	Less Than One Year	1 - 5 Years	6 - 10 Years	More Than 10 Years
Corporate bonds	\$ 45,160,644	1,945,297	14,201,175	12,903,583	16,110,589
Mortgage backed securities:					
Nongovernment	22,491,034	-	3,683,595	2,008,777	16,798,662
Government	2,770,945	-	-	78,443	2,692,502
Collective investment funds	6,251,210	835,049	1,863,315	1,757,000	1,795,846
Government securities	12,179,635	1,965,307	2,233,121	1,866,756	6,114,451
Total	<u>\$ 88,853,468</u>	<u>4,745,653</u>	<u>21,981,206</u>	<u>18,614,559</u>	<u>43,512,050</u>

Fixed Income Investment Categories	Maturities As Of September 30, 2018				
	Total	Less Than One Year	1 - 5 Years	6 - 10 Years	More Than 10 Years
Corporate bonds	\$ 47,508,443	290,000	20,052,770	13,288,847	13,876,826
Mortgage backed securities:					
Nongovernment	20,975,116	-	3,929,709	1,249,638	15,795,769
Government	3,271,923	-	-	53,644	3,218,279
Collective investment funds	15,203,010	2,058,773	4,035,598	9,108,639	-
Government securities	12,686,857	1,606,442	3,419,984	2,944,260	4,716,171
Total	<u>\$ 99,645,349</u>	<u>3,955,215</u>	<u>31,438,061</u>	<u>26,645,028</u>	<u>37,607,045</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:

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

Credit Rating As Of September 30, 2019						
Credit Rating Level	Total	Corporate Bonds	Nongovernment Mortgage Backed Securities	Government Mortgage Backed Securities	Collective Investment Funds	Government Securities
AAA	\$ 17,901,748	2,633,198	4,210,104	2,770,946	-	8,287,500
AA	12,133,731	7,050,514	1,191,082	-	-	3,892,135
A	26,863,927	23,891,752	2,972,175	-	-	-
BBB	11,962,261	10,140,127	819,113	-	1,003,021	-
BB	2,573,393	-	-	-	2,573,393	-
B	2,752,509	-	77,713	-	2,674,796	-
CCC	-	-	-	-	-	-
CC	-	-	-	-	-	-
D	-	-	-	-	-	-
Not rated	14,665,899	1,445,053	13,220,846	-	-	-
Total	<u>\$ 88,853,468</u>	<u>45,160,644</u>	<u>22,491,033</u>	<u>2,770,946</u>	<u>6,251,210</u>	<u>12,179,635</u>

Credit Rating As Of September 30, 2018						
Credit Rating Level	Total	Corporate Bonds	Nongovernment Mortgage Backed Securities	Government Mortgage Backed Securities	Collective Investment Funds	Government Securities
AAA	\$ 13,702,512	1,618,109	5,665,615	3,271,923	-	3,146,865
AA	13,808,698	5,070,368	1,329,442	-	-	7,408,888
A	41,313,167	23,659,660	2,450,497	-	15,203,010	-
BBB	10,587,524	9,790,741	796,783	-	-	-
BB	-	-	-	-	-	-
B	89,547	-	89,547	-	-	-
CCC	-	-	-	-	-	-
CC	-	-	-	-	-	-
D	-	-	-	-	-	-
Not rated	20,143,901	7,369,565	10,643,232	-	-	2,131,104
Total	<u>\$ 99,645,349</u>	<u>47,508,443</u>	<u>20,975,116</u>	<u>3,271,923</u>	<u>15,203,010</u>	<u>12,686,857</u>

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

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

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

Foreign Currency Exposures By Asset Class In U.S. Dollars As Of September 30, 2019

Currency	Equities	Fixed Income	Money Market Funds	Hedge Funds	Investment Property And Partnerships	Total
Barbadian Dollar	\$ -	275,703	-	-	-	275,703
British Pound Sterling	848,421	1,595,425	-	-	-	2,443,846
Canadian Dollar	509,208	1,396,782	-	-	-	1,905,990
Chinese Yuan	354,808	-	-	-	-	354,808
Danish Krone	497,974	-	-	-	-	497,974
Euro	914,597	3,210,857	-	-	-	4,125,454
Indian Rupee	1,063,375	-	-	-	-	1,063,375
Israeli Shekel	442,904	-	-	-	-	442,904
Swiss Franc	1,218,020	-	-	-	-	1,218,020
Total Foreign Currency	5,849,307	6,478,767	-	-	-	12,328,074
United States Dollar	448,034,634	82,374,701	37,390,955	19,251,927	169,600,840	756,653,057
Total	<u>\$ 453,883,941</u>	<u>88,853,468</u>	<u>37,390,955</u>	<u>19,251,927</u>	<u>169,600,840</u>	<u>768,981,131</u>

Foreign Currency Exposures By Asset Class In U.S. Dollars As Of September 30, 2018

Currency	Equities	Fixed Income	Money Market Funds	Hedge Funds	Investment Property And Partnerships	Total
Barbadian Dollar	\$ -	299,275	-	-	-	299,275
British Pound Sterling	1,003,729	2,185,754	-	-	-	3,189,483
Canadian Dollar	466,586	1,279,702	-	-	-	1,746,288
Euro	1,173,158	2,976,785	-	-	-	4,149,943
Indian Rupee	918,575	-	-	-	-	918,575
Israeli Shekel	1,553,305	-	-	-	-	1,553,305
Japanese Yen	-	-	-	-	-	-
Norwegian Kron	-	-	-	-	-	-
Swiss Franc	960,111	-	-	-	-	960,111
Taiwan Dollar	763,883	-	-	-	-	763,883
Total Foreign Currency	6,839,347	6,741,516	-	-	-	13,580,863
United States Dollar	455,714,176	92,903,833	44,119,192	22,587,884	161,312,258	776,637,343
Total	<u>\$ 462,553,523</u>	<u>99,645,349</u>	<u>44,119,192</u>	<u>22,587,884</u>	<u>161,312,258</u>	<u>790,218,206</u>

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

Investments Policies

Custodial Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The fixed income portfolio must have an average rating of “A” or better in the aggregate as measured by at least one credit rating service. In cases where the yield spread adequately compensates for additional risk, securities rated lower than an “A” may be purchased provided overall fixed income quality is maintained. All issues will be of investment grade quality (BBB or Baa rated) or higher at the time of purchase. Up to 15% of the total fair value of fixed income securities may be invested in BBB or Baa rated securities. In cases where credit rating agencies assign different quality ratings a security, the lower rating will be used. Should the rating of a fixed income security fall below minimum investment grade, the Investment Manager may continue to hold the security if they believe the security will be upgraded in the future, there is low risk of default, and buyers will continue to be available throughout the anticipated holding period. The Investment Manager has the responsibility of notifying the Board through their designee whenever an issue falls below investment grade.

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 average effective duration of the aggregate portfolio, reflecting all instruments including CMO and Asset-Backed Securities, must be maintained at plus or minus one year of the duration of the respective Investment Manager’s benchmark index.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the System’s investment in a single issuer.

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:

<u>Asset Class</u>	<u>Asset Class As A Percent Of Total Assets</u>		
	<u>Minimum</u>	<u>Target Mix</u>	<u>Maximum</u>
Fixed income	14%	19	24
Domestic equities:			
Large-cap	13	18	23
Mid-cap	1	6	11
Small-cap	1	6	11
Foreign equities:			
Developed markets	8	13	18
Emerging markets	1	6	11
Non-U.S. small-cap markets	1	6	11
Nondirectional hedge funds	-	5	10
Real estate equities	3	8	13
Private equity	3	8	13
Other	-	4	9
Money market	-	1	6

Long-term Expected Rate of Return on the System’s 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

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate Of Return</u>
Fixed income - core	0.02%
Fixed income - emerging markets debt	2.70
Fixed income -opportunistic	2.95
Domestic equities	4.64
Foreign equities	4.47
Nondirectional hedge funds	1.80
Defensive equity	4.03
Real estate (REIT) equities - core	3.25
Real estate (REIT) equities - infrastructure	4.09
Private equity (partnerships)	6.95
Money market	(1.85)

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 2.25%) and net of investment expenses (ranges from the assumed lowest of 0.10% for money market funds to assumed highest at 1.50% for private equity (partnerships)).

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:

- CenterSquare Investment Management Company/Bank of New York Mellon EB Global Real Estate Securities Fund
- ElmTree Net Lease Fund III, L.P.
- EnTrust Capital Diversified Fund QP, Ltd.
- EnTrust Special Opportunities Fund III, L.P.
- EnTrust Special Opportunities Fund IV, L.P.
- Falcon E&P Opportunities Fund, L.P.
- Neuberger Berman Secondary Opportunities Fund III, L.P.
- Neuberger Berman U.S. Equity Index PutWrite Fund, LLC
- Principal U.S. Property Account
- Silchester International Investors, LLP
- Wellington Trust Company International Opportunities Fund

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

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

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

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

	September 30	
	2019	2018
Collective funds:		
Wellington Trust Company International Opportunities Fund	\$ 48,189,706	49,083,709
Silchester International Investors Collective Investment Fund	47,600,287	-
MFB Northern Trust Company Daily S&P 500 Equity Index Fund	46,029,477	50,255,395
MFB Northern Trust Collective Russell 1,000 Growth Index Fund	45,367,789	51,444,501
Principal Real Estate Investment Trust	45,118,993	42,581,242
Lazard Emerging Markets Core Equity Trust	41,095,544	42,962,875
Crescent Capital High Income Fund LP	39,255,779	-
Trilogy International Group Trust I	-	48,771,612
Brandes Non-U.S. Small Cap Portfolio Fund	-	41,693,652

NOTE G - CURRENCY FORWARDS

Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency rate on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in net appreciation (depreciation) in fair value of investments on the System's statements of changes in fiduciary net position. The net unrealized gains (losses) is included in the System's statements of fiduciary net position in unsettled investment transactions. Pending foreign exchange contracts were as follows:

	September 30			
	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Pending currency forwards purchases:				
United States dollar	\$ -	-	24,432,514	24,432,514
Foreign currency	-	-	-	-
Pending currency forwards sales:				
United States dollar	-	-	-	-
Foreign currency	-	-	24,200,346	24,432,514

Net realized and unrealized gains (losses) were as follows:

	For The Years Ended September 30	
	2019	2018
Net realized gains (losses)	\$ 554,676	(746,989)
Net unrealized gains (losses)	-	232,168

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE H - FUNDING POLICY CONTRIBUTIONS

Funding policy contributions for the System are calculated using the aggregate actuarial cost method, and as a result, the System does not have an unfunded actuarial accrued liability amortization payment.

Actuarially determined funding policy contributions requirements are as shown in the following table:

	For The Years		Covered Payroll	
	Ended September 30		Percentage	
	2019	2018	2019	2018
Employer's annual required contributions: Portion of normal cost attributable to the System's fiscal years	\$ 33,821,078	33,646,036	41.0 %	43.9
Employer's Funding Policy Contributions Made	\$ 35,970,630	33,104,561	43.6 %	43.2
Members' Contributions Made	\$ 5,110,119	4,600,917	6.2 %	6.0

The covered payroll of active participants (including DROP participants) per the actuarial valuation amounted to \$82,494,022 and \$76,710,452 for the years ended September 30, 2019 and 2018, respectively.

Funding Policy Contribution (FPC) - The FPC is calculated using the aggregate actuarial cost method. The FPC applicable to the System's fiscal year ended September 30 each year in accordance with GASB 67 requires blending of the actuarial valuations. The FPC is presented each year using the aggregate of the City's FPCs for the portions of the City's fiscal year that overlap the System's fiscal year.

NOTE I - FUNDING STATUS AND PROGRESS - AGGREGATE ACTUARIAL COST METHOD

The System uses the aggregate actuarial cost method for funding requirements. A summary of the actuarial computations under the aggregate actuarial cost method is as follows:

	Actuarial Valuation October 1	
	2019	2018
Present value of all future benefits	\$ 1,132,291,499	1,122,301,357
Actuarial value of assets, including present value of future Members' contributions	845,962,902	831,007,402
Present Value Of Future Normal Contributions Due From The City	\$ 286,328,597	291,293,955

Actuarial value of assets was calculated assuming the City will continue to fund the actuarially determined contributions in future fiscal years.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE J - NET PENSION LIABILITY - ENTRY AGE NORMAL ACTUARIAL COST METHOD

The components of the net pension liability (the System’s liability determined in accordance with GASB 67 less the fiduciary net position) as of September 30, 2019 and 2018, 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 schedules of changes in net pension liability presents multi-year trend information about whether the System’s fiduciary net position is 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, 2019 and 2018 are based on actuarial valuations performed as of September 30, 2018 and 2017, and projected to September 30, 2019 and 2018, using generally accepted actuarial procedures.

Schedules of Net Pension Liability

	September 30	
	2019	2018
Total pension liability	\$ 1,111,624,766	1,010,912,526
System’s fiduciary net position	<u>784,752,472</u>	<u>796,160,410</u>
Net Pension Liability	<u>\$ 326,872,294</u>	<u>214,752,116</u>
System’s Fiduciary Net Position as a Percentage of Total Pension Liability	70.6%	78.8
Covered Payroll (including DROP participants)	\$ 82,494,022	76,710,452
Net Pension Liability as a Percentage of Covered Payroll	396.2%	280.0

Sensitivity of the net pension liability to changes in the discount rate:

	1% Decrease	Current Discount Rate Assumption	1% Increase
GASB 67 blended discount rate	5.69%	6.69	7.69
Total pension liability	\$ 1,237,325,434	1,111,624,766	1,007,915,287
Net pension liability	\$ 452,572,962	326,872,294	223,162,815
System’s fiduciary net position as a percentage of total pension liability	63.4%	70.6	77.9

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE J - NET PENSION LIABILITY - ENTRY AGE NORMAL ACTUARIAL COST METHOD
(Continued)

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

The blended discount rate used to measure the total pension liability was 6.69%. The projection of cash flows used to determine the discount rate assumed that employer's contributions will continue to follow the current funding policy. Based on those assumptions, the System's net position was projected to be insufficient to make all projected future benefit payments of current plan Members and beneficiaries after 2067. A municipal bond rate of 2.66% was used in the development of the blended GASB discount rate after that point. The 2.66% rate is based on the Bond Buyer General Obligation 20 Year High Grade Rate Municipal Bond Index (AA/Aa or higher). Based on the System's long-term investment rate of return of 7.5% and the municipal bond rate of 2.66%, the blended GASB discount rate is 6.69%.

A similar calculation was made as of September 30, 2018 using a blend of the assumed long-term expected rate of return of 7.5% and a municipal bond index rate of 4.18%. This calculation resulted in a blended discount rate of 7.24%.

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

Actuarial methods:	
Valuation date	October 1, 2019 and 2018
Actuarial cost method:	
GASB reporting	Entry Age Normal
Funding requirements	Aggregate, reduced by employee contributions
Amortization method/period	None - Aggregate is funded over the future working lifetime of current participants
Asset valuation method	5-years smoothed market
Actuarial assumptions:	
Investment rate of return	7.5% net of 0.15% administrative expenses
Long-term municipal bond rate	2019 - 2.66% and 2018 - 4.18%
Rate of payroll growth	Varies by age 3% to 6.25%, including merit and promotions
Consumer price inflation	2.5%
Mortality (ordinary)	RP-2014 Blue collar projected generationally with MP-2015 with 1.15 adjustment
Mortality (accidental)	0.03% per year for all ages in addition to ordinary mortality
Mortality (disabled)	RP-2014 disabled retiree projected generationally with MP-2015 with 0.9 adjustment male and no adjustment female

Covered Payroll

The definition of covered payroll was changed by GASB 82 issued March 2016. Covered payroll is the payroll on which contributions to the System are based.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE K - SYSTEM EMPLOYEES AND POST-RETIREMENT BENEFITS

Current System employees are reimbursed up to \$1,000 per year for validated claims for vision and dental costs. Reimbursed health care benefits totaled \$4,531 and \$6,773 for the years ended September 30, 2019 and 2018, respectively.

The System provides post-retirement health care benefits to all employees and their spouses who were employed as of February 26, 1992 and who retired from the System on or after attaining age 65. Those who are insured by another entity do not qualify for this benefit. Currently, one retiree qualifies to receive post-retirement benefits.

The System pays the premiums of retired System employees for the Medicare Supplemental Insurance Program. The System also reimburses retired System employees up to \$1,000 per year for validated claims for vision and dental costs. Expenditures for post-retirement health care benefits are recognized as the premiums are paid or as retirees report claims. Due to only one eligible retiree and the limited exposure, no provision for estimated claims incurred but not yet reported has been made. Expenditures for post-retirement health care were \$4,867 for both years ended September 30, 2019 and 2018, respectively.

NOTE L - SYSTEM EMPLOYEES' PENSION PLAN

General Information about the Pension Plan

Plan Description

All full-time staff at the System are provided with pension benefits through the ERS, a cost-sharing, multiple-employer defined benefit pension plan.

Benefits Provided

ERS provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Employees retire with full retirement benefits after the age of 65 or if an employee's age and creditable service combined equal or exceed 85 years. Employees may retire and receive a reduced benefit after age 60 with five years of creditable service, age 55 with at least 20 years of creditable service, or any age with 30 years of creditable service. The monthly pension benefits of all retirees or their beneficiaries are adjusted according to the changes in the Consumer Price Index of the U.S. Department of Labor. Increases are limited each year, with total increases to retirees or their beneficiaries limited to 25%.

Contributions

Employer contribution rates are established annually by the Board of Trustees of ERS based on an actuarial study. The Board of Trustees established the required employer contribution rates, based on active employee payroll as follows:

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE L - SYSTEM EMPLOYEES' PENSION PLAN (Continued)

<u>Service Period</u>	<u>Contribution Rate</u>
July 2019 to current	12.26%
July 2018 to June 2019	12.36
July 2017 to June 2018	12.22

Contributions to ERS from the System were \$62,254 and \$55,576 for the years ended September 30, 2019 and 2018, respectively. The System pays 50% of these contributions and the City pays the other 50%.

Employees who became members of ERS prior to October 14, 1977 and continued to make contributions may make voluntary contributions to ERS equal to 3% of their compensation until the compensation equals the maximum annual taxable earnings under the Federal Social Security Act. Thereafter, employees may contribute 6% of their compensation for the remainder of the calendar year.

Net Pension Expense

Net pension expense is the sum of changes in the net pension liability and deferred inflows and outflows of resources. For fiscal years 2019 and 2018, the System's net pension expense was calculated as follows:

	For The Years	
	Ended September 30	
	2019	2018
System's 50% share of employer contributions	\$ 31,127	27,788
Increase (decrease) in net pension liability	26,494	(85,562)
Increase in deferred inflows of resources	758	12,545
Decrease (increase) in deferred outflows of resources	<u>(21,466)</u>	<u>66,926</u>
Net Pension Expense	<u>\$ 36,913</u>	<u>21,697</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 System's fiscal years September 30, 2018 and 2017, 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 \$274,500 (or 0.16%) and \$248,006 (or 0.14%) for its proportionate share of the ERS' net pension liability for the years ended September 30, 2019 and 2018, respectively. The System's proportionate share 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 the participating employers, actuarially determined.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE L - SYSTEM EMPLOYEES' PENSION PLAN (Continued)

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

	For The Year Ended September 30, 2019		
	<u>Outflows</u>	<u>Inflows</u>	<u>Net Outflows</u>
Fiscal year 2019 paid contributions - System's 50%	\$ 31,127	-	31,127
Net difference between expected and actual experience	-	(16,394)	(16,394)
Net difference between projected and actual investment earnings on ERS' investments	5,903	-	5,903
Net impact from changes in proportion allocation between the participating employers	22,848	(9,760)	13,088
Total	<u>\$ 59,878</u>	<u>(26,154)</u>	<u>33,724</u>

	For The Years Ending September 30				
	<u>Total</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Deferred outflows (inflows) future recognition	\$ 33,724	42,384	(6,025)	(6,232)	3,597

	For The Year Ended September 30, 2018		
	<u>Outflows</u>	<u>Inflows</u>	<u>Net Outflows</u>
Fiscal year 2018 paid contributions - System's 50%	\$ 27,788	-	27,788
Net difference between expected and actual experience	-	(5,875)	(5,875)
Net difference between projected and actual investment earnings on ERS' investments	2,699	-	2,699
Net impact from changes in proportion allocation between the participating employers	7,925	(19,521)	(11,596)
Total	<u>\$ 38,412</u>	<u>(25,396)</u>	<u>13,016</u>

	For The Years Ending September 30				
	<u>Total</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Deferred outflows (inflows) future recognition	\$ 13,016	32,324	1,689	(12,347)	(8,650)

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE L - SYSTEM EMPLOYEES' PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the September 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3% plus merit component based on employee's years of service
Investment rate of return	7.5%, net of pension plan investment expense
Mortality rates - ordinary	RP-2000 healthy mortality 3 year set-forward with generational projections using scale AA
Mortality rates - disability	RP-2000 disabled mortality 3 year set-forward with generational projections using scale AA

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's 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 discount rate 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	\$ 434,146	274,500	137,853

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

NOTE M - 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. Collateral consisting of cash, letter of credit, or government securities is received and held by NTC. The broker/dealer collateralizes their borrowing (usually in cash) to 102% of the security

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE M - SECURITIES LENDING (Continued)

value plus accrued interest and this collateral is adjusted daily to maintain the 102% level. The collateral is increased to 105% if the borrowed securities and collateral are denominated in a foreign currency. 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.

At September 30, 2019 and 2018, outstanding loans to borrowers were \$33,080,136 and \$44,312,583, respectively. The System earned income of \$112,524 and \$134,112 for its participation in the securities lending program for the years ended September 30, 2019 and 2018, respectively.

NOTE N - RISK MANAGEMENT

The System is exposed to various risks of loss related to natural disasters; errors and omissions; and/or 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 years.

NOTE O - RELATED PARTY TRANSACTIONS

The System owed the City \$76,529 and \$70,588 at September 30, 2019 and 2018, respectively, for personnel costs (salaries, payroll taxes, payroll processing, and employee fringe benefits for System employees). The System reimburses 50% of personnel costs, plus actual directly allocated expenses. The total of these items and the System's expense for the years ended September 30, 2019 and 2018 was \$312,057 and \$287,565, respectively.

NOTE P - COMMITMENTS AND CONTINGENCIES

The System was committed to the future settlement of investments sold and purchased) at September 30, 2019 and 2018 as follows. These amounts are reflected in the statements of fiduciary net position as a receivable and liability for unsettled investment transactions, respectively.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NOTES TO FINANCIAL STATEMENTS

NOTE P - COMMITMENTS AND CONTINGENCIES (Continued)

	<u>September 30</u>	
	<u>2019</u>	<u>2018</u>
Pending purchases:		
Commerce Bank N.A.	\$ -	1,632,460
Dover Street IX, L. P.	400,000	-
MFS Institutional Advisors, Inc.	49,175	-
Neumeier Poma Investment Counsel, LLC	-	345,175
Northern Trust Short Term Investment Fund	9,500,000	-
PIMCO Global Bond Opportunities Fund	-	33,305
Wellington Trust Company International Opportunities Fund	81,642	84,509
Westfield Capital Management Company, LP	90,053	227,401
	<u> </u>	<u> </u>
Total Pending Purchases	<u>\$ 10,120,870</u>	<u>2,322,850</u>
	<u>September 30</u>	
	<u>2019</u>	<u>2018</u>
Pending sales:		
Crescent Capital High Income Fund LP	\$ 5,000,000	-
Dover Street IX, L. P.	400,000	-
MFS Institutional Advisors, Inc.	47,859	7,229
Neuberger Berman U.S. Equity Index PutWrite Fund, LLC	4,500,000	-
Northern Trust Company NTSI FX Hedge Account	-	232,168
PIMCO Global Bond Opportunities Fund	7,518,201	-
Silchester International Investors Collective Investment Fund	33,093	-
Westfield Capital Management Company, LP	100,569	54,906
	<u> </u>	<u> </u>
Total Pending Sales	<u>\$ 17,599,722</u>	<u>294,303</u>

NOTE Q - 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 that such changes could materially affect the amounts reported in the statements of fiduciary net position.

Actuarial present value of accumulated plan benefits is 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.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE R - RATE OF RETURN

For the years ended September 30, 2019 and 2018, the annual money-weighted rate of return on the System's investments, net of investment expenses, was 2.29% and 7.43%, respectively. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

NOTE S - DETERMINATION LETTER

The System has received a favorable determination letter dated March 12, 2014 from the Internal Revenue Service (IRS) stating that the System is qualified as a government plan under Section 414(d) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Once qualified, the System is required to operate in conformity with the Code to maintain its qualification.

NOTE T - SUBSEQUENT EVENTS

The System has performed an evaluation of subsequent events through February 26, 2020, the date the basic financial statements were available to be issued. No material events were identified by the System.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
REQUIRED SUPPLEMENTAL INFORMATION

REQUIRED SUPPLEMENTAL INFORMATION SECTION

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
REQUIRED SUPPLEMENTAL INFORMATION -
GASB STATEMENT NO. 67 PENSION ELEMENTS - SYSTEM RELATED

SCHEDULES OF CHANGES IN NET PENSION LIABILITY

	For The Years Ended September 30					
	2019	2018	2017	2016	2015	2014
Discount Rate Assumption	6.69 %	7.24 %	6.67 %	6.19 %	7.29 %	7.48 %
Total Pension Liability (A)						
Service cost	\$ 15,678,890	16,369,318	17,988,134	12,617,971	12,977,679	12,991,999
Interest on total pension liability, including service cost	71,309,613	68,899,130	66,042,714	67,036,489	66,579,275	65,906,383
Benefit changes	-	-	-	-	-	-
Differences between expected and actual experience	22,854,628	(4,886,531)	3,911,067	(3,684,265)	(2,041,444)	-
Assumption changes	59,418,045	(59,545,809)	(55,153,649)	131,846,504 (D)	16,248,637	6,650,362
Benefit payments	(63,865,309)	(63,603,561)	(59,959,184)	(59,673,662)	(67,107,828)	(58,302,794)
Refunds of Members' contributions	(4,683,627)	(4,972,550)	(3,493,396)	(2,963,770)	(2,425,249)	(2,670,671)
Net Change In Total Pension Liability	<u>100,712,240</u>	<u>(47,740,003)</u>	<u>(30,664,314)</u>	<u>145,179,267</u>	<u>24,231,070</u>	<u>24,575,279</u>
Total Pension Liability Beginning	<u>1,010,912,526</u>	<u>1,058,652,529</u>	<u>1,089,316,843</u>	<u>944,137,576</u>	<u>919,906,506</u>	<u>895,331,227</u>
Total Pension Liability Ending (a)	<u>\$ 1,111,624,766</u>	<u>1,010,912,526</u>	<u>1,058,652,529</u>	<u>1,089,316,843</u>	<u>944,137,576</u>	<u>919,906,506</u>
System Fiduciary Net Position						
Contributions - Employer	\$ 35,970,630	33,104,561	33,826,528	30,778,664	30,600,069	32,324,823
Contributions - Members	5,228,438	5,129,154	4,653,968	4,376,867	4,487,942	4,438,346
Net investment income (loss)	17,514,881	51,089,258	93,520,079	52,927,643	(8,325,611)	48,094,636
Benefit payments	(63,865,309)	(63,603,561)	(59,959,184)	(59,673,662)	(67,107,828)	(58,302,794)
Refunds of Members' contributions	(4,683,627)	(4,972,550)	(3,493,396)	(2,963,770)	(2,425,249)	(2,670,671)
Administrative expenses	(1,572,951)	(1,165,930)	(1,206,161)	(1,102,866)	(1,125,310)	(1,095,653)
Net Change In System Fiduciary Net Position	<u>(11,407,938)</u>	<u>19,580,932</u>	<u>67,341,834</u>	<u>24,342,876</u>	<u>(43,895,987)</u>	<u>22,788,687</u>
System Fiduciary Net Position Beginning	<u>796,160,410</u>	<u>776,579,478</u>	<u>709,237,644</u>	<u>684,894,768</u>	<u>728,790,755 (C)</u>	<u>706,276,668</u>
System Fiduciary Net Position Ending (b)	<u>\$ 784,752,472</u>	<u>796,160,410</u>	<u>776,579,478</u>	<u>709,237,644</u>	<u>684,894,768</u>	<u>729,065,355</u>
Net Pension Liability Ending (a-b)	<u>\$ 326,872,294</u>	<u>214,752,116</u>	<u>282,073,051</u>	<u>380,079,199</u>	<u>259,242,808</u>	<u>190,841,151</u>

Notes:

- (A) 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.
- (B) Because the beginning and ending values are based on the same actuarial valuation (September 30, 2013) and there were no significant events, no liability gains or losses due to experience are reported for the year ended September 30, 2014.
- (C) The September 30, 2014 System fiduciary net position was restated (decreased) by \$274,600 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 actuarial assumptions were updated based on a actuarial experience review for the period October 1, 2010 through September 30, 2015, and were first effective with the actuarial valuation as of October 1, 2016.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
REQUIRED SUPPLEMENTAL INFORMATION -
GASB STATEMENT NO. 67 PENSION ELEMENTS - SYSTEM RELATED

SCHEDULES OF NET PENSION LIABILITY AND RELATED RATIOS

	September 30						
	2019	2018	2017	2016	2015	2014	2013
Total pension liability	\$ 1,111,624,766	1,010,912,526	1,058,652,529	1,089,316,843	944,137,576	919,906,506	895,331,227
System fiduciary net position	784,752,472	796,160,410	776,579,478	709,237,644	684,894,768	729,065,355	706,276,668
Net Pension Liability	\$ 326,872,294	214,752,116	282,073,051	380,079,199	259,242,808	190,841,151	189,054,559
System Fiduciary Net Position as a Percentage of the Total Pension Liability	70.6 %	78.8	73.4	65.1	72.5	79.3	78.9
Covered Payroll (including DROP participants)	\$ 82,494,022	76,710,452	76,141,625	72,684,487	72,325,153	72,151,450	N/A
Net Pension Liability as a Percentage of Covered Payroll	396.2 %	280.0	370.5	522.9	358.4	264.5	N/A

Note: St. Louis City voters approved a 1/2 cent sales tax increase in November 2017. This increase known as Proposition P is to provide revenues for the operation of the Department of Public Safety, including: 1) hiring more police officers, 2) police and firefighter compensation, and 3) enhanced law enforcement services. This sales tax increase took effect on April 1, 2018. Police Officers each received a \$6,000 annual wage increase effective in July 2018. This will increase covered payroll by approximately \$7.6 million, a one time increase.

THE POLICE 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						
	2019	2018	2017	2016	2015	2014	2013
Employer actuarially determined contributions	\$ 35,970,630	33,104,561	33,826,528	30,778,664	30,600,069	32,324,823	32,629,036
Contributions in relation to the actuarially determined contribution	(35,970,630)	(33,104,561)	(33,826,528)	(30,778,664)	(30,600,069)	(32,324,823)	(32,629,036)
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-
Covered Payroll (including DROP participants)	\$ 82,494,022	76,710,452	76,141,625	72,684,487	72,325,153	72,151,450	N/A
Contributions as a Percentage of Covered Payroll	43.6 %	43.2	44.4	42.3	42.3	44.8	N/A

THE POLICE 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 Years Ended September 30					
2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expenses	2.29 %	7.43	13.09	7.85	(1.14)	7.08
	2.29 %	7.43	13.09	7.85	(1.14)	7.08

THE POLICE 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, 2019

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, 2019.

2. Changes in Actuarial Assumptions

The blended discount rate of 6.69% (previously 7.24%) was used to measure the total pension liability for the year ended September 30, 2019. This change resulted in an increase of approximately \$59 million to total pension liability.

3. Changes in Actuarial Method

None

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

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, 2018 actuarial valuation was made during the fiscal year ended September 30, 2019. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules of employer's contributions (schedule):

Actuarial methods:

Valuation date	October 1, 2019 and 2018
Actuarial cost method:	
GASB reporting	Entry Age Normal
Funding requirements	Aggregate, reduced by employee contributions
Amortization method/period	None - Aggregate is funded over the future working lifetime of current participants
Asset valuation method	5-years smoothed market

Actuarial assumptions:

Investment rate of return	7.5% net of 0.15% administrative expenses
Long-term municipal bond rate	2019 - 2.66%; 2018 - 4.18%; and 2017 - 3.64%
Rate of payroll growth	Varies by age 3% to 6.25%, including merit and promotions
Consumer price inflation	2.5%
Mortality (ordinary)	RP-2014 Blue collar projected generationally with MP-2015 with 1.15 adjustment
Mortality (accidental)	0.03% per year for all ages in addition to ordinary mortality
Mortality (disabled)	RP-2014 disabled retiree projected generationally with MP-2015 with 0.9 adjustment with 0.9 adjustment male and no adjustment female

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 end of each month and on the actual or approximate date of contributions, benefit payments, and expenses.

THE POLICE 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, 2019 (Continued)

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

The discount rate used to calculate the present value of future benefit payments for reporting purposes is based upon the projected fiduciary net position using actuarial assumptions about contributions, benefit payments, and the long-term rate of return. If the projected fiduciary net position 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 high grade bond muni-bond rate for periods after the fiduciary net position is exhausted. The System currently uses the long-term discount rate of 7.5% and expects assets will be sufficient to cover fiduciary net position until 2067. The muni-bond rate used in the valuation was 2.66% and is based on the Bond Buyers General Obligation 20 Year High Grade Rate Municipal Bond Index (AA/Aa or higher). Since the fiduciary net position was projected to be insufficient to make all projected benefit payments of current System Members and beneficiaries, a blended discount rate of 6.69% was used to calculate the System's present value of future benefit payments.

8. Covered Payroll

The covered payroll for active Members is the payroll on which contributions to the System are based.

THE POLICE 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				
	2019	2018	2017	2016	2015
Proportionate Share of the Employer's Contributions	0.16 %	0.14	0.16	0.15	0.14
Proportionate Share of the Collective Net Pension Liability	\$ 274,500	248,006	333,568	330,070	221,645
Covered Payroll	\$ 388,771	341,892	378,373	348,595	343,651
Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Payroll	70.61 %	72.54	88.16	94.69	64.50
ERS' Fiduciary Net Position as a Percentage of the Total Pension Liability	83.02 %	82.46	78.52	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 the ERS' fiscal years ended September 30, 2018, 2017, 2016, 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.

THE POLICE 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				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 47,637	42,519	51,217	51,498	52,740
Contributions in relation to the contractually required contribution	(47,637)	(42,519)	(51,217)	(51,498)	(52,740)
Contribution Deficiency (Excess)	\$ -	-	-	-	-
Covered Payroll	\$ 388,771	341,892	378,373	348,595	343,651
Contributions as a Percentage of Covered Payroll	12.25 %	12.44	13.54	14.77	15.35

Notes to schedule:

Valuation date	Actuarially determined contributions are calculated as of October 1, 2014 through 2018
Methods and assumptions used to determine contribution rates:	
Actuarial cost method - 2018 and 2017	Entry age normal cost method
Actuarial cost method - 2016 and 2015	Projected Unit Credit Cost Method
Amortization method - 2018	Fixed 20 year period as of October 1, 2015 as a level percentage of payroll/ Future gains and losses and changes in actuarial assumptions will be amortized in layers over separate 20 year periods
Amortization method - 2017	Fixed 20 year period as of October 1, 2015 as a level percentage of payroll
Amortization method - 2016 and 2015	Rolling 30-year level dollar amortization of unfunded liability
Asset valuation method	5-years smoothing
Inflation	2018, 2017 and 2016 - 2.5% and 2015 - 3.125%
Salary increases - 2018 and 2017	3% plus merit component based on employee's years of service
Salary increases - 2016 and 2015	3.5% plus merit component based on employee's years of service
Investment rate of return	2018, 2017 and 2016 - 7.5% and 2015 - 8%, net of pension plan investment expenses
Mortality rates - ordinary - 2018, 2017 and 2016	RP-2000 healthy mortality 3 year set-forward with generational projections using scale AA
Mortality rates - ordinary - 2015	1994 Group Annuity Mortality Table
Mortality rates - disability - 2018, 2017 and 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

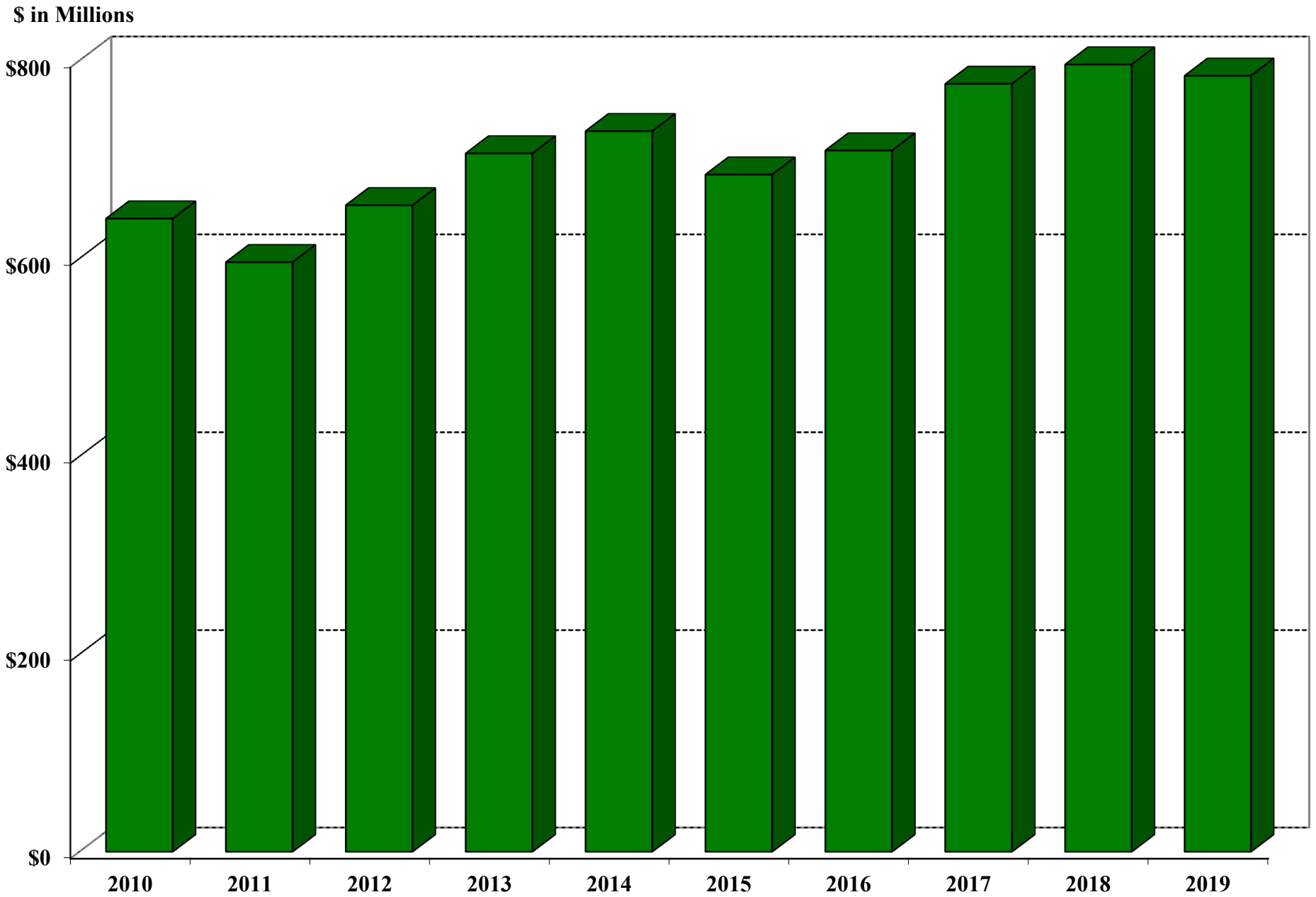
Notes:

- (A) The System elected to report pension elements using the beginning of the year actuarial valuation as allowed by GASB 68. Therefore, the amounts presented were determined as of the ERS' fiscal years ended September 30, 2014 through 2018 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.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
OTHER SUPPLEMENTAL INFORMATION

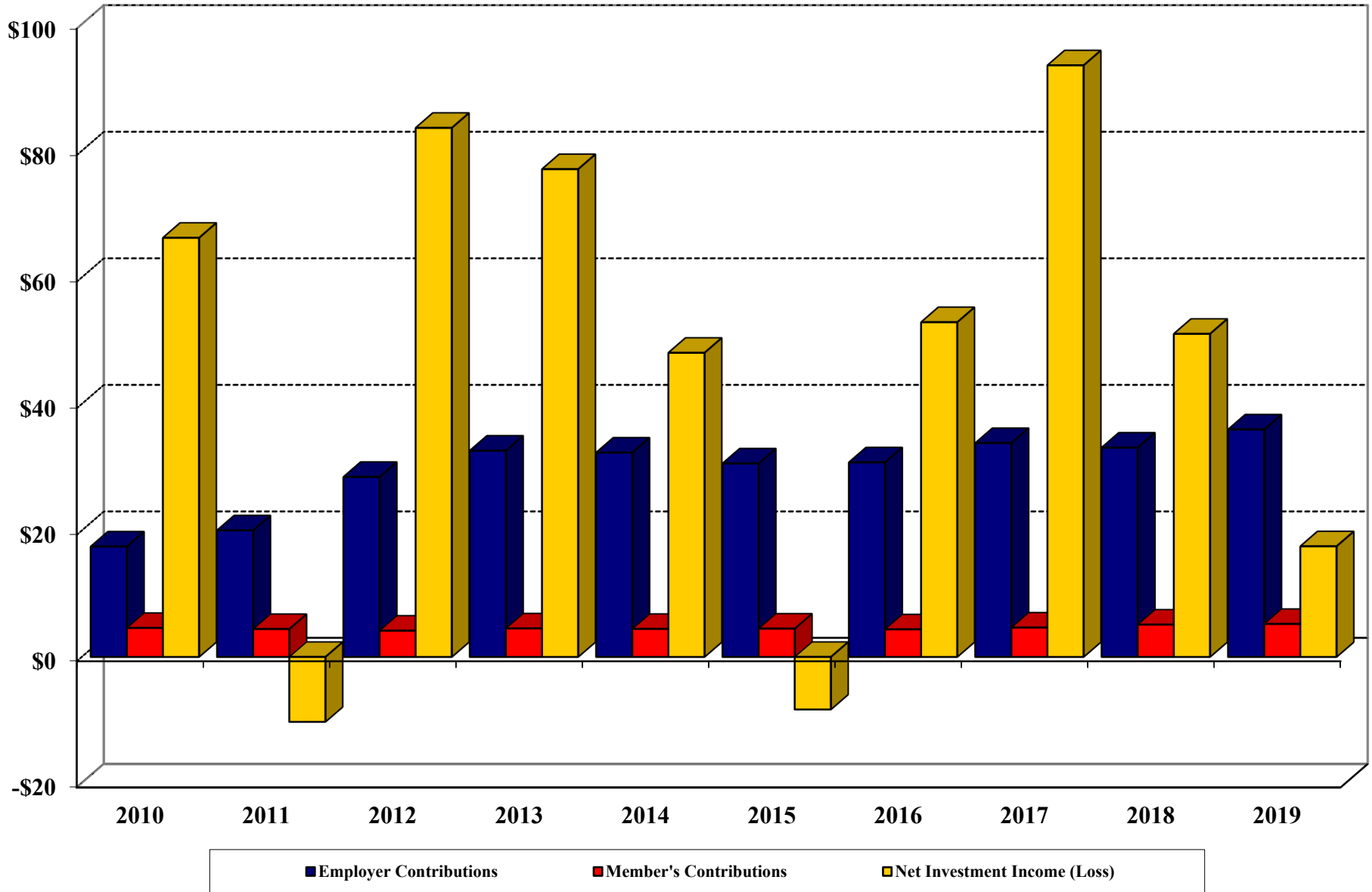
OTHER SUPPLEMENTAL INFORMATION SECTION

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NET POSITION
SEPTEMBER 30



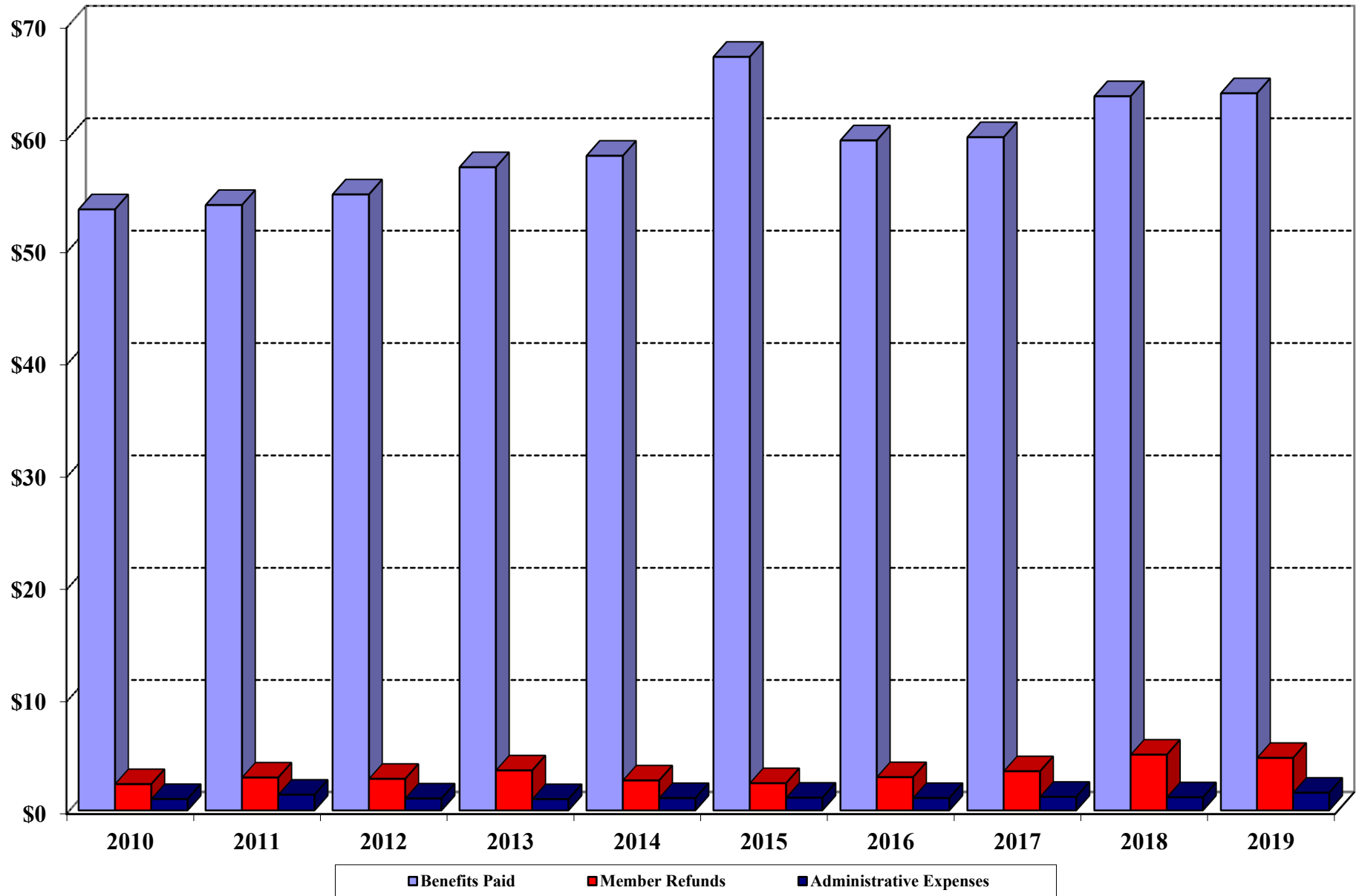
THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
ADDITIONS TO NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30

\$ in Millions



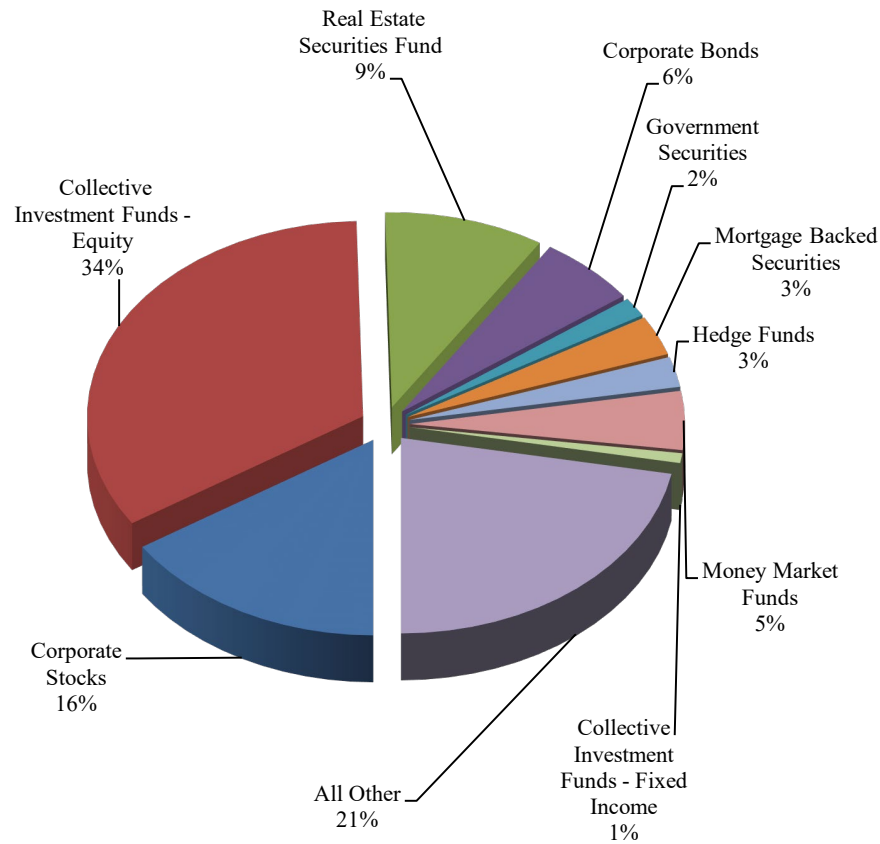
THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
DEDUCTIONS FROM NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30

\$ in Millions

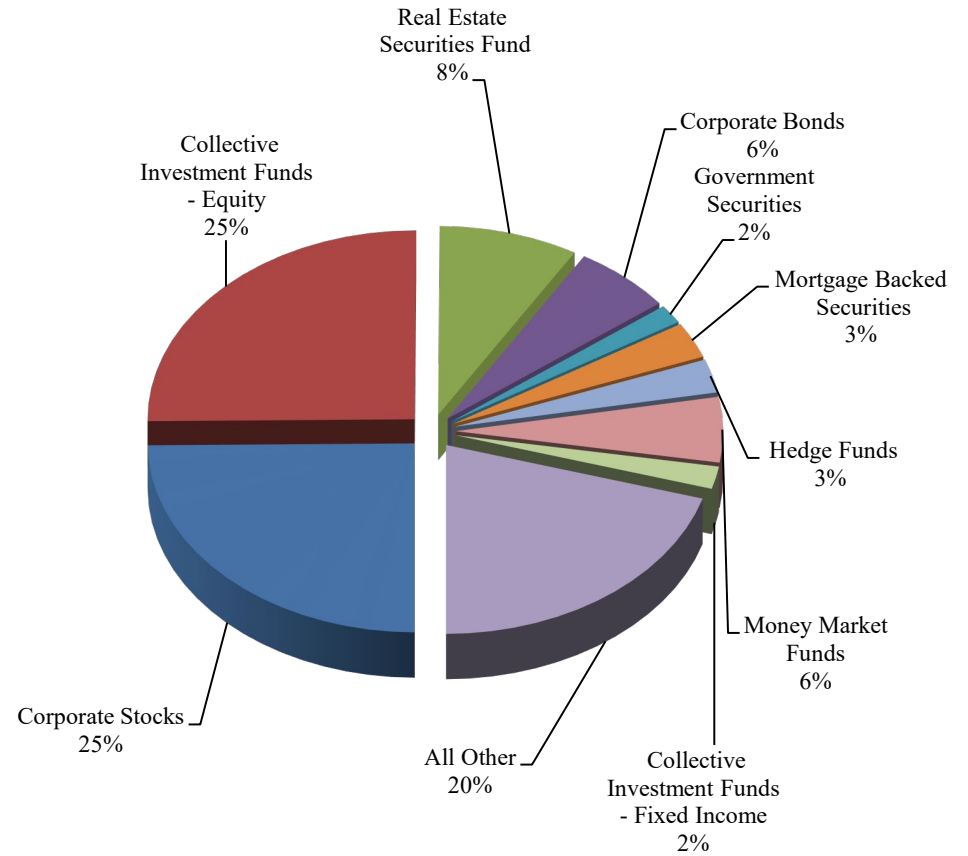


THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

INVESTMENTS



September 30, 2019



September 30, 2018

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
OTHER SUPPLEMENTAL INFORMATION

	For The Years	
	Ended September 30	
	2019	2018
BENEFITS PAID TO RETIREES AND BENEFICIARIES		
Monthly annuity:		
Accidental disability and death	\$ 4,600,855	4,443,786
Advisor fees	2,283,470	2,229,610
Consultant fees	2,153,999	2,087,425
Dependents monthly benefits	5,426,882	5,055,866
Medical, surgical, and hospital	119,933	70,564
Ordinary disability	455,839	408,510
Service retirees	44,492,450	43,646,432
Total Monthly Annuity	59,533,428	57,942,193
Lump sum:		
Accidental disability and death	32,129	239,609
Drop	4,299,752	5,421,759
Total Lump Sum	4,331,881	5,661,368
Total Benefits Paid To Retirees And Beneficiaries	\$ 63,865,309	63,603,561
 ADMINISTRATIVE EXPENSES		
Personnel costs:		
Salaries	\$ 218,613	195,410
Payroll taxes	15,901	14,497
Insurance - workers compensation	3,235	2,892
Employee benefits:		
Pension expense	36,913	21,697
Group medical and life insurance	22,617	22,131
Total Personnel Costs	297,279	256,627
Bank charges	11,638	10,668
Board of Trustees account	45,258	38,776
Committee	52,429	68,091
Computer and website	129,501	117,794
Cost allocated from the City	20,564	24,847
Depreciation	62,645	62,134
Document management	470	406
Equipment rental and maintenance	30,197	28,190
Insurance	77,683	76,903
Medical reviews, consulting, and investigations	177,839	57,722
Office supplies and expenses	26,293	21,054
Post-retirement and employee health care benefits	9,398	11,640
Postage	13,872	15,115
Professional fees:		
Accounting	47,462	51,089
Actuary	65,875	55,000
Executive search	47,610	-
Investment consultant	139,583	145,000
Outside general counsel	282,366	75,206
Telephone	7,842	28,900
Utilities	27,147	20,768
Total Administrative Expenses	\$ 1,572,951	1,165,930

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
OTHER SUPPLEMENTAL INFORMATION

INVESTMENT MANAGEMENT AND CUSTODIAL FEES

	For The Years	
	Ended September 30	
	2019	2018
Investment management fees:		
Brandes Investment Partners	\$ 307,880	365,532
CenterSquare Investment Management Company	129,894	119,513
Commerce Bank N.A.	216,511	207,778
Kennedy Capital Management, Inc.	178,119	189,256
Lazard Asset Management, Inc.	213,218	253,278
MFS Institutional Advisors, Inc.	194,084	191,806
Neumeier Poma Investment Counsel, LLC	259,645	257,754
PNC Capital Advisors	167,268	192,949
Silchester International Investors, LLP	147,561	-
Trilogy Global Advisors, LLC	12,870	356,830
Wellington Trust Company, N.A.	302,514	335,216
Westfield Capital Management Company, L.P.	209,552	208,045
	2,339,116	2,677,957
Custodial fees:		
The Northern Trust Company	250,300	187,558
	250,300	187,558
Total Investment Management And Custodial Fees	\$ 2,589,416	2,865,515

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

- Crescent Capital Group (Partnership Interest)
- Dover Street IX (Partnership Interest)
- ElmTree Net Lease Fund III, L.P. (Real Estate Separate Account)
- EnTrust Capital Diversified Fund QP, Ltd. (Hedge Fund)
- EnTrust Special Opportunities Fund III, L.P. (Hedge Fund)
- EnTrust Special Opportunities Fund IV, L.P. (Partnership Interest)
- Falcon E&P Opportunities Fund, L.P. (Partnership Interest)
- IFM Global Infrastructure (U.S.), L.P. (Partnership Interest)
- Neuberger Berman Secondary Opportunities Fund III, L.P. (Partnership Interest)
- Neuberger Berman U.S. Equity Index PutWrite Fund, LLC (Hedge Fund)
- Pacific Investment Management Company (Mutual Fund)
- Parametric Defensive Equity Fund LLC (Partnership Interest)
- Petrocap Partners II, L.P. (Partnership Interest)
- Principal U.S. Property Account (Real Estate Separate Account)
- Salient Zarvona Energy Fund II-A, L.P. (Partnership Interest)
- Ullico Infrastructure Taxable Fund, L.P. (Partnership Interest)
- Zarvonia III-A, L.P. (Partnership Interest)

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
OTHER SUPPLEMENTAL INFORMATION

SUMMARY OF INSURANCE COVERAGE

Type	Policy Term	Coverage
Fiduciary liability	November 1, 2018 to November 1, 2019	\$ 10,000,000
Directors and Officers liability	November 1, 2018 to November 1, 2019	10,000,000
Commercial general liability	November 1, 2018 to November 1, 2019	2,000,000
Cyber and privacy liability	May 31, 2019 to May 31, 2020	2,000,000
Umbrella liability	November 1, 2018 to November 1, 2019	1,000,000
Employee dishonesty, forgery, and computer fraud	November 1, 2018 to November 1, 2019	1,000,000
Non-owned automobile	November 1, 2018 to November 1, 2019	1,000,000
Property:		
Building	November 1, 2018 to November 1, 2019	2,420,574
Personal property		1,683,005

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
OTHER SUPPLEMENTAL INFORMATION

HISTORICAL TREND INFORMATION - 10 YEARS

Additions to net position:

For The Years Ended September 30	Contributions			Net Investment Income (Loss)	Total
	Employer	Members	Portability And Restorations		
2019	\$ 35,970,630	\$ 5,110,119	\$ 118,319	\$ 17,514,881	\$ 58,713,949
2018	33,104,561	4,600,917	528,237	51,089,258	89,322,973
2017	33,826,528	4,456,241	197,727	93,520,079	132,000,575
2016	30,778,664	4,320,337	56,530	52,927,643	88,083,174
2015	30,600,069	4,202,023	285,919	(8,325,611)	26,762,400
2014	32,324,823	4,202,765	235,581	48,094,636	84,857,805
2013	32,629,036	4,270,446	251,125	77,112,248	114,262,855
2012	28,473,995	4,154,589	6,753	83,638,329	116,273,666
2011	20,036,918	4,155,488	269,071	(10,291,650)	14,169,827
2010	17,476,138	4,463,218	133,240	66,266,056	88,338,652

Deductions from net position:

For The Years Ended September 30	Benefits Paid	Refunds To Members	Admini- strative Expenses	Total
2019	\$ 63,865,309	\$ 4,683,627	\$ 1,572,951	\$ 70,121,887
2018	63,603,561	4,972,550	1,165,930	69,742,041
2017	59,959,184	3,493,396	1,206,161	64,658,741
2016	59,673,662	2,963,770	1,102,866	63,740,298
2015	67,107,828	2,425,249	1,125,310	70,658,387
2014	58,302,794	2,670,671	1,095,653	62,069,118
2013	57,283,047	3,566,809	999,324	61,849,180
2012	54,862,523	2,813,393	1,059,515	58,735,431
2011	53,922,117	2,932,312	1,396,293	58,250,722
2010	53,534,229	2,344,280	1,010,532	56,889,041

INTERNAL CONTROL AND COMPLIANCE SECTION

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**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 26, 2020

The Board of Trustees

THE POLICE 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 POLICE RETIREMENT SYSTEM OF ST. LOUIS** (the System), a component unit of the City of St. Louis, Missouri, as of and for the year ended September 30, 2019, and the related notes to financial statements, which collectively comprise the System’s basic financial statements, and have issued our report thereon dated February 26, 2020.

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.

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

Chesterfield, Missouri