THE FIREFIGHTERS' RETIREMENT PLAN OF THE CITY OF ST. LOUIS

FINANCIAL REPORT
(Audited)

Year Ended September 30, 2015

Contents

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

INDEPENDENT AUDITOR'S REPORT

February 25, 2016

The Board of Trustees
THE FIREFIGHTERS' RETIREMENT PLAN OF THE CITY OF ST. LOUIS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **THE FIREFIGHTERS' RETIREMENT PLAN OF THE CITY OF ST. LOUIS** (the Plan), a Pension Trust Fund of the City of St. Louis, Missouri, as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

In making those risk assessments, the auditor considers internal control relevant to the Plan'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 Plan's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of September 30, 2015 and 2014, and the respective changes in fiduciary net position thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plan'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 25, 2016, on our consideration of the Plan'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 Plan's internal control over financial reporting and compliance.

Hochschild, Bloom & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

The following Management's Discussion and Analysis (MD&A) of **THE FIREFIGHTERS' RETIREMENT PLAN OF THE CITY OF ST. LOUIS** (the Plan) provides an overview of the Plan's financial activities for the fiscal year ended September 30, 2015. The MD&A should be read in conjunction with the Plan's financial statements and supplemental information.

FINANCIAL HIGHLIGHTS

The City of St. Louis, Missouri (the "employer" and "plan sponsor") pursuant to its authority under the home rule charter provisions of the Constitution of the State of Missouri and the laws of the State of Missouri, established this defined benefit retirement plan effective February 1, 2013, known as The Firefighters' Retirement Plan, to provide retirement, disability, and death benefits for the active and retired firefighters of the City and their beneficiaries. The Plan operates separately, but simultaneously, with Firemen's Retirement System of St. Louis (FRS) under a dual plan system. Benefit accruals under FRS were frozen as of February 1, 2013. The Plan is still relatively new and fiscal year ended September 30, 2015 is the third year-end closing.

The Plan's net position was $29,775,598 at September 30, 2015, which represents an increase of $9,916,265 from September 30, 2014.

Additions to net position for fiscal year 2015 were $9,421,790 as compared to additions of $11,679,521 for fiscal year 2014. Fiscal year 2015's additions are comprised of $843,058 of net investment loss, $7,435,635 in employer contributions, and $2,829,213 in Members' contributions.

Deductions from net position were $576,274 for fiscal year 2015 and $355,768 for fiscal year 2014.

In addition, the Plan recorded a receivable for a transfer of $1,070,749 from FRS for the actuarially determined cost of additional sick leave benefits accrued between September 20, 2010 and February 1, 2013 in accordance with the Settlement Agreement between FRS and the Plan effective July 20, 2015. The Plan received this transfer in October 2015.

The overall investment return for the Plan was (4.22%) for fiscal year 2015 as compared to (2.31%) for fiscal year 2014. Since the Plan was recently established, the Board of Trustees (the Trustees) have been developing investment policies intended to minimize market risks and achieve market returns associated with prudent portfolio structure for managed pension funds. The Trustees have engaged a custodian, hired an investment consulting firm, and began selecting active portfolio managers. Investments are expected over a long-term horizon to achieve the actuarial assumed rate of return of 7.625%.

Changes in Members' benefits resulted from:

	For The Years Ended September 30	
	2015	2014
New entrants	-	32
Service retirements:		
Regular	**(12)**	(11)
Service connected disability	**(2)**	-
Ordinary disability	**(1)**	(1)
Death	**(1)**	-
Members requesting a refund withdrawal	**(3)**	(14)
Net Change In Active Members	**(19)**	6

FINANCIAL STATEMENTS

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

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

- GASB 67 only affects reporting requirements and does not prescribe funding methods which could be different. The Plan will continue to use the same actuarial cost method for its funding policy that computes contribution amounts (normal cost) on a level contribution where the present value of normal costs at entry age is equal to the present value of future benefits at entry age. For financial reporting purposes the Plan is required to use the entry age actuarial cost valuation method in determining the normal cost of the Plan'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 Plan'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 Plan's actuary.
- Statements of net assets and statements of changes in net assets have now been retitled as statements of fiduciary net position and statements of changes in fiduciary net position, respectively.
- GASB 67 classifies the Plan as a single-employer public pension plan for reporting purposes.
- The discount rate used to calculate the present value of future benefit payments for reporting purposes is based upon the projected plan net position (PNP) using actuarial assumptions about contributions, benefit payments, and the long-term rate of return. If the projected PNP is not sufficient to cover projected benefit payments, a blended discount rate is required using both the weighted average of the long-term

rate of return and the muni-bond rate for periods after the PNP is exhausted. The Plan currently uses the long-term discount rate of 7.625% and expects assets will be sufficient to cover PNP for all current active Members and any beneficiaries.

- Footnote requirements include the target asset allocation including long-term expected real rate of return, investments representing 5% or more of the Plan'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 basic financial statements contained in this section of the annual financial report consist of:

- The statements of fiduciary net position includes the Plan'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 Plan at that specific point in time.
- The statements of changes in fiduciary net position summarizes the Plan's financial transactions that have occurred during the fiscal year. It supports the change that has occurred to the prior year's net position on the statements of fiduciary net position.
- The notes to financial statements are an integral part of the above financial statements and include additional information not readily evident in the statements themselves.
- The required supplemental MD&A information, the RSI, and other supplemental information following the notes to financial statements provide detailed historical information considered useful in evaluating the condition of the Plan.

FINANCIAL ANALYSIS

Total assets at September 30, 2015 were $33,216,001 and were mainly comprised of cash and cash equivalent, investments, receivables, and net capital assets. Total assets increased $13,328,320 or 67% from September 30, 2014.

Total liabilities at September 30, 2015 were $3,473,856 and consisted mainly of unsettled investment transactions, Members' contributions refundable, payroll related liabilities, net pension liability - Plan's staff pension related, and accrued expenses. Total liabilities increased $3,445,508 or 12,154% from September 30, 2014.

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

inflows of resources. The net effect of implementing GASB 68 increased net position at September 30, 2015 by $5,636.

Net position - restricted for pensions was $29,775,598 at September 30, 2015, an increase of $9,916,265 or 50% from fiscal year 2014. This increase mainly resulted from employer's and Members' contributions made to the Plan during fiscal year 2015.

Following is a condensed version of the statements of fiduciary net position:

	September 30			Total Change			
				Amount		Percentage	
	2015	2014	2013	**2015**	2014	**2015**	2014
ASSETS							
Investments	**$ 31,662,311**	18,554,271	-	**13,108,040**	18,554,271	**100.0 %**	100.0
Cash and cash equivalents	**64,977**	1,097,691	1,504,817	**(1,032,714)**	(407,126)	**(94.1)**	(27.1)
Receivables	**1,325,093**	53,919	185,279	**1,271,174**	(131,360)	**2,357.6**	(70.9)
Capital assets, net	**163,620**	181,800	-	**(18,180)**	181,800	**100.0**	100.0
Total Assets	**33,216,001**	19,887,681	1,690,096	**13,328,320**	18,197,585	**67.0**	1,076.7
DEFERRED OUTFLOWS							
Plan's staff pension related	**35,644**	-	-	**35,644**	-	**100.0**	100.0
LIABILITIES	**3,473,856**	28,348	37,265	**3,445,508**	(8,917)	**12,154.3**	(23.9)
DEFERRED INFLOWS							
Plan's staff pension related	**2,191**	-	-	**2,191**	-	**100.0**	100.0
NET POSITION	**$ 29,775,598**	19,859,333	1,652,831	**9,916,265**	18,206,502	**49.9 %**	1,101.5

Revenues - Additions to Net Position

Net investment income (loss) totaled ($843,058) in fiscal year 2015 as compared to ($76,204) in fiscal year 2014. Investment income (loss) is net of investment expenses (management and custodial fees) totaling $21,046 and $5,553 for the years ended September 30, 2015 and 2014, respectively.

The reserves needed to finance retirement benefits as well as death and disability benefits are accumulated through the collection of employer's and Members' contributions. Members with over 20 years of service at the Plan's inception contribute 8% (1% while in DROP status) of their after-tax salary to fund future retirement benefits. Members with less than 20 years of service at the Plan's inception and members appointed after February 1, 2013 contribute 9% (1% while in DROP status) of their pre-tax salary to fund future retirement benefits. Total contributions (employer and Members) totaled $10,264,848 and $11,755,725 for the years ended September 30, 2015 and 2014, respectively. Contributions decreased $1,490,877 for the year ended September 30, 2015, compared to fiscal year 2014 mainly from the decrease in the actuarially determined City's contributions for the fiscal year.

Expenses - Deductions from Net Position

The primary expenses of the Plan include the payment of pension benefits to retirees and beneficiaries, refunds of Members' contributions, and administrative expenses to operate the Plan. Total expenses for fiscal year 2015 were $576,274, an increase of $220,506 from fiscal year 2014. This increase is mainly due to the increase in the number of Members and beneficiaries receiving benefits including refunds in 2015.

Transfers In

Transfers in for the year ended September 30, 2015 represents a transfer from FRS for certain sick leave benefits, and for the year ended September 30, 2014 represents a transfer from FRS for a portion of the employer's September 30, 2013 contribution for a portion of the City's contribution to FRS. See Note O.

Following is a condensed version of the statements of changes in fiduciary net position:

	For The Years Ended September 30			Total Change Amount		Total Change Percentage	
	2015	2014	2013*	**2015**	2014	**2015**	2014
ADDITIONS							
Net investment loss	**$ (843,058)**	(76,204)	-	**(766,854)**	(76,204)	**(100.0) %**	(100.0)
Employer's contributions	**7,435,635**	8,942,435	-	**(1,506,800)**	8,942,435	**100.0**	100.0
Members' contributions	**2,829,213**	2,813,290	1,704,910	**15,923**	1,108,380	**0.6**	65.0
Total Additions	**9,421,790**	11,679,521	1,704,910	**(2,257,731)**	9,974,611	**(19.3)**	585.1
DEDUCTIONS							
Benefits paid	**148,991**	48,249	1,112	**100,742**	47,137	**208.8**	4,238.9
Refund of Members' contributions	**114,090**	84,065	31,044	**30,025**	53,021	**35.7**	170.8
Administrative expenses	**313,193**	223,454	19,923	**89,739**	203,531	**40.2**	1,021.6
Total Deductions	**576,274**	355,768	52,079	**220,506**	303,689	**62.0**	583.1
CHANGE IN NET POSITION BEFORE TRANSFER IN	**8,845,516**	11,323,753	1,652,831	**(2,478,237)**	9,670,922	**(21.9)**	585.1
TRANSFER IN	**1,070,749**	6,882,749	-	**(5,812,000)**	6,882,749	**100.0**	100.0
CHANGE IN NET POSITION	**9,916,265**	18,206,502	1,652,831	**(8,290,237)**	16,553,671	**(45.5)**	1,001.5
NET POSITION, BEGINNING OF YEAR	**19,859,333**	1,652,831	-	**18,206,502**	1,652,831	**1,101.5**	100.0
NET POSITION, END OF YEAR	**$ 29,775,598**	19,859,333	1,652,831	**9,916,265**	18,206,502	**49.9 %**	1,101.5

*From date of inception (February 1, 2013) to September 30, 2013

SUMMARY

The Plan has ended its second full year in operation, with inception being February 1, 2013. The Board of Trustees have developed an investment policy, as well as a number of administrative policies. The Board of Trustees engaged a custodian to hold investment assets, investment managers to manage portions of the portfolio, and an investment consultant to monitor and report to the Trustees the managers performance measured against stated investment indexes. The City's actuarially determined annual contribution, along with the Member contributions and investment earnings, will be needed to cover benefit accruals and payments. The Board anticipates the combinations of these revenues to adequately sustain the Plan over a long-term horizon.

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 Plan's finances and to demonstrate the Plan's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

Richard R. Frank, Board Secretary
The Firefighters' Retirement Plan of the City of St. Louis
1114 Market Street, Suite 900
St. Louis, MO 63101
or
E-mail: FrankR@StLouis-MO.gov

STATEMENTS OF FIDUCIARY NET POSITION

	September 30	
	2015	2014
ASSETS		
Investments at fair value:		
Equities	**$ 22,266,628**	6,182,912
Fixed income	**5,782,782**	4,193,827
Money market funds	**3,612,901**	8,177,532
Total Investments	**31,662,311**	18,554,271
Cash and cash equivalents	**64,977**	1,097,691
Receivables:		
Due from Firemen's Retirement System of St. Louis	**1,124,668**	53,919
Unsettled investment transactions	**155,200**	-
Interest and dividends	**33,787**	-
Due from the City of St. Louis	**11,438**	-
Total Receivables	**1,325,093**	53,919
Capital assets, less accumulated depreciation	**163,620**	181,800
Total Assets	**33,216,001**	19,887,681
DEFERRED OUTFLOWS OF RESOURCES		
Plan's staff pension related	**35,644**	-
LIABILITIES		
Unsettled investment transactions	**3,401,908**	-
Net pension liability - Plan's staff pension related	**27,817**	-
Accrued administrative expenses	**24,888**	23,512
Members' contributions refundable	**10,693**	4,450
Accrued investment management fees	**8,455**	-
Benefit payable - pension	**95**	386
Total Liabilities	**3,473,856**	28,348
DEFERRED INFLOWS OF RESOURCES		
Plan's staff pension related	**2,191**	-
NET POSITION - RESTRICTED FOR PENSIONS	**$ 29,775,598**	19,859,333

See notes to financial statements

THE FIREFIGHTERS' RETIREMENT PLAN
OF THE CITY OF ST. LOUIS
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	For The Years Ended September 30	
	2015	2014
ADDITIONS TO NET POSITION ATTRIBUTED TO		
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	**$ (1,265,164)**	(119,993)
Dividends	**314,417**	48,807
Interest	**128,735**	535
Total Investment Income (Loss)	**(822,012)**	(70,651)
Less - Investment management and custodial fees	**21,046**	5,553
Net Investment Income (Loss)	**(843,058)**	(76,204)
Contributions:		
Employer	**7,435,635**	8,942,435
Members	**2,829,213**	2,813,290
Total Contributions	**10,264,848**	11,755,725
Total Additions, Net	**9,421,790**	11,679,521
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO		
Administrative expenses	**313,193**	223,454
Benefits paid to retirees and beneficiaries	**148,991**	48,249
Refunds of Members' contributions	**114,090**	84,065
Total Deductions	**576,274**	355,768
CHANGE IN NET POSITION BEFORE TRANSFER IN	**8,845,516**	11,323,753
TRANSFER IN	**1,070,749**	6,882,749
CHANGE IN NET POSITION	**9,916,265**	18,206,502
NET POSITION - RESTRICTED FOR PENSIONS, BEGINNING OF YEAR	**19,859,333**	1,652,831
NET POSITION - RESTRICTED FOR PENSIONS, END OF YEAR	**$ 29,775,598**	19,859,333

See notes to financial statements

NOTE A - DESCRIPTION OF PLAN

THE FIREFIGHTERS' RETIREMENT PLAN OF THE CITY OF ST. LOUIS (the Plan) administers a single employer defined benefit pension plan providing pension benefits to the City of St. Louis firemen (the Members). Membership in the Plan consists of:

Group	September 30 2015	September 30 2014	Increase (Decrease)
Retirees and beneficiaries currently receiving benefits	**37**	22	15
Current active Members:			
Vested - non-DROP	**387**	378	9
Vested - participating in DROP	**61**	62	(1)
Nonvested	**159**	186	(27)
Total Current Active Members	**607**	626	(19)
Total Membership	**644**	648	(4)

The Plan provides retirement benefits as well as death and disability benefits. Grandfathered Members are those who were employed prior to February 1, 2013. Members can voluntarily retire after a minimum of 20 years of service and upon reaching the normal retirement age of 55. A Member who has 20 years of service but has not yet reached the age of 55 may elect an early retirement with the normal retirement benefit deferred until reaching the age of 55. In lieu of a deferred retirement benefit, the Member may elect to receive his/her retirement benefit beginning on his/her early retirement date or on the first day of any month thereafter prior to reaching age 55 with such benefit actuarially reduced from age 55. A Member hired on or after the effective date of February 1, 2013 who terminates employment after completing 10 years of service, but before completing 20 years of service, is eligible for a full unreduced pension beginning at age 62. Such a Member may elect to receive a refund of his/her contributions, plus interest, in lieu of a pension benefit.

The monthly allowance is determined by the average final monthly compensation over the last 5 years of service. For grandfathered Members, the average is over the last 2 years of service. The monthly allowance consists of 40% of the applicable final average monthly compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of final average compensation for each additional year of service after 25 years with a maximum pension of 75%. Unused accrued sick pay accumulated before February 1, 2013 may increase the maximum pension beyond this limitation.

A grandfathered Member with at least 20 years of service as of February 1, 2013, contributed 8% of their salary, after-tax. All other Members contribute 9% of their salary, pre-tax. All Members who terminate employment before becoming eligible to receive a retirement benefit will receive a refund of all contributions plus interest. Members hired after February 1, 2013 who terminate employment before reaching age 55 and elect a refund of contributions in lieu of a pension benefit will also receive a refund of their contributions plus interest, as will grandfathered Members who terminate employment before completing 20 years of service. Contributions to the Plan made on or after the inception of the Plan are not refundable to a Member who receives a service retirement benefit, ordinary disability benefit, or a service connected disability benefit; except that contributions to

NOTE A - DESCRIPTION OF PLAN (Continued)

the Plan by a grandfathered Member with at least 20 years of service as of inception who receives a service retirement benefit are refundable without interest.

The Plan allows qualifying Members a one-time election to participate in a Deferred Retirement Option Plan (DROP). The DROP option is available to Members of the Plan who have at least 20 years of creditable service and have achieved eligibility for retirement. Those Members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the DROP account of the Member, and the Member's contributions will be reduced to 1% from the normal contribution percentage. During participation in the DROP, the Member will not receive credit for employer contributions or credit for service. A Member may participate in the DROP only once for any period up to five years. At retirement the funds in the Member's DROP account plus: 1) interest and 2) accrued sick leave if elected is available to the Member in a lump sum or in installments. The number of Members with FRP only DROP account balances was 26 and 15 at September 30, 2015 and 2014, respectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies consistently applied by the Plan in the preparation of the accompanying financial statements are summarized as follows:

1. **Reporting Entity**

   The Plan is a pension trust fund of the City of St. Louis, Missouri (the City). As such, the Plan is included in the City's Comprehensive Annual Financial Report as a Pension Trust Fund. The Plan and its Board of Trustees (Board) are not financially accountable for any other entities or other organizations. Accordingly, the Plan is the only entity included in this financial report.

2. **Board Composition**

   The Board shall consist of seven (7) Trustees, two (2) of whom are elected by the active Members of the Plan, one (1) of whom is elected by the retired Members of the Plan, two (2) of whom are appointed by the Mayor of the City, and two (2) 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 terms of the Plan. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Dividend income is recognized based on the ex-dividend date and interest income

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Basis of Accounting (Continued)

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

4. New GASB Accounting Model

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

5. Investment Valuation

Marketable securities are stated at fair value. Fair values are based on the last reported sales price on September 30 or on the last reported bid price if no sale was made on that date.

6. Cash and Cash Equivalents

Cash on deposit with Commerce Bank N.A. is maintained for the Plan by the Board.

7. Operating Expenses

Benefits paid and administrative expenses are approved by the Board. Payments are processed by the Plan's administrative staff.

8. Use of Estimates

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 income as realized.

Capital assets activity was as follows:

	September 30	
	2015	2014
Software, at cost	**$ 181,800**	181,800
Less - Accumulated depreciation	**(18,180)**	-
Total Capital Assets, Net Of Accumulated Depreciation	**$ 163,620**	181,800

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

	For The Year Ended September 30, 2015			
	Balance September 30 2014	**Increases**	**Decreases**	**Balance September 30 2015**
Furniture, equipment, and software	$ 181,800	-	18,180	**163,620**

The pension administration software was placed into service during the year ended September 30, 2015. Depreciation expense for the years ended September 30, 2015 and 2014 were $18,180 and $0, respectively.

10. Expense Reclassification

Investment consultant fees reported in the 2014 financial statements have been reclassified from investment fees to administrative expenses to conform to the presentation in the 2015 financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Staff Pension Plan

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

12. Deferred Outflows/Inflows of Resources

In addition to assets, the 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 Plan currently has deferred outflows of resources related to the pension reported on the statements of fiduciary net position.

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 Plan currently has deferred inflows of resources for unavailable revenues from property taxes reported on the governmental funds balance sheet. The Plan also has deferred inflows of resources related to the pension reported on the government-wide statement of net position.

NOTE C - CASH AND CASH EQUIVALENTS

The Plan's bank deposits are required by state law to be secured by the deposit of certain securities specified by RSMo 30.270. The collateralized securities are held by a trustee institution. The value of the securities must amount to the total of the Plan's cash not insured by the Federal Deposit Insurance Corporation (FDIC). The Plan's bank deposits as of September 30, 2015 and 2014 were $85,780 and $1,142,693, respectively. For 2015, the balance was insured by the FDIC in the amount of $250,000. For 2014, the balance was insured by the FDIC in the amount of $250,000, collateralized with securities held by the pledging financial institution's trust department in the Plan's name in the amount of $713,415, and the remaining balance of $179,278 was unsecured. The Plan's carrying amount of bank deposits was $64,977 and $1,097,691 as of September 30, 2015 and 2014, respectively.

NOTE D - CONTRIBUTIONS RECEIVABLE - EMPLOYER

Contributions receivable - employer consists of the following:

NOTE D - CONTRIBUTIONS RECEIVABLE - EMPLOYER (Continued)

	September 30	
	2015	2014
Contributions receivable - employer, beginning of year	**$ -**	-
Current year contribution due from the employer as calculated by the Plan's actuary	**7,435,635**	8,942,435
Contributions received from the employer during the year	**(7,435,635)**	(8,942,435)
Total Contributions Receivable - Employer, End Of Year	**$ -**	-

During fiscal year 2014, an additional $6,882,749 was transferred from FRS pursuant to a settlement and release entered into with the City in December 2013 (see Note O).

NOTE E - INVESTMENTS

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

	September 30	
	2015	2014
Great Lakes Advisors, LLC:		
Corporate stocks:		
Domestic	**$ 5,150,588**	-
International	**138,989**	-
Money market fund	**1,546,771**	-
	6,836,348	-
Garcia Hamilton & Associates, L.P.:		
Government bonds, agencies, and mortgage-backed securities	**4,974,372**	-
Corporate bonds	**808,410**	-
Money market fund	**1,627,790**	-
	7,410,572	-
Vanguard Exchange Traded Funds (ETF):		
Domestic large cap equity index	**8,323,613**	6,182,912
International equity index	**8,653,438**	-
Short-term bond	**-**	4,193,827
	16,977,051	10,376,739
Money market funds	**438,340**	8,177,532
Total Investments	**$ 31,662,311**	18,554,271

NOTE E - INVESTMENTS (Continued)

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

The Plan's investments are continuously exposed to various types of inherent risks. These risks are mitigated by the Plan's development and continual monitoring of sound investment policies. The maturities and credit rating by investment schedules are presented as follows to provide an illustration of the Plan's current level of exposure to various risks.

In fiscal year 2015, the Plan adopted GASB 72, *Fair Value Measurement and Application*. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements. The Plan categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Plan has the following recurring fair value measurements as of September 30, 2015 and 2014:

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments, at fair value:				
Corporate stocks:				
Domestic	**$ 5,150,588**	**-**	**-**	**5,150,588**
International	**138,989**	**-**	**-**	**138,989**
Government bonds, agencies, and mortgage-backed securities	**-**	**4,974,372**	**-**	**4,974,372**
Corporate bonds:				
Domestic	**-**	**808,410**	**-**	**808,410**
Exchange traded funds:				
Domestic equity	**8,653,438**	**-**	**-**	**8,653,438**
International equity	**8,323,613**	**-**	**-**	**8,323,613**
Money market funds	**3,612,901**	**-**	**-**	**3,612,901**
Total Investments	**$25,879,529**	**5,782,782**	**-**	**31,662,311**

	2014			
	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Exchange traded funds:				
International equity	$ 6,182,912	-	-	6,182,912
Short-term bond	-	4,193,827	-	4,193,827
Money market funds	8,177,532	-	-	8,177,532
Total Investments	$14,360,444	4,193,827	-	18,554,271

NOTE E - INVESTMENTS (Continued)

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

Money Market Funds -- Money market funds classified in Level 1 of the fair value hierarchy are carried at amortized cost ($1 equals NAV) which approximates fair value.

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 Plan:

	Maturities As Of September 30, 2015				
Fixed Income Investment Category	**Total**	**Less Than One Year**	**1 - 5 Years**	**6 - 10 Years**	**More Than 10 Years**
Government bonds, agencies, and mortgage-backed securities	**$4,974,372**	**398,693**	**1,281,537**	**832,437**	**2,461,705**
Corporate bonds	**808,410**	**-**	**-**	**808,410**	**-**
Total	**$5,782,782**	**398,693**	**1,281,537**	**1,640,847**	**2,461,705**

	Maturities As Of September 30, 2014				
Fixed Income Investment Category	Total	Less Than One Year	1 - 5 Years	6 - 10 Years	More Than 10 Years
Short-term bond ETF	$4,193,827	-	4,193,827	-	-

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

NOTE E - INVESTMENTS (Continued)

Credit Rating Level	Credit Rating As Of September 30 2015	2014
AAA	**$ -**	4,193,827
AA	**4,845,198**	-
A	**867,183**	-
BBB	**70,401**	-
Total	**$ 5,782,782**	4,193,827

Investments Policies

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

The fixed income portfolio should have an average quality rating of at least "A" (or its equivalent). In the event of a downgrade below investment grade by any rating agency, the investment manager is required to notify the Board, and provide a Plan for holding or disposition of said securities.

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

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's policy does not allow the concentration per issuer to exceed 5% of the portfolio's fair value, with the exception of U.S. government obligations. Furthermore, the investment manager may not hold more than 5% of the outstanding shares of any single issuer.

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

Asset Class As A Percent Of Total Assets

Asset Class	Minimum	Target Mix	Maximum
Domestic large cap equity	25%	30	35
Domestic mid cap equity	15	20	25
International equity	25	30	35
Fixed income	15	20	25

NOTE E - INVESTMENTS (Continued)

Long-term Expected Rate of Return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset Class	Long-term Expected Real Rate Of Return
Domestic equity	4.3%
International equity	4.7
Fixed income	(1.3)
Money market	-

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

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

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

	September 30	
	2015	2014
Vanguard 500 Index Admiral Shares	**$ 8,653,438**	-
Vanguard FTSE All-World Ex-U.S. Fund	**8,323,613**	-
Northern Trust Collective Government:		
Short-term Investment Fund	**3,612,901**	8,177,532
U.S. Treasury Bond, 2.75%, due 8/15/2042	**1,594,168**	-
Vanguard International Equity ETF	**-**	6,182,912
Vanguard Short-term Bond ETF	**-**	4,193,827

NOTE G - NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS

The net appreciation (depreciation) in fair value of investments consists of:

	For The Years Ended September 30	
	2015	2014
Equities:		
Common stock	**$ (378,808)**	-
Vanguard U.S. large cap	**(419,839)**	-
Vanguard All World Ex-U.S. Fund	**(747,907)**	-
Vanguard International Equity ETF	**298,914**	(114,617)
Fixed income:		
Bonds, governmental, and corporate	**(31,076)**	-
Short-term bond ETF	**13,552**	(5,376)
Total	**$ (1,265,164)**	(119,993)

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

The components of the employer's net pension liability (the Plan's liability determined in accordance with GASB 67 less the fiduciary net position) as of September 30, 2015 and 2014, are shown in the schedules of employer's net pension liability below.

Actuarial valuation of an ongoing plan involves estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of changes in employer's net pension liability presents multi-year trend information about whether the Plan's fiduciary net positions are increasing or decreasing over time relative to the total pension liability. These schedules are presented in the RSI. The total pension liability as of September 30, 2015 and 2014 are based on an actuarial valuation performed as of September 30, 2014 and 2013, and a measurement date of September 30, 2014 and 2013 using generally accepted actuarial procedures.

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

Schedules of Employer's Net Pension Liability

	September 30	
	2015	2014
Total pension liability	**$88,780,280**	52,268,153
Plan's fiduciary net position	**29,775,598**	19,859,333
Employer's Net Pension Liability	**$59,004,682**	32,408,820
Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	**33.54%**	38.00
Covered Employee Payroll (including DROP participants)	**$40,889,002**	39,102,123
Employer's Net Pension Liability as a Percent of Covered Employee Payroll	**144.30%**	82.88

Sensitivity of the net pension liability to changes in the discount rate: The following presents the employer's net pension liability, calculated using the discount rate of 7.625%, as well as what the employer's net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.625%) or 1% point higher (8.625%) than the current rate:

	1% Decrease	**Current Discount Rate Assumption**	**1% Increase**
Net pension liability	$71,810,247	59,004,682	48,376,228

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

A single discount rate of 7.625% was used to measure the pension liability. This single discount rate was based on the expected rate of return on the Plan's investments of 7.625%. This single discount rate is net of investment expenses (investment management and custodial fees) assumed to be 50 basis points. The projection of cash flows used to determine this single discount rate assumed that the City would make the required contributions as defined by Statute. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Members and their beneficiaries. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

Method:	
Valuation date	October 1, 2014
Actuarial cost method:	
GASB 67 reporting	Entry Age - Normal
Funding	Entry Age - Normal
Amortization method/period	30-year closed period from establishment
Remaining amortization period	Started February 1, 2013
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.625%, net of investment expenses of 50 basis points
Long-term municipal bond rate	3.71%
Rate of payroll growth	Varies based on Member's years of service
Consumer price inflation	3%
Mortality	RP-2000 mortality table, sex distinct, with rates projected to 2015

The actuarial asset valuation method was fair value (without smoothing) for the October 1, 2013 valuation.

Assumption for Termination Rates before Retirement

Years Of Service	Rate Percent
Less than 1	7.50%
1	4.00
2 - 7	2.25
8 - 13	1.25
14 - 19	0.50
20 or more	-

Cost-of-Living Adjustments (COLA)

For grandfathered participants: For retirements before attaining 25 years of service, the COLA is 1.5% per year up to age 60 and 5% per year after 60, with a 25% maximum applied past age 60. For retirements after attaining 25 years of service but before attaining 30 years of service, the COLA is 2.25% per year up to age 60 and 5% per year after 60, with a 25% maximum applied past age 60. For retirements after attaining 30 years of service and disabilities incurred in the line of duty in response to an emergency call that prevent work in any occupation, the COLA is 3% per year up to age 60 and 5% per year after 60, with a 25% maximum applied past age 60. For retirements after age 60, the COLA is 5% per year up to a maximum of 25%. For disabilities other than those incurred in the line of duty in response to an emergency call that prevent work in any occupation, the COLA is 3% per year up to a maximum of 25%.

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

For participants who entered the Plan after the effective date: 3% per year up to a maximum of 25%.

All COLAs are subject to an upper limit of the consumer price index (CPI) for the calendar year prior to the year the COLA is awarded.

NOTE I - PLAN STAFF PENSION PLAN

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

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

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

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

NOTE I - PLAN STAFF PENSION PLAN (Continued)

Contributions

The ERS does not require employee contributions.

The Plan was contractually required to contribute a percentage of annual payroll for the years ended June 30, 2015 and 2014, which were 15.17% and 15.56%, respectively. The amount is actuarially determined and is expected to finance the costs of benefits earned by employees during the year along with any additional amount to finance the unfunded accrued liability. Contributions to ERS from the Plan were $11,076 and $6,596 for the years ended September 30, 2015 and 2014, respectively.

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

The net pension liability was measured at September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At September 30, 2014, the Plan had a liability of $27,817 (or 0.018%) for its proportionate share of the ERS' net pension liability. The Plan's proportion of the net pension liability was based on a projection of the Plan's long-term share of contributions to ERS relative to the projected contributions of all participating employers, actuarially determined.

For the year ended September 30, 2014, the actuarially determined pension expense was $5,440, and reported deferred outflows of resources and deferred inflows of resources related to ERS were from the following sources:

	Outflows	Inflows	Net Outflows
Net difference between expected and actual experience	$ -	495	(495)
Net difference between projected and actual earnings on ERS' investments	-	1,696	(1,696)
Net impact from changes in proportion allocation between the participating employers	24,568	-	24,568
Fiscal year 2015 paid contributions	11,076	-	11,076
Total	$ 35,644	2,191	33,453

		For The Years Ended September 30			
	Total	2015	2016	2017	2018
Deferred outflows (inflows) recognition	$33,453	18,678	7,601	7,601	(427)

Actuarial Assumptions

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

NOTE I - PLAN STAFF PENSION PLAN (Continued)

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

Discount Rate

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

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

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

	1% Decrease	Current Discount Rate Assumption	1% Increase
Net pension liability	$ 44,648	27,817	13,413

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

NOTE J - RELATED PARTY TRANSACTIONS

The Plan reimburses the City for group health fringe benefits for Plan employees. The Plan's expense for the years ended September 30, 2015 and 2014 was $11,120 and $5,953, respectively. During fiscal year 2015, the Plan reimbursed the City for direct costs totaling $26,489. During fiscal year 2015, one of the Plan's employees spent a portion of his time working for the City and, therefore, the City reimbursed the Plan for 25% of this employee's salary, payroll taxes, and benefits in accordance with the agreement between the Plan and the City. This reimbursement was recorded as a receivable by the Plan at September 30, 2015 in the amount of $11,438.

NOTE K - RISK MANAGEMENT

The Plan is exposed to various risks of loss related to breach of fiduciary duties, errors and omissions, and loss of assets, torts, etc. The Plan is covered for errors, omissions, and loss of assets, torts, etc. through the City's self-insurance fund (the Public Facilities Protection Corporation). The breach of fiduciary duties coverage is covered through the purchase of commercial insurance. There have been no material insurance claims filed or paid during the last three fiscal years.

NOTE L - COMMITMENTS AND CONTINGENCIES

The Plan was committed to the future settlement of investments purchased (accounted for by trade date) at September 30, 2015 and 2014 of $3,401,908 and $0, respectively. These amounts are reflected in the statements of fiduciary net position as a liability for unsettled investment transactions.

NOTE M - RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, foreign currency, regulatory, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the statements of fiduciary net position.

Actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

NOTE N - RATE OF RETURN

For the years ended September 30, 2015 and 2014, the annual money-weighted rate of return (loss) on ERS' investments, net of investment expenses, was (4.22%) and (2.31%), respectively. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

NOTE O - TRANSFER IN

During the year ended September 30, 2015, the Plan recorded a receivable of $1,070,749 for a transfer from FRS pursuant to a settlement and release entered into with FRS in July 2015. Under the agreement, firefighters who were employed by the City prior to February 1, 2013 are entitled to use unused medical leave that accrued during the period between September 20, 2010 and February 1, 2013 for pension purposes. This amount was

NOTE O - TRANSFER IN (Continued)

funded with this one-time transfer of funds from FRS to the Plan to pay for the actuarially determined full cost to the Plan of the additional sick leave benefits due to salary increases after February 1, 2013.

During the year ended September 30, 2014, the Plan received a transfer of $6,882,749 from FRS pursuant to a settlement and release entered into with the City in December 2013.

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

The recalculation was finalized and agreed to by the actuaries representing the Plan and FRS. FRS transferred $6,882,749 to the Plan. This was the amount calculated for the City's contribution to FRS for the time period from February 1, 2013 (date the FRS was frozen) to September 30, 2013.

NOTE P - NEW ACCOUNTING STANDARDS ADOPTED

In fiscal year 2015, the Plan adopted GASB 68, *Accounting and Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 27*. GASB 68 amends GASB 27 and GASB 50 as they relate to governmental employers that provide pensions through trusts. GASB 68 establishes procedures for measuring and recognizing the obligations associated with pensions as well as identifies methods for attributing the associated costs to the appropriate period as they are earned over an employee's career. The Plan implemented GASB 68 for the Plan's staff retirement benefits provided through a cost-sharing, multi-employer defined benefit system for the fiscal year ended September 30, 2015. The Plan's net position increased by $5,636 from implementing GASB 68 in fiscal year 2015.

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

In fiscal year 2015, the Plan adopted GASB 72, *Fair Value Measurement and Application*. GASB 72 requires the System to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the

NOTE P - NEW ACCOUNTING STANDARDS ADOPTED (Continued)

asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. There was no material impact on the Plan's financial statements as a result of the implementation of GASB 72.

While these new accounting pronouncements will affect the accounting measures, it does not have an effect on the actuarial methods and assumptions used by the Plan to determine the employer's contributions needed to fund the Plan as required under City Charter.

NOTE Q - SUBSEQUENT EVENTS

The Plan has performed an evaluation of subsequent events through February 25, 2016, the date the basic financial statements were available to be issued. No material events were identified by the Plan.

REQUIRED SUPPLEMENTAL INFORMATION SECTION

SCHEDULES OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY

	For The Years Ended September 30			
	2015		2014	
Total Pension Liability				
Service cost	**$ 6,226,863**		6,411,308	
Interest, including interest on service cost	**6,146,506**		4,087,628	
Benefit changes	**979,056**		-	
Differences between expected and actual experience	**1,178,760**		(5,360,671)	
Assumption changes	**22,244,023**	(A)	-	
Benefit payments	**(148,991)**		(48,249)	
Refunds of Members' contributions	**(114,090)**		(84,065)	
Net Change In Total Pension Liability	**36,512,127**		5,005,951	
Total Pension Liability Beginning	**52,268,153**		47,262,202	
Total Pension Liability Ending (a)	**$ 88,780,280**		52,268,153	
Plan Fiduciary Net Position				
Contributions - Employer	**$ 7,435,635**		8,942,435	
Contributions - Members	**2,829,213**		2,813,290	
Net investment loss	**(843,058)**		(92,382)	
Benefit payments	**(148,991)**		(48,249)	
Refunds of Members' contributions	**(114,090)**		(84,065)	
Administrative expenses	**(313,193)**		(207,276)	
Net Change In Plan Fiduciary Net Position	**8,845,516**		11,323,753	
Transfer in from FRS	**1,070,749**	(B)	6,882,749	(C)
Plan Fiduciary Net Position Beginning	**19,859,333**		1,652,831	(D)
Plan Fiduciary Net Position Ending (b)	**$ 29,775,598**		19,859,333	
Net Pension Liability Ending (a-b)	**$ 59,004,682**		32,408,820	

Notes:

(A) The change in assumptions of $22.2 million was due to coding changes in our actuarial valuation programming. Of this amount $9.6 million was due to recognizing that the full spousal death benefit after retirement would be paid from the Plan (i.e., not split between the Plan and FRS) and the remainder was due to additional coding for payments of DROP balances and accumulated contributions for persons who retired after returning to active service after participating in DROP.

(B) Transfer in for the year ended September 30, 2015 represents the Plan's participants' future benefits due to the additional sick leave time from September 20, 2010 to February 1, 2013 agreed upon in a settlement agreement with the Plan.

(C) The transfer in for the year ended September 30, 2014 represents the portion of the employer's September 30, 2013 contribution originally received by FRS. This is the portion of the contribution actuarially calculated for the period February 1, 2013 through through September 30, 2013 (see Note O).

(D) The beginning fiduciary net position as of October 1, 2013 includes a positive adjustment of $148,015 not reflected in the October 1, 2013 actuarial valuation.

SCHEDULES OF EMPLOYER'S NET PENSION LIABILITY

	For The Years Ended September 30		
	2015	2014	2013 (A)
Tota pension liability	**$ 88,780,280**	52,268,153	47,262,202
Plan fiduciary net position	**29,775,598**	19,859,333	1,652,831
Employer's Net Pension Liability	**$ 59,004,682**	32,408,820	45,609,371
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**33.54 %**	38.00	3.50
Covered Members' Payroll (including DROP participants)	**$ 40,889,002**	39,102,123	23,269,893
Employer's Net Pension Liability as a Percentage of Covered Members' Payroll	**144.30 %**	82.88	196.00

Note:

(A) From the date of inception (February 1, 2013) to September 30, 2013.

SCHEDULES OF EMPLOYER'S CONTRIBUTIONS

	For The Years Ended September 30		
	2015	2014	2013 (A)
Employer actuarially determined contributions	**$ 7,435,635**	8,942,435	6,882,749 (B)
Contributions in relation to the actuarially determined contributions	**7,435,635**	8,942,435	6,882,749
Contributions Surplus	**$ -**	-	-
Covered Members' Payroll (including DROP participants)	**$ 40,889,002**	39,102,123	23,269,893
Contributions as a Percentage of Covered Members' Payroll	**18.18 %**	22.87	29.58

Notes:

(A) From the date of inception (February 1, 2013) to September 30, 2013.

(B) The employer's September 30, 2013 actuarially determined contribution was originally contributed to ERS and per settlement these monies where transferred to the Plan during fiscal year 2014.

SCHEDULES OF ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS

	For The Years Ended September 30		
	2015	2014	2013 (A)
Annual money-weighted rate of return, net of investment expenses	**(4.22) %**	(2.31)	- (B)

Notes:

(A) From the date of inception (February 1, 2013) to September 30, 2013.

(B) The Plan did not have investments during the fiscal year ended September 30, 2013.

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

1. Changes in Benefit Terms

Unused sick leave accrued prior to February 1, 2013 (previously September 20, 2010) can be used to increase the credited service. This increased the total pension liability by $979 thousand. This increase was funded by a transfer of $1.1 million from the Plan.

2. Changes in Actuarial Assumption

Programming changes, shown as changes in assumptions, were made to more accurately reflect certain plan benefits for the year ended September 30, 2015.

3. Changes in Actuarial Method

The asset valuation method was changed from market value to 5-year smoothed market for the year ended September 30, 2015.

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, 2014 actuarial valuation was made during the fiscal year ended September 30, 2015. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules of employer's contributions (schedule):

Method:	
Valuation date	October 1, 2014
Actuarial cost method:	
GASB 67 reporting	Entry Age - Normal
Funding	Entry Age - Normal
Amortization method/period	30-year closed period from establishment
Remaining amortization period	Started February 1, 2013
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.625%, net of investment expenses of 50 basis points
Long-term municipal bond rate	3.71%
Rate of payroll growth	Varies based on Members' years of service
Consumer price inflation	3%
Mortality	RP-2000 mortality table, sex distinct, with rates projected to 2015

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.

(Continued)

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

6. Money-weighted Rate of Return

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

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

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

The long-term expected rate of return of the Plan's funding and GASB 67 reporting is assumed to be 7.625%. Per Statute, this rate is net of investment expenses. GASB 67 requires the long-term expected rate of return to be determined net of pension plan investment expense but without reduction for the Plan's administrative expenses. Investment expenses (management and custodial fees) are assumed to be approximately 50 basis points.

For the purpose of this valuation, the expected rate of return on the Plan's investments is 7.625%; the municipal bond rate is 3.71% (based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting single discount rate is 7.625%. The single discount rate is unchanged from the expected rate of return on the Plan's investments because the Plan is expected to have sufficient assets to make all projected benefit payments for the current Members when due.

The Plan currently expects assets will be sufficient to cover projected plan net position using actuarial assumptions until 2112.

8. Covered Payroll and Eligible Payroll

The covered payroll and eligible payroll for active Members were as follows:

	For The Years Ended September 30			
	2015		2014	
	Number	**Compensation**	Number	Compensation
Active Members non-DROP	**546**	**$ 31,456,039**	564	$ 30,927,388
Active Members participating in DROP	**61**	**4,075,155**	62	4,011,384
Total Eligible Payroll	**607**	**$ 35,531,194**	626	$ 34,938,772
Total Covered Payroll		**$ 40,889,002**		$ 39,102,123

Eligible payroll includes straight-time wages used for pension benefit calculations. Total covered payroll includes overtime pay and premiums pay for GASB 67 disclosures.

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

	September 30 2015
Proportionate Share of Employer's Contributions	**0.0179922 %**
Proportionate Share of the Collective Net Pension Liability	**$ 27,817**
Covered Employee Payroll	**$ 38,635**
Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Employee Payroll	**72.00 %**
ERS' Fiduciary Net Position as a Percentage of the Total Pension Liability	**83.47 %**

Notes:

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

(B) The Plan 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 presented.

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

	For The Year Ended September 30 2015
Contractually required contribution	$ 6,619
Contributions in relation to the contractually required contribution	(6,619)
Contribution Deficiency (Excess)	$ -
Covered Employee Payroll	$ 38,635
Contributions as a Percentage of Covered Employee Payroll	17.13 %

Notes:

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

(B) The Plan 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 presented.

OTHER SUPPLEMENTAL INFORMATION SECTION

	For The Years Ended September 30	
	2015	2014
BENEFITS PAID TO RETIREES AND BENEFICIARIES		
Monthly annuity:		
Ordinary disability	**$ 89,486**	26,772
Service retirees	**41,263**	20,853
Beneficiaries	**12,516**	-
Total Monthly Annuity	**143,265**	47,625
Lump sum:		
DROP	**3,726**	624
Death	**2,000**	-
Total Lump Sum	**5,726**	624
Total Benefits Paid To Retirees And Beneficiaries	**$ 148,991**	48,249
ADMINISTRATIVE EXPENSES		
Personnel costs:		
Salaries	**$ 84,542**	66,696
Payroll taxes	**6,236**	5,158
Employee fringe benefits:		
Group health	**11,120**	5,953
Pension	**5,440**	6,596
Total Personnel Costs	**107,338**	84,403
Actuary fees	**40,046**	48,017
Investment consultant's fees	**28,000**	16,178
Costs allocated from City	**26,489**	-
Legal fees	**25,060**	19,927
Professional advancement	**20,509**	19,941
Insurance - fiduciary liability	**19,418**	19,271
Depreciation	**18,180**	-
Capital outlay	**10,597**	2,035
Accounting and auditing fees	**10,000**	8,250
Medical reviews, consulting, and investigations	**4,252**	2,637
Office supplies and expenses	**3,304**	2,795
Total Administrative Expenses	**$ 313,193**	223,454
INVESTMENT MANAGEMENT AND CUSTODIAL FEES		
Investment managers' fees	**$ 10,125**	-
Custodial fees	**10,921**	5,553
Total Investment Management And Custodial Fees	**$ 21,046**	5,553

SUMMARY OF INSURANCE COVERAGE

Type	Coverage
Fiduciary Liability Policy term: June 30, 2015 to 2016	$ 5,000,000

COVERAGE ADDED SUBSEQUENT TO SEPTEMBER 30, 2015

Type	Coverage
Cyber and Privacy Liability Policy term: November 11, 2015 to 2016	$ 1,000,000
Fidelity - Employer Theft Policy term: November 11, 2015 to 2016	$ 500,000

INTERNAL CONTROL AND COMPLIANCE SECTION

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

February 25, 2016

The Board of Trustees
THE FIREFIGHTERS' RETIREMENT PLAN OF THE CITY 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 FIREFIGHTERS' RETIREMENT PLAN OF THE CITY OF ST. LOUIS** (the Plan), a Pension Trust Fund of the City of St. Louis, Missouri, as of and for the year ended September 30, 2015, and the related notes to financial statements, which collectively comprise the Plan's basic financial statements and have issued our report thereon dated February 25, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Plan'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 Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan'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 Plan'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 Plan'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 Plan'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 Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hochschild, Bloom & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS