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Financial Report, 2004

Firemen's Retirement System of St. Louis

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

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

FINANCIAL REPORT
(Audited)

September 30, 2004

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
FINANCIAL REPORT

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
FINANCIAL STATEMENTS	6
Statements of Plan Net Assets	7
Statements of Changes in Plan Net Assets	8
Notes to Financial Statements	
REQUIRED SUPPLEMENTAL INFORMATION	20
Schedule of Funding Progress	20
Schedule of Employer Contributions	21
Additional Information Re: Required Schedule	
SUPPLEMENTAL INFORMATION	23
Benefits Paid to Retirees and Beneficiaries	23
Administrative Expenses	24
Schedule of Investment Management and Custodial Fees	25
Summary of Insurance Coverage	26
Historical Trend Information	27
Graphs:	28
Investments	29
Additions to Net Assets	30
Deductions from Net Assets	
Benefits Paid by Type	



Hochschild, Bloom & Company LLP
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INDEPENDENT AUDITORS' REPORT

November 17, 2004

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

We have audited the accompanying statements of plan net assets of the **FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS** (the System) as of September 30, 2004 and August 31, 2003, and the related statements of changes in plan net assets for the period ended September 30, 2004 (13 months) and year ended August 31, 2003. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. These 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the System as of September 30, 2004 and August 31, 2003, and the changes in plan net assets for the period ended September 30, 2004 (13 months) and year ended August 31, 2003 in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis and Required Supplemental Information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. 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 basic financial statements. This supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hochschild, Bloom & Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

- ☐ 16100 Chesterfield Parkway West, Suite 125, Chesterfield, Missouri 63017-4829, 636-532-9525, Fax 636-532-9055
- ☐ 1000 Washington Square, P.O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448



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FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE 13 MONTHS ENDED SEPTEMBER 30, 2004

The following Management's Discussion and Analysis of the Firemen's Retirement System of St. Louis (the System) provides an overview of the System's financial activities for the fiscal period ended September 30, 2004. It should be read in conjunction with the System's financial statements and supplementary information.

Financial Highlights

During the current period, the System changed its fiscal year to October 1 through September 30 so it would end at a calendar quarter for accounting purposes. The period ended September 30, 2004 includes 13 months as a one-time adjustment to change the System's fiscal year-end. All future periods will be 12 months.

The System's net assets were \$390 million at September 30, 2004, which represents an increase of \$21 million over August 31, 2003.

Additions to net assets for the fiscal period 2004 were \$52 million as compared to \$41 million for fiscal year 2003. This figure is comprised of \$47 million of net investment income, \$2 million in employer contributions, and \$3 million in Member contributions.

Deductions from net assets were \$31 million for the fiscal period 2004 as compared to \$28 million for the fiscal year 2003. The increase is due to the period ended September 30, 2004 having 13 months.

The overall investment return for the System was 12.5% (11.5% annualized) for fiscal period 2004 as compared to 10.2% for fiscal year 2003. The improved investment return is due to the general improvement of the investment market and active oversight by the Board of Trustees to ensure the System retains the top performing investment managers while maintaining a balanced investment portfolio. The investment return for the System was well above the actuarial assumption for investment return of 7.625% for fiscal years 2004 and 2003.

Financial Statements

The financial report of the System consists of two financial statements: the Statements of Net Plan Assets and the Statements of Changes in Plan Net Assets. The Statements of Net Plan Assets provides the detail of the System's assets and related liabilities other than benefit obligations. The net assets of the System reflect the resources available for future benefit payments. The Statements of Changes in Plan Net Assets provides the detail of the System's activity during the year that lead to the change in plan net assets from the prior year.

In addition to the financial statements, the financial report contains the notes to the financial statements and supplemental information, which provide additional information for use in analyzing the financial statements and actuarial information related to the funded status of the System.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE 13 MONTHS ENDED SEPTEMBER 30, 2004

Financial Analysis

Total assets at September 30, 2004 were \$394,302,454 and were mainly comprised of cash, investments, and contributions from the City of St. Louis (the City). Total assets increased \$23,369,197 or 6.3% from the prior year.

Total liabilities at September 30, 2004 were \$4,097,525 and consisted mainly of unsettled investment transactions and accrued expenses. Total liabilities increased \$2,140,434 or 109.4% from the prior year, mostly due to an increase in unsettled investment transactions at year-end.

Net assets held in trust for pension benefits were \$390,204,929 at September 30, 2004, an increase of \$21,228,763 or 5.8% from the prior year. This increase mainly resulted from the increase in the market value of investments of \$43.8 million while plan contributions and benefit expenses slightly increased due to the extended period (13 months).

Following is a condensed version of the Statements of Plan Net Assets compared to the prior year:

Condensed Statements Of Plan				
Net Assets (In Thousands)				
	September 30	August 31	Total Change	
	2004	2003	Amount	Percentage
ASSETS				
Investments	\$387,110	362,299	24,811	7%
Cash and cash equivalents	3,215	4,776	(1,561)	(33)
Receivables	3,581	3,464	117	3
Property and equipment, net	397	394	3	1
Total Assets	394,303	370,933	23,370	6
LIABILITIES	4,098	1,957	2,141	109
NET ASSETS	\$390,205	368,976	21,229	6%

Revenues - Additions to Plan Net Assets

The reserves needed to finance retirement benefits as well as death and disability benefits are accumulated through the collection of employer and employee contributions and through earnings on investments. Members contribute 8% of their salary to fund future retirement benefits. This percentage is set by state statute and was unchanged from the prior year. Contribution income totaled \$4,929,087 (\$4,708,019 annualized) for the period ended September 30, 2004 as compared to \$4,703,681 for the prior year.

Investment income totaled \$47,359,907 (\$43,716,837 annualized) in fiscal period 2004 which represents an increase over the prior year in which there was net investment income of \$36,632,933. The increase resulted mainly from a \$44 million appreciation in the fair value of investments for fiscal period 2004 as compared to a \$33 million appreciation in the fair value of investments for the prior year 2003. Invest-

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE 13 MONTHS ENDED SEPTEMBER 30, 2004

ment income is net of investment expenses (management and custodial fees) totaling \$1,301,583 for the period ended 2004 and \$990,114 for the prior year 2003.

Expenses - Deductions from Plan Net Assets

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 the period ended 2004 were \$31,060,231, an increase of \$2,819,744 from the prior year 2003, due to the additional month of expenses in 2004.

Following is a condensed version of the Statements of Changes in Plan Net Assets compared to the prior year:

	Condensed Statements Of Changes In Plan Net Assets (In Thousands)			
	For The 13	For The	Total Change	
	Months Ended	Year Ended		
	September 30	August 31	Amount	Percentage
	2004	2003		
ADDITIONS				
Employer contribution	\$ 2,055	2,078	(23)	(1%)
Members contributions	2,874	2,626	248	9
Investment income	47,360	36,633	10,727	29
Total Additions	<u>52,289</u>	<u>41,337</u>	<u>10,952</u>	26
DEDUCTIONS				
Benefits paid	29,289	26,723	2,566	10
Refunds of Members contributions	945	689	256	37
Administrative expenses	826	829	(3)	-
Total Deductions	<u>31,060</u>	<u>28,241</u>	<u>2,819</u>	10
CHANGE IN NET ASSETS	<u>\$21,229</u>	<u>13,096</u>	<u>8,133</u>	62%

Summary

The System's Net Assets Held in Trust for Pension Benefits has increased in eight out of the past ten years. The decreases, which occurred in fiscal years 2002 and 2001, were the result of investment losses due to an economic slowdown that detrimentally affected most pension systems in those years. The Trustees believe, and the actuarial calculations confirm, that the System is in a financial position to meet its current and projected obligations. With a continued focus on a prudent investment program, cost controls, and strategic planning, the System should continue to improve its current financial position.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE 13 MONTHS ENDED SEPTEMBER 30, 2004

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 the Firemen's Retirement System of St. Louis, 1601 South Broadway, St. Louis, MO 63104-3845.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
STATEMENTS OF PLAN NET ASSETS

	<u>September 30</u> <u>2004</u>	<u>August 31</u> <u>2003</u>
ASSETS		
Investments, at fair value:		
Collective investment funds	\$ 201,212,495	181,692,445
Corporate stocks	157,994,687	151,796,585
Corporate bonds	15,479,950	14,922,402
U.S. Government obligations	5,703,011	7,797,170
Money market funds	6,711,731	6,061,533
Federal Housing Authority Mortgages	7,686	28,772
Total Investments	<u>387,109,560</u>	<u>362,298,907</u>
Cash and cash equivalents	<u>3,214,692</u>	<u>4,775,879</u>
Receivables:		
Employer contribution, net of allowance of \$18,545,223 in 2004 and \$6,834,947 in 2003	1,870,730	2,078,155
Unsettled investment transactions	1,292,818	897,609
Interest and dividends	384,070	474,820
Other receivables	33,484	13,511
Total Receivables	<u>3,581,102</u>	<u>3,464,095</u>
Property and equipment, less accumulated depreciation	397,100	394,376
Total Assets	<u>394,302,454</u>	<u>370,933,257</u>
LIABILITIES		
Unsettled investment transactions	3,521,061	1,653,652
Accrued investment management fees	257,996	176,130
Accrued administrative expenses	127,311	85,774
Members contributions refundable	191,157	41,535
Total Liabilities	<u>4,097,525</u>	<u>1,957,091</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
(a schedule of funding progress for the System is presented on page 20)	<u>\$ 390,204,929</u>	<u>368,976,166</u>

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
STATEMENTS OF CHANGES IN PLAN NET ASSETS

	For The 13 Months Ended September 30 2004	For The Year Ended August 31 2003
ADDITIONS TO NET ASSETS ATTRIBUTED TO:		
Contributions:		
Employer	\$ 2,055,201	2,078,155
Members	2,873,886	2,625,526
Total Contributions	<u>4,929,087</u>	<u>4,703,681</u>
Investment income:		
Net appreciation in fair value of investments	43,777,237	33,207,936
Interest:		
Corporate bonds	1,065,656	1,487,653
U.S. Government obligations	181,385	308,802
Federal Housing Authority Mortgages	1,233	3,465
Dividends	3,230,980	2,416,851
Recapture commissions	308,152	107,800
Securities lending income	96,847	90,540
	<u>48,661,490</u>	<u>37,623,047</u>
Less - Investment management and custodial fees	1,301,583	990,114
Net Investment Income	<u>47,359,907</u>	<u>36,632,933</u>
Total Additions	<u>52,288,994</u>	<u>41,336,614</u>
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
Benefits paid to retirees and beneficiaries	29,288,492	26,722,702
Refunds of Members contributions	945,481	688,451
Administrative expenses	826,258	829,334
Total Deductions	<u>31,060,231</u>	<u>28,240,487</u>
NET INCREASE IN PLAN NET ASSETS	21,228,763	13,096,127
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF FISCAL YEAR	<u>368,976,166</u>	<u>355,880,039</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF FISCAL YEAR	<u><u>\$ 390,204,929</u></u>	<u><u>368,976,166</u></u>

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE A - DESCRIPTION OF PLAN

The **FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS** (the System) administers a single employer defined benefit pension plan providing pension benefits to the City of St. Louis firemen (the Members). Membership in the System consists of:

	<u>September 30</u> <u>2004</u>	<u>August 31</u> <u>2003</u>	<u>Increase</u> <u>(Decrease)</u>
Retirees and beneficiaries currently receiving benefits	<u>1,051</u>	<u>1,073</u>	<u>(22)</u>
Current Members:			
Vested	<u>120</u>	104	16
Nonvested	<u>555</u>	<u>599</u>	<u>(44)</u>
	<u>675</u>	<u>703</u>	<u>(28)</u>
	<u>1,726</u>	<u>1,776</u>	<u>(50)</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. The monthly allowance consists of 40% of the final two-year average monthly compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of final average compensation for each additional year of service after 25 years with a maximum pension of 75%. Unused accrued sick pay may increase the maximum pension beyond this limitation.

Covered Members contribute 8% of their salary. Upon leaving employment, the Member's contributions are refunded. In addition, terminated Members receive interest.

The System, in accordance with Ordinance 62994 of the City of St. Louis, initiated during the fiscal year ended August 31, 1994, a deferred retirement option plan (DROP). The DROP option is available to Members of the System who have at least 20 years of creditable service and have achieved eligibility for retirement. Those Members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the DROP account of the Member, and the Member's contributions will be reduced to 1% from the normal 8%. During participation in the DROP, the Member will not receive credit for City contributions or credit for service. A Member may participate in the DROP only once for any period up to five years. At retirement the funds in the Member's DROP account plus 1) interest and 2) accrued sick leave if elected is available to the Member in a lump sum or in installments. The number of Members with DROP account balances was 147 and 151 at September 30, 2004 and August 31, 2003, respectively.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Reporting Entity

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

2. Basis of Accounting

The financial statements were prepared using the accrual basis of accounting. Employee and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

3. Investment Valuation

Marketable securities are stated at fair value. Fair values are based on the last reported sales price on September 30 (August 31 for 2003) or on the last reported bid price if no sale was made on that date.

4. Cash

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

5. Operating Expenditures

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

6. Net Assets Held in Trust for Pension Benefits

The System's net assets held in trust for pension benefits consist of:

Member's Savings Fund - Members contribute 8% of their compensation to the System. Such contributions are credited to the Member's Savings Fund. Interest, at a rate determined by the Board, is credited annually on the balance in each Member's account during the preceding year. Withdrawal refunds of Member's accumulated contributions are charged to this fund. Upon retirement or death in service of a Member with a surviving beneficiary, the Member's own contributions are refunded. Upon termination of employment or death in service with no survivor, the Member's contri-

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Net Assets Held in Trust for Pension Benefits (Continued)

butions, including interest, are refunded. The balance at September 30, 2004 and August 31, 2003 was \$47,779,238 and \$43,802,765, respectively.

Benefit Reserve Fund - Upon retirement or death, the Benefit Reserve Fund is payable to the Member or their beneficiaries. This amount is determined by the actuaries, in accordance with Ordinances 49623, 56444, 57603, 58242, 58651, 58652, and 59018. An amount is transferred from the General Reserve Fund which when added to the amount transferred from Member's Savings Fund, brings the balance of the Benefit Reserve Fund to an amount equal to the present value of future benefits. The balance at September 30, 2004 and August 31, 2003 was \$264,931,873 and \$268,626,727, respectively.

General Reserve Fund - Contributions made by the City are credited to the General Reserve Fund. The present value of all future estimated benefits payable to active Members on death or retirement not provided by Member's contributions are accumulated in this fund. The balance at September 30, 2004 and August 31, 2003 was \$72,040,433 and \$51,521,323, respectively.

Future Benefit Fund - The Future Benefit Fund was established June 29, 1990 by City ordinance as a method to fund increased benefits for retired Members. The funding of the Future Benefit Fund was terminated per the City ordinance after fiscal year ended August 31, 1993. The balance in the fund will be used for future benefits until it is exhausted. Benefits of \$229,924 were paid from the Future Benefit Fund during the 13 months ended September 30, 2004 and \$0 for the year ended August 31, 2003. The Future Benefit Fund is excluded from the assets used in determining the City's contribution requirement. The balance at September 30, 2004 and August 31, 2003 was \$5,214,923 and \$4,826,182, respectively.

System Employees Benefit Fund - On August 28, 1997, the Board of the System approved a resolution to provide additional benefits for the administrative employees of the System in the form of severance pay and a limited retirement package. The severance pay applies to employees who are dismissed for any reason other than for just cause based on the wrongful conduct of the employee. The dismissed employee would be entitled to one months pay for each year or part of year that the employee has been employed by the System. The retirement package is for employees who have completed five years of service. Upon completing five years of service, the employee will have five months of salary credited to him or her. Thereafter the employee will be credited with a month of salary upon completion of each additional year of service. Employees accrued additional benefits of \$12,253 and \$11,919 for the 13 months ended September 30, 2004 and the year ended August 31, 2003, respectively. The employees' accounts will be credited each anniversary date with interest on the account at the same rate as earned by the System. Benefits of \$0 were paid from the

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Net Assets Held in Trust for Pension Benefits (Continued)

System Employees Benefit Fund during the 13 months ended September 30, 2004 and the year ended August 31, 2003. The System Employees Benefit Fund is excluded from the assets used in determining the City's contribution requirement. The balance at September 30, 2004 and August 31, 2003 was \$238,462 and \$199,169, respectively.

7. Use of Estimates

The preparation of the System's financial statements in conformity with U.S. generally accepted accounting principles 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 assets during the reporting period. Actual results could differ from those estimates.

8. Property and Equipment

Expenditures for property and equipment are capitalized and depreciated over the estimated useful lives of the property on the straight-line method as follows:

Asset	Years
Building	40
Building improvements	10 - 15
Furniture and equipment	5 - 7

Expenditures for repairs and maintenance are expensed as incurred. Gains and losses on disposition of property and equipment are included in income as realized.

Property and equipment consists of the following:

	September 30 2004	August 31 2003
Property and equipment - at cost	\$508,448	476,033
Accumulated depreciation	<u>(111,348)</u>	<u>(81,657)</u>
	<u>\$397,100</u>	<u>394,376</u>

Property and equipment are summarized by major classification as follows:

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Property and Equipment (Continued)

	Book Value August 31 <u>2003</u>	Net Additions	Depreciation	Book Value September 30 <u>2004</u>
Land	\$ 52,645	-	-	52,645
Building	194,291	-	5,136	189,155
Building improvements	117,919	25,595	7,914	135,600
Furniture and equipment	<u>29,521</u>	<u>6,820</u>	<u>16,641</u>	<u>19,700</u>
	<u>\$394,376</u>	<u>32,415</u>	<u>29,691</u>	<u>397,100</u>

Depreciation expense for the 13 months ended September 30, 2004 and the year ended August 31, 2003 was \$29,691 and \$28,319, respectively.

NOTE C - CASH AND CASH EQUIVALENTS

The System's bank deposits are required by state law to be secured by the deposit of certain securities specified by RSMo 30.270. The collateralized securities are held by a trustee institution. The value of the securities must amount to the total of the System's cash not insured by the Federal Deposit Insurance Corporation. The System's bank deposits as of September 30, 2004 and August 31, 2003 was \$425,000 each year and were fully secured. The System's carrying amount of bank deposits were \$403,388 and \$347,014 as of September 30, 2004 and August 31, 2003, respectively. Cash and cash equivalents consist of the following:

	September 30 <u>2004</u>	August 31 <u>2003</u>
Repurchase agreement	\$2,811,304	4,428,865
Checking	<u>403,388</u>	<u>347,014</u>
	<u>\$3,214,692</u>	<u>4,775,879</u>

NOTE D - CONTRIBUTION RECEIVABLE - EMPLOYER

The employer contribution due to the System from the City was \$13,765,477 and \$8,913,102 for the 13 months ended September 30, 2004 and the year ended August 31, 2003, respectively, as calculated by the System's actuary. However, the budget ordinance adopted by the City for the September 30, 2004 and August 31, 2003 contributions allocated only \$2,055,201 and \$2,078,155, respectively, for payment to the System. The System filed a lawsuit against the City in October 2003 in an attempt to collect the additional amounts due. The case is still pending but the System expects to recover the entire bal-

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE D - CONTRIBUTION RECEIVABLE - EMPLOYER (Continued)

ance at some future date. In the meantime the System has provided an allowance for the remaining uncollectible balances as of September 30, 2004 and August 31, 2003 of \$11,710,276 and \$6,834,947, respectively. The total allowance at September 30, 2004 was \$18,545,223.

Contribution receivable - employer consists of the following:

	<u>September 30</u> <u>2004</u>	<u>August 31</u> <u>2003</u>
Current year contribution due from the City as calculated by the System's actuary	\$13,765,477	8,913,102
Unpaid contribution from prior year	8,913,102	3,365,007
Contribution received from the City during current year	<u>(2,262,626)</u>	<u>(3,365,007)</u>
	20,415,953	8,913,102
Less - Allowance for uncollectible contribution	<u>(18,545,223)</u>	<u>(6,834,947)</u>
	<u>\$ 1,870,730</u>	<u>2,078,155</u>

NOTE E - INVESTMENTS

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

	<u>September 30</u> <u>2004</u>	<u>August 31</u> <u>2003</u>
PanAgora Asset Management:		
Collective investment funds	\$170,512,531	156,164,226
Money market fund	<u>53,772</u>	<u>74,586</u>
	<u>170,566,303</u>	<u>156,238,812</u>
Oppenheimer Capital:		
Corporate stocks	80,464,409	69,329,353
Money market fund	<u>3,618,146</u>	<u>3,063,277</u>
	<u>84,082,555</u>	<u>72,392,630</u>
Brandywine Asset Management:		
Corporate stocks	22,666,449	29,184,165
Money market fund	<u>580,301</u>	<u>1,158,538</u>
	<u>23,246,750</u>	<u>30,342,703</u>
Fisher Investments, Inc.:		
Corporate stocks	35,527,709	29,264,907
Money market fund	<u>234,420</u>	<u>102,664</u>
	<u>35,762,129</u>	<u>29,367,571</u>
Artisan Fund:		
Collective investment fund	<u>30,699,964</u>	<u>25,528,219</u>

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

	September 30 2004	August 31 2003
Stoneridge Investment Partners LLC:		
Corporate stocks	19,335,059	24,017,466
Money market fund	<u>166,055</u>	<u>782,524</u>
	<u>19,501,114</u>	<u>24,799,990</u>
Rockwood Capital Advisors:		
Corporate bonds	15,359,328	14,803,469
U.S. Government obligations	5,703,011	7,797,170
Money market fund	<u>1,706,382</u>	<u>632,771</u>
	<u>22,768,721</u>	<u>23,233,410</u>
Northern Trust:		
Money market fund	352,655	247,173
Corporate bonds	120,622	118,933
Federal Housing Authority Mortgages	7,686	28,772
Corporate stocks	<u>1,061</u>	<u>694</u>
	<u>482,024</u>	<u>395,572</u>
 Total	 <u>\$387,109,560</u>	 <u>362,298,907</u>

The System's investments are categorized below to give an indication of the level of risk assumed by the System at year-end as: 1) insured or registered with securities held by the System or its agent in the System's name, 2) uninsured and unregistered for which the securities are held by the financial institution's trust department or agent in the System's name, or 3) uninsured and unregistered for which the securities are held by the financial institution or by its trust department or agent, but not in the System's name.

The following tables detail the composition of investments:

	September 30, 2004		
	Categories		
	<u>1</u>	<u>2</u>	<u>3</u>
			Carrying Amount
Repurchase agreement	\$ -	2,811,304	-
Corporate stocks	-	-	157,994,687
Corporate bonds	-	-	15,479,950
U.S. Government obligations	-	-	5,703,011
Mortgage backed securities	-	-	7,686
Noncategorized:			
Collective investment funds	-	-	-
Money market funds	-	-	-
	<u>\$ -</u>	<u>2,811,304</u>	<u>179,185,334</u>
			<u>389,920,864</u>

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

	August 31, 2003			
	Categories			
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Amount</u>
Repurchase agreement	\$ -	4,428,865	-	4,428,865
Corporate stocks	-	-	151,796,585	151,796,585
Corporate bonds	-	-	14,922,402	14,922,402
U.S. Government obligations	-	-	7,797,170	7,797,170
Mortgage backed securities	-	-	28,772	28,772
Noncategorized:				
Collective investment funds	-	-	-	181,692,445
Money market funds	-	-	-	6,061,533
	<u>\$ -</u>	<u>4,428,865</u>	<u>174,544,929</u>	<u>366,727,772</u>

Money market funds held by the custodial bank are used to clear investment transactions on portfolios managed by investment managers and are included in investments on the statement of net assets, but are not required to be categorized.

Reconciliation to statement of plan net assets:

	<u>September 30 2004</u>	<u>August 31 2003</u>
Investment carrying amount from above	\$389,920,864	366,727,772
Less - Repurchase agreement reported as cash	<u>2,811,304</u>	<u>4,428,865</u>
Investments Per Statement Of Plan Net Assets	<u>\$387,109,560</u>	<u>362,298,907</u>

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

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

	<u>For The 13 Months Ended September 30 2004</u>	<u>For The Year Ended August 31 2003</u>
Corporate stocks	\$24,693,974	21,959,328
Collective investment funds	19,188,776	7,230,104
Corporate bonds	(95,200)	3,965,502
U.S. Government obligations	<u>(10,313)</u>	<u>53,002</u>
	<u>\$43,777,237</u>	<u>33,207,936</u>

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE G - GASB STATEMENT NO. 25 ANNUAL REQUIRED CONTRIBUTION

The actuarial funding method used is the entry age frozen liability method. Under this method, the initial unfunded accrued liability is amortized over thirty years from August 31, 1977 with increases in the unfunded accrued liability subsequent to that date amortized over thirty years from the date the liability is added.

Actuarially determined contributions in accordance with GASB Statement No. 25 requirements are as shown in the following table:

	For The 13 Months Ended September 30 <u>2004</u>	For The Year Ended August 31 <u>2003</u>	Covered Payroll Percentage <u>2004</u> <u>2003</u>
Required contributions:			
Normal cost	\$6,581,400	2,863,232	19.4% 8.3
Unfunded actuarial accrued liability amortization payment	<u>3,140,431</u>	<u>1,426,456</u>	<u>9.3</u> <u>4.1</u>
Total	<u>\$9,721,831</u>	<u>4,289,688</u>	<u>28.7%</u> <u>12.4</u>
Contribution made:			
During Systems Fiscal Year-End	<u>\$184,471</u>	<u>-</u>	<u>.5%</u> <u>-</u>
After System's Fiscal Year-End	<u>\$1,870,730</u>	<u>2,078,155</u>	<u>5.5%</u> <u>6.0</u>

The City made an extraordinary contribution in May 1998 of the scheduled unfunded accrued liability amortization payments through August 31, 2010. Therefore, the above required contributions for unfunded actuarial accrued liability amortization payments for the 13 months ended September 30, 2004 and the year ended August 31, 2003 do not include amortization payments of the remaining unfunded accrued liability prior to 1998. Starting September 30, 2011, the remaining balance of the unfunded actuarial accrued liability prior to 1998 of \$2,418,467 will be amortized over the remainder of the thirty year amortization period from the year the liability was added.

NOTE H - INVESTMENTS GREATER THAN 5% OF NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

Investments which exceed 5% or more of net assets held in trust for pension benefits are as follows:

	September 30 <u>2004</u>	August 31 <u>2003</u>
PanAgora Bond Index Fund	\$91,475,784	86,670,969
PanAgora Equity Index Fund	78,314,153	69,493,257
Artisan International Stock Fund	30,699,964	25,528,219

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE I - SECURITIES LENDING

The System participated in Northern Trust Company's securities lending program in order to enhance the investment yield. In a securities lending transaction, the System transfers possession--but not title--of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by Northern Trust Company. The collateral maintained is at least 100% of the market value of the securities lent. The System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The System continues to earn income on the loaned security. In addition, the System receives 60% of the net lending fees generated by each loan of securities. Northern Trust Company receives the remaining 40% of the net lending fees as compensation for its services provided in the securities lending program.

At September 30, 2004 and August 31, 2003, outstanding loans to borrowers were \$36,722,206 and \$42,247,429, respectively. The System earned income of \$96,847 and \$90,540 for its participation in the securities lending program for the 13 months ended September 30, 2004 and the year ended August 31, 2003, respectively.

NOTE J - RISK MANAGEMENT

The System is exposed to various risks of loss related to natural disasters, errors and omissions, loss of assets, torts, etc. The System has chosen to cover such losses through the purchase of commercial insurance. There have been no material insurance claims filed or paid during the past three fiscal years.

NOTE K - COMMITMENTS AND CONTINGENCIES

The System was committed to the future settlement of investments purchased (accounted for by trade date) at September 30, 2004 and August 31, 2003 of \$3,521,061 and \$1,653,652, respectively. These amounts are reflected in the statement of net assets as a liability for unsettled investment transactions.

NOTE L - PRIOR PERIOD ADJUSTMENT

The previously stated net assets held in trust for pension benefits have been adjusted as follows:

Net assets, August 31, 2003, as previously reported	\$375,811,113
Contribution from employer (Note D)	<u>(6,834,947)</u>
Net Assets, August 31, 2003, As Restated.	<u>\$368,976,166</u>

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE M - SYSTEM RESERVES

Changes in System reserves for the 13 months ended September 30, 2004 and the year ended August 31, 2003 are as follows:

	Total	Member's Savings Fund	Benefit Reserve Fund	General Reserve Fund	Future Benefit Fund	System Employees Benefit Fund
Balance, August 31, 2002	\$ 355,880,039	39,684,325	271,252,904	40,405,841	4,368,612	168,357
Contributions	4,703,681	2,625,526	-	2,078,155	-	-
Net investment income less administrative expenses	35,803,599	4,258,480	27,013,815	4,042,922	457,570	30,812
Transfer due to (surplus) deficit	-	(2,077,115)	(2,917,290)	4,994,405	-	-
Benefits paid to retirees and beneficiaries	(26,722,702)	-	(26,722,702)	-	-	-
Refunds of Members contributions	(688,451)	(688,451)	-	-	-	-
Net increase (decrease)	13,096,127	4,118,440	(2,626,177)	11,115,482	457,570	30,812
Balance, August 31, 2003	368,976,166	43,802,765	268,626,727	51,521,323	4,826,182	199,169
Contributions	4,929,087	2,873,886	-	2,055,201	-	-
Net investment income less administrative expenses	46,533,649	5,878,875	33,368,441	6,628,375	618,665	39,293
Transfer due to (surplus) deficit	-	(3,830,807)	(8,004,727)	11,835,534	-	-
Benefits paid to retirees and beneficiaries	(29,288,492)	-	(29,058,568)	-	(229,924)	-
Refunds of Members contributions	(945,481)	(945,481)	-	-	-	-
Net increase (decrease)	21,228,763	3,976,473	(3,694,854)	20,519,110	388,741	39,293
Balance, September 30, 2004	\$ 390,204,929	47,779,238	264,931,873	72,040,433	5,214,923	238,462

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

REQUIRED SUPPLEMENTAL INFORMATION SECTION

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF FUNDING PROGRESS

For The Actuarial Valuation	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio* (a/b)	Covered Payroll (c)	UAAL As A Percentage Of Covered Payroll ((b-a)/c)
October 1, 2004	\$ 369,893,135	\$ 408,660,044	\$ 38,766,909	90.5 %	\$ 33,847,826	114.5 %
September 1, 2003	391,020,699	429,972,716	38,952,017	90.9	34,648,486	112.4
September 1, 2002	427,199,947	466,310,235	39,110,288	91.6	34,520,010	113.3
September 1, 2001	456,143,883	470,607,738	14,463,855	96.9	32,626,002	44.3
September 1, 2000	441,611,320	457,572,578	15,961,258	96.5	31,559,439	50.6
September 1, 1999	418,662,926	430,622,174	11,959,248	97.2	29,749,169	40.2
September 1, 1998	402,930,619	404,999,272	2,068,653	99.5	29,163,258	7.1
September 1, 1997	359,482,059	387,846,182	28,364,123	92.7	27,532,033	103.0
September 1, 1996	322,828,029	352,177,194	29,349,165	91.7	26,464,431	110.9
September 1, 1995	308,145,045	337,903,084	29,758,039	91.2	25,810,605	115.3

SCHEDULE OF EMPLOYER CONTRIBUTIONS

For The Years Ended	GASB Statement No. 25 Annual Required Contribution			Statutory Annual Required Contribution		
	Per Actuarial Valuation	Percentage Contributed	Percentage Of Covered Payroll	Per Actuarial Valuation	Percentage Contributed	Percentage Of Covered Payroll
September 30, 2004	\$ 9,721,831	1.9 %**	28.7 %	\$ 13,765,477	1.3 %**	40.7 %
August 31, 2003	4,289,688	47.9	12.4	8,913,102	23.1	25.7
August 31, 2002	3,514,488	95.7	10.2	3,365,007	100.0	9.7
August 31, 2001	3,300,380	107.4	10.1	3,544,385	100.0	10.9
August 31, 2000	2,905,731	111.9	9.2	3,251,579	100.0	10.3
August 31, 1999	5,953,105	47.6	20.0	2,836,561	100.0	9.5
August 31, 1998	8,814,900	74.6	30.2	6,576,414	100.0	22.6
August 31, 1997	10,948,933	84.6	39.8	9,262,597	100.0	33.6
August 31, 1996	11,029,725	102.3	41.7	11,286,200	100.0	42.6
August 31, 1995	12,799,795	85.8	49.6	10,978,431	100.0	42.5

* Frozen Entry Age Liability

** Balance receivable at September 30, 2004 - \$1,870,730

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

REQUIRED SUPPLEMENTAL INFORMATION

ADDITIONAL INFORMATION RE: REQUIRED SCHEDULES

The information presented in the schedule of funding progress and the schedule of employer contributions was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2004
Actuarial cost method	Entry age-frozen liability
Amortization method	30 years from establishment
Remaining amortization period	Various
Asset valuation method	3-year smooth market
Actuarial assumptions:	
Investment rate of return	7.625%
Projected salary increases	4.5%
Inflation	3.5%
Cost-of-living adjustments	5%

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

Annual Required Contribution (ARC)

The ARC applicable to the System's 13 months ended September 30, 2004 and each prior August 31 in accordance with GASB Statement No. 25's requires blending of the actuarial valuations. The ARC is presented each year using the aggregate of the City's ARCs for the portions of the City's fiscal years that overlap the System's fiscal year.

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
SUPPLEMENTAL INFORMATION

SUPPLEMENTAL INFORMATION SECTION

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

SUPPLEMENTAL INFORMATION

	For The 13 Months Ended September 30 2004	For The Year Ended August 31 2003
BENEFITS PAID TO RETIREES AND BENEFICIARIES		
Service retirees	\$ 14,115,447	13,107,963
Accidental disability	11,728,689	10,658,381
Beneficiaries	3,012,175	2,573,454
Ordinary disability	332,409	305,554
Death	54,000	50,000
Medical, surgical, and hospital	<u>45,772</u>	<u>27,350</u>
	<u>\$ 29,288,492</u>	<u>26,722,702</u>
 ADMINISTRATIVE EXPENSES		
Salaries, payroll taxes, and employee fringe benefits	\$ 315,119	288,080
Legal fees	104,814	43,729
Investment consultant's fees	87,042	68,674
Office supplies and expenses	81,623	100,875
Medical reviews, consulting, and investigations	52,114	49,607
Accounting and auditing fees	46,470	46,980
Actuary fees	46,195	118,020
Insurance	33,143	26,439
Depreciation	29,691	28,319
Building operations	21,913	31,726
Travel and seminars	<u>8,134</u>	<u>26,885</u>
	<u>\$ 826,258</u>	<u>829,334</u>

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

SUPPLEMENTAL INFORMATION

SCHEDULE OF INVESTMENT MANAGEMENT AND CUSTODIAL FEES

	For The 13 Months Ended September 30 2004	For The Year Ended August 31 2003
Investment Management Fees:		
Oppenheimer Capital	\$ 290,307	199,165
Fisher Investments, Inc.	275,962	192,683
Stoneridge Investment Partners, LLC	241,153	177,895
Brandywine Asset Management	171,227	133,959
PanAgora Asset Management	127,261	81,305
Rockwood Capital Advisors	69,491	76,351
Sirach Capital Management	-	26,660
	<u>1,175,401</u>	<u>888,018</u>
Custodial Fees:		
The Northern Trust Company	<u>126,182</u>	<u>102,096</u>
 Total Investment Management And Custodial Fees	 <u><u>\$ 1,301,583</u></u>	 <u><u>990,114</u></u>

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
SUPPLEMENTAL INFORMATION

SUMMARY OF INSURANCE COVERAGE

<u>Type</u>	<u>Coverage</u>
Fiduciary Liability	\$ 5,000,000
Property:	
Building	\$ 309,783
Contents	\$ 344,262
General Liability:	
Per occurrence	\$ 1,000,000
Aggregate	\$ 2,000,000
Workers' Compensation and Employers Liability	Statutory \$ 1,000,000
Umbrella Liability:	
Per occurrence	\$ 1,000,000
Aggregate	\$ 1,000,000
Non-owned Automobile	\$ 1,000,000

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

SUPPLEMENTAL INFORMATION

HISTORICAL TREND INFORMATION

Additions to net assets:

For The Years Ended	Contributions		Net Investment Income (Loss)	Total
	Employer	Members		
September 30, 2004 (B)	\$ 2,055,201	\$ 2,873,886	\$ 47,359,907	\$ 52,288,994
August 31, 2003	2,078,155	2,625,526	36,632,933	41,336,614
August 31, 2002	3,365,007	2,511,580	(46,833,960)	(40,957,373)
August 31, 2001	3,544,385	2,344,970	(29,027,981)	(23,138,626)
August 31, 2000	3,251,579	2,221,819	61,530,979	67,004,377
August 31, 1999	2,836,561	2,002,840	69,709,246	74,548,647
August 31, 1998	31,150,406 (A)	1,897,606	(1,386,356)	31,661,656
August 31, 1997	9,262,597	1,794,531	59,286,330	70,343,458
August 31, 1996	11,286,200	1,803,524	25,754,361	38,844,085
August 31, 1995	10,978,431	1,690,942	39,080,052	51,749,425

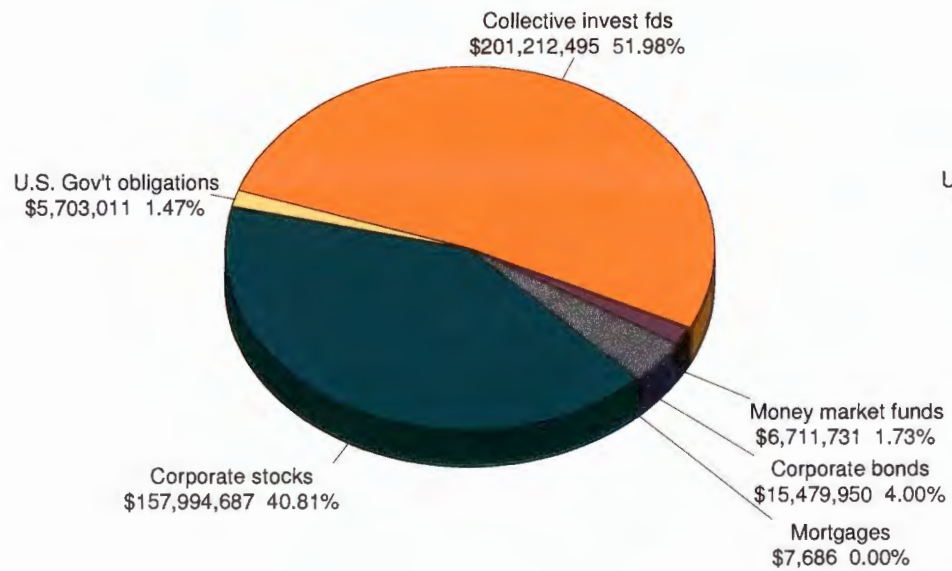
Deductions from net assets:

For The Years Ended	Benefits Paid	Refunds To Members	Admini- strative Expenses	Total
September 30, 2004 (B)	\$ 29,288,492	\$ 945,481	\$ 826,259	\$ 31,060,232
August 31, 2003	26,722,702	688,451	829,334	28,240,487
August 31, 2002	27,063,392	508,336	721,915	28,293,643
August 31, 2001	26,538,890	1,390,435	844,263	28,773,588
August 31, 2000	25,348,189	2,280,569	832,426	28,461,184
August 31, 1999	22,880,233	2,444,833	720,719	26,045,785
August 31, 1998	22,173,548	806,327	631,344	23,611,219
August 31, 1997	21,443,718	985,930	564,117	22,993,765
August 31, 1996	20,618,675	1,433,732	633,680	22,686,087
August 31, 1995	19,662,332	1,124,672	560,343	21,347,347

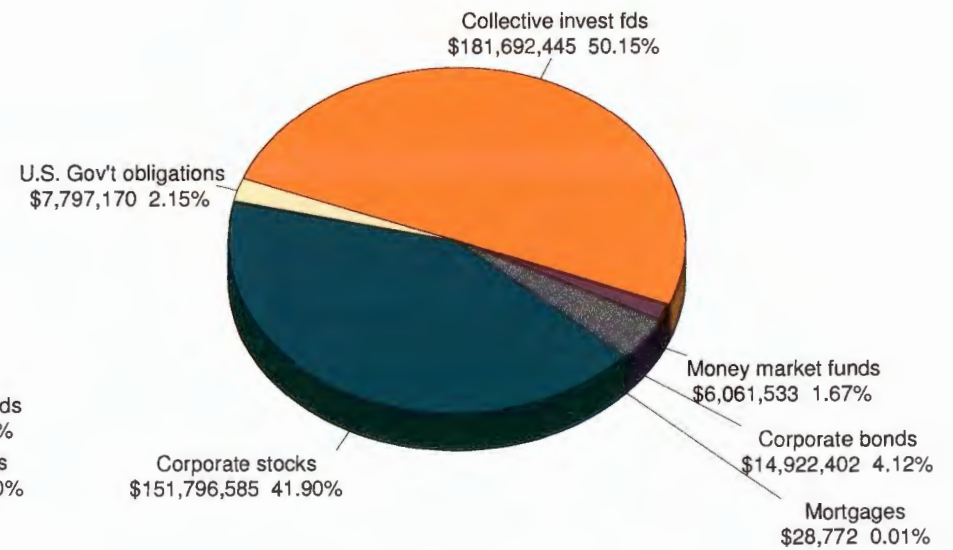
(A) Includes an extraordinary contribution in the amount of \$27,943,654. This amount was equal to the present value at May 1998 of the scheduled unfunded accrued liability amortization payments through September 30, 2010.

(B) Period includes 13 months

FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS INVESTMENTS

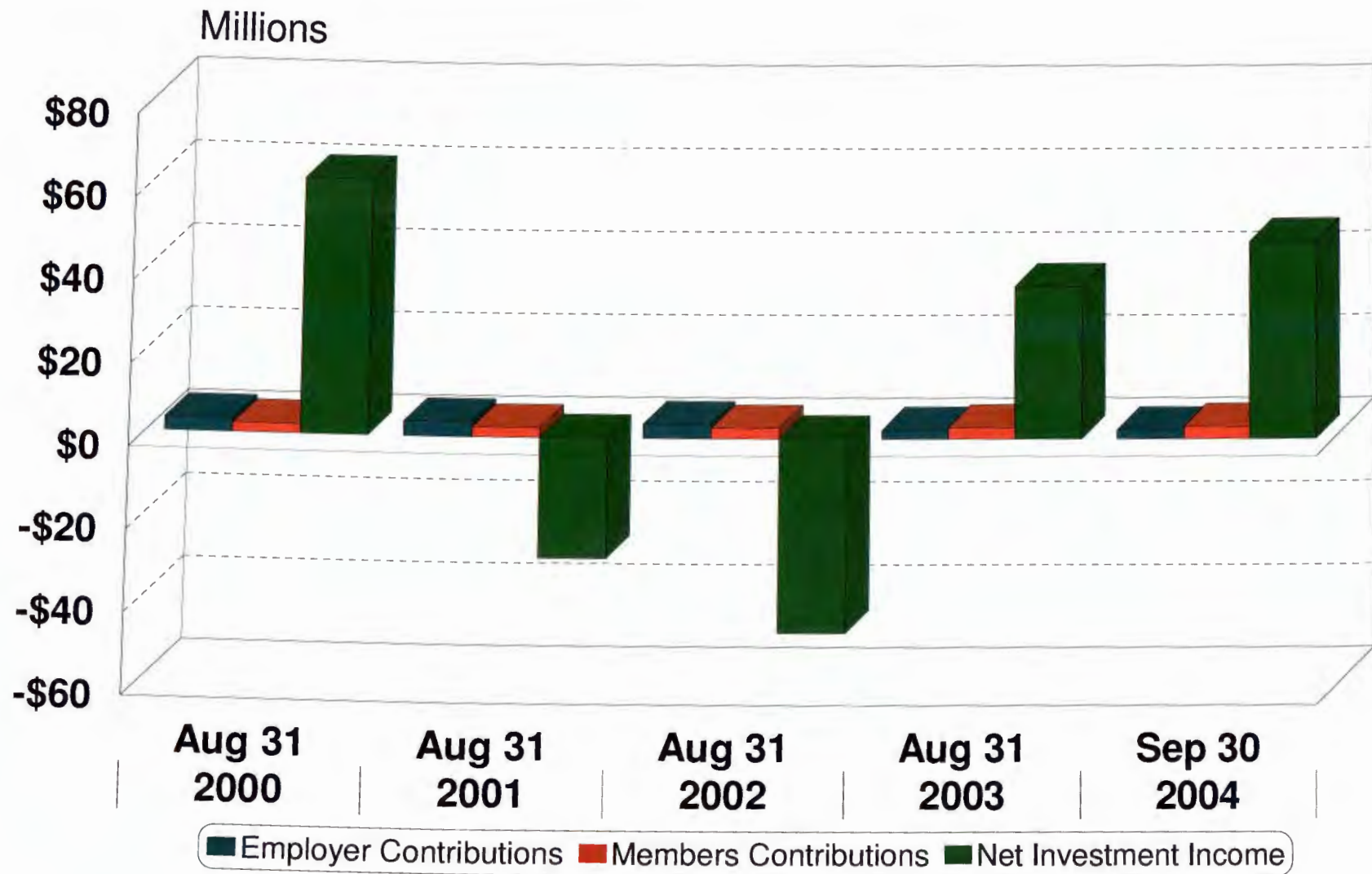


September 30, 2004

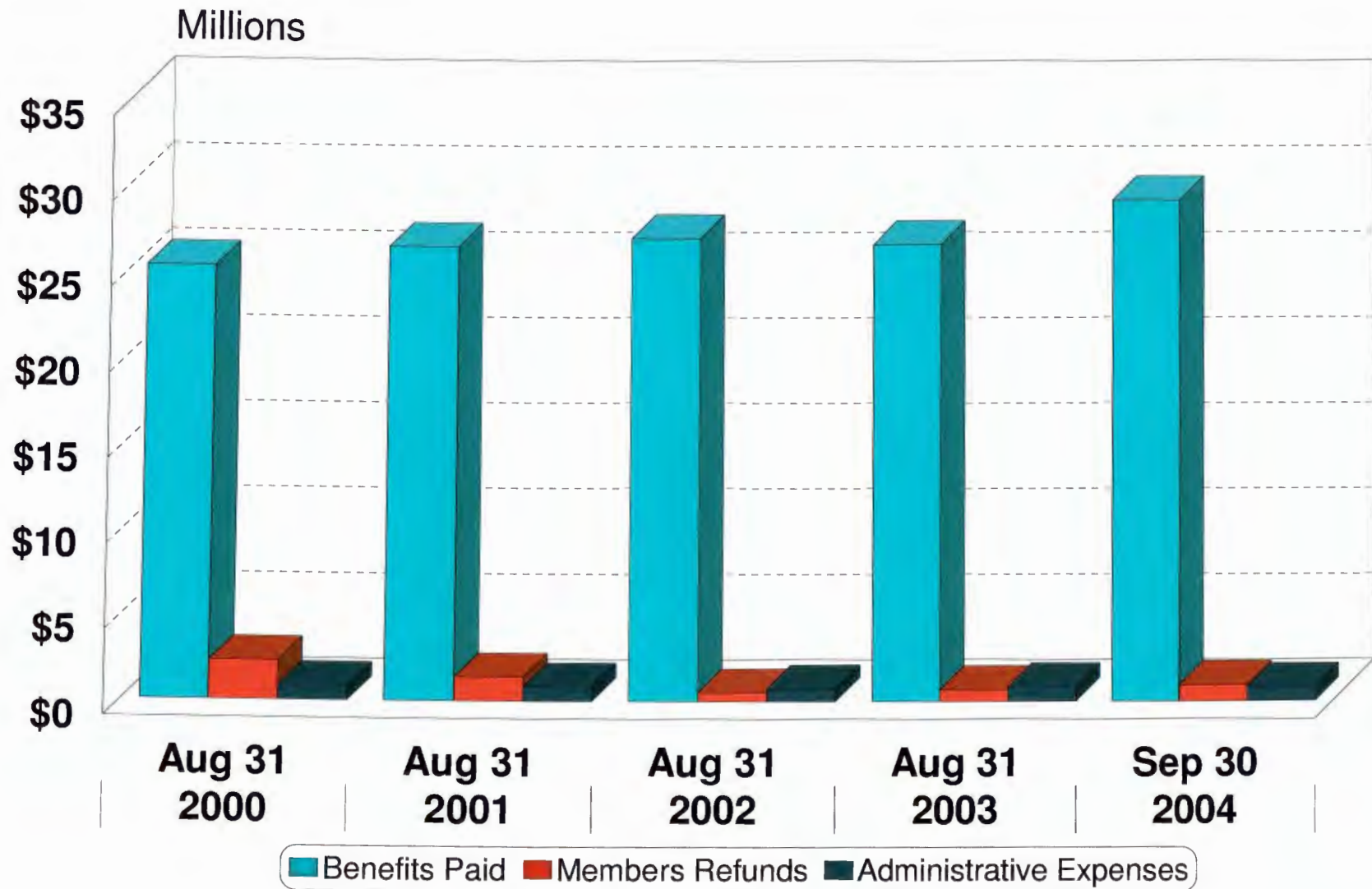


August 31, 2003

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



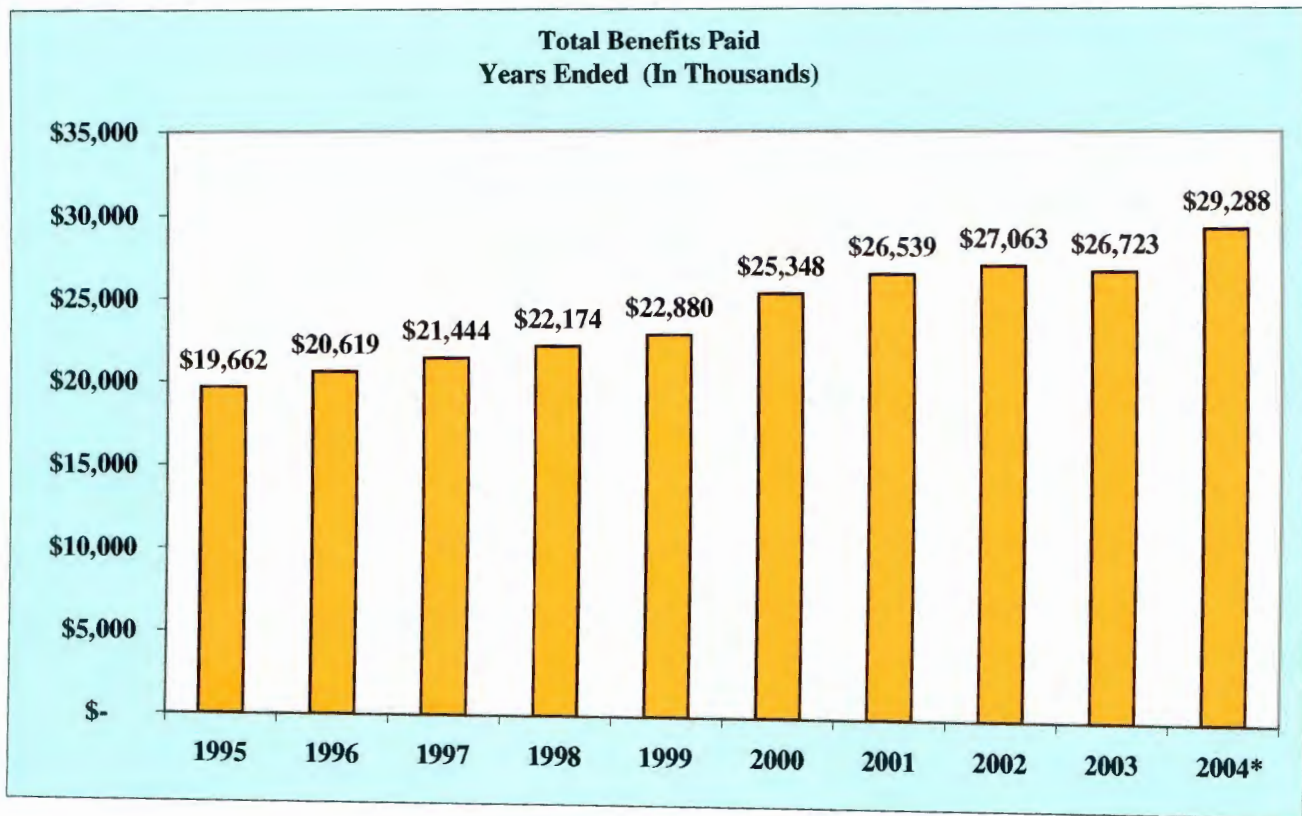
FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS
DEDUCTIONS FROM NET ASSETS
FOR THE YEARS ENDED



FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

BENEFITS PAID BY TYPE

For The Fiscal Years Ended	Service Retirees	Accidental Disability	Beneficiaries	Ordinary Disability	Death	Medical	Total
1995	\$19,569,615	Included in Service Retirees			\$62,000	\$30,717	\$19,662,332
1996	9,194,443	\$9,063,665	\$1,969,780	\$296,832	82,500	11,455	20,618,675
1997	9,623,810	9,314,022	2,137,544	323,833	30,000	14,509	21,443,718
1998	10,018,151	9,558,441	2,181,392	358,291	34,000	23,273	22,173,548
1999	10,624,385	9,770,668	2,064,435	339,306	52,000	29,439	22,880,233
2000	12,096,671	10,161,209	2,695,530	303,688	72,000	19,091	25,348,189
2001	13,354,573	10,303,677	2,505,783	308,204	46,000	20,653	26,538,890
2002	13,678,554	10,513,535	2,474,508	301,130	70,000	25,665	27,063,392
2003	13,107,963	10,658,381	2,573,454	305,554	50,000	27,350	26,722,702
2004*	14,115,447	11,728,689	3,012,175	332,409	54,000	45,772	29,288,492



* Period ended September 30, 2004 includes 13 months