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

**FINANCIAL REPORT**  
(Audited)

Year Ended September 30, 2008

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

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**Hochschild, Bloom & Company LLP**

Certified Public Accountants

Consultants and Advisors

## **INDEPENDENT AUDITORS' REPORT**

February 12, 2009

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), a component unit of the City of St. Louis, Missouri, as of September 30, 2008 and 2007, and the related statements of changes in plan net assets for the years then ended. 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. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 as of September 30, 2008 and 2007, and the changes in plan net assets for the years then ended, 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 proce-

□ 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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dures, 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 opinions 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. Such information has been subjected to the auditing procedures applied in the audits 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**

**FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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The following management's discussion and analysis (MD&A) of the Firemen's Retirement System of St. Louis (the System) provides an overview of the System's financial activities for the fiscal year ended September 30, 2008. The MD&A should be read in conjunction with the System's financial statements and supplementary information.

**FINANCIAL HIGHLIGHTS**

The System's net assets were \$421 million at September 30, 2008, which represents a decrease of \$104 million from September 30, 2007.

Additions to net assets for fiscal year 2008 were negative (\$72) million as compared to additions of \$132 million for fiscal year 2007. The current period negative additions are comprised of \$82 million of net investment loss, \$7 million in employer contributions, and \$3 million in Members contributions.

Deductions from net assets were \$32 million for fiscal years 2008 and 2007.

The overall investment return for the System was (17.59%) for fiscal year 2008 as compared to 14.25% for fiscal year 2007. The negative investment return during the last fiscal year is due to the general downturn in the economy, while the increase in the previous fiscal year was due to the general improvement of the investment market. The Board of Trustees acts to ensure the System retains the top performing Investment Managers while maintaining a balanced investment portfolio. The investment return for the System exceeded the actuarial assumption for investment return of 7.625% for fiscal year 2007; however, the return for fiscal year 2008 was substantially under the actuarial assumption of 7.625%.

**FINANCIAL STATEMENTS**

The financial report of the System consists of two financial statements: the statements of plan net assets and the statements of changes in plan net assets. The statements of plan net assets provide 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 provide 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 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.

**FINANCIAL ANALYSIS**

Total assets at September 30, 2008 were \$423,390,578 and were mainly comprised of cash, investments, and other receivables. Total assets decreased \$104,491,663 or 19.79% from September 30, 2007.

Total liabilities at September 30, 2008 were \$1,914,875 and consisted mainly of unsettled investment transactions and accrued expenses. Total liabilities decreased \$854,164 or 30.85% from September 30,

**FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

2007 due to a decrease in unsettled investment transactions of \$445,430 and a decrease in other liabilities of \$408,734.

Net assets held in trust for pension benefits were \$421,475,703 at September 30, 2008, a decrease of \$103,637,499 or 19.74% from the prior period. This decrease mainly resulted from a decrease in investments of \$91.6 million, the majority of which was the result of an \$86.5 million decline in the market value of the investments. The remaining amount of the decrease results mainly from a \$15.4 million decrease in receivables, of which \$14.2 million represented the amount receivable from the City for prior year employer contributions that were paid in the current year.

Following is a condensed version of the statements of plan net assets (dollars in thousands):

	September 30			Total Change			
				Amount		Percentage	
	2008	2007	2006	2008	2007	2008	2007
<b>ASSETS</b>							
Investments	\$ 413,644	505,259	407,141	(91,615)	98,118	(18.1) %	24.1
Cash	7,841	5,308	3,352	2,533	1,956	47.7	58.4
Receivables	1,515	16,939	22,103	(15,424)	(5,164)	(91.1)	(23.4)
Capital assets, net	391	376	358	15	18	4.0	5.0
Total Assets	423,391	527,882	432,954	(104,491)	94,928	(19.8)	21.9
<b>LIABILITIES</b>	1,915	2,769	7,919	(854)	(5,150)	(30.8)	(65.0)
<b>NET ASSETS</b>	\$ 421,476	525,113	425,035	(103,637)	100,078	(19.7) %	23.5

**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 (members) contributions and through earnings on investments. Members contribute 8% (1% while in DROP status) of their salary to fund future retirement benefits. This percentage is set by state statute and was unchanged from the prior year. Total contribution income (employer and members) totaled \$10,329,698 for the year ended September 30, 2008 as compared to \$66,486,277 for the prior year. Delinquent employer contributions were recovered during the year ended September 30, 2007 totaling \$49,404,691.

Net investment losses totaled \$81,989,764 in fiscal year 2008 as compared to net investment income of \$65,629,492 in the prior period. Investment income is net of investment expenses (management and custodial fees) totaling \$1,713,052 and \$1,770,188 for the years ended September 30, 2008 and 2007, respectively.

**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 fiscal year 2008 were \$31,977,433, a decrease of \$59,702 from the prior year.

**FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Following is a condensed version of the statements of changes in plan net assets (dollars in thousands):

	For The Years			Total Change			
	Ended September 30			Amount		Percentage	
	2008	2007	2006	2008	2007	2008	2007
<b>ADDITIONS</b>							
Employer contributions	\$ 7,485	63,690	4,111	(56,205)	59,579	(88.2) %	1,449.3
Members contributions	2,845	2,796	2,853	49	(57)	1.8	(2.0)
Net investment income (loss)	(81,990)	65,629	34,103	(147,619)	31,526	(224.9)	92.4
Total Additions (Net)	<u>(71,660)</u>	<u>132,115</u>	<u>41,067</u>	<u>(203,775)</u>	<u>91,048</u>	<u>(154.2)</u>	<u>221.7</u>
<b>DEDUCTIONS</b>							
Benefits paid	29,908	29,742	28,616	166	1,126	0.6	3.9
Refunds of Members contributions	1,152	1,391	1,685	(239)	(294)	(17.2)	(17.4)
Administrative expenses	917	904	894	13	10	1.4	1.1
Total Deductions	<u>31,977</u>	<u>32,037</u>	<u>31,195</u>	<u>(60)</u>	<u>842</u>	<u>(0.2)</u>	<u>2.7</u>
<b>CHANGE IN NET ASSETS</b>	<b>(103,637)</b>	<b>100,078</b>	<b>9,872</b>	<b>(203,715)</b>	<b>90,206</b>	<b>(203.6)</b>	<b>913.8</b>
NET ASSETS, BEGINNING OF YEAR	<u>525,113</u>	<u>425,035</u>	<u>415,163</u>	<u>100,078</u>	<u>9,872</u>	<u>23.5</u>	<u>2.4</u>
NET ASSETS, END OF YEAR	<u>\$ 421,476</u>	<u>525,113</u>	<u>425,035</u>	<u>(103,637)</u>	<u>100,078</u>	<u>(19.7) %</u>	<u>23.5</u>

**SUMMARY**

The System's net assets held in trust for pension benefits have increased in seven out of the past ten years. The decreases, which occurred in fiscal years 2008, 2002 and 2001, were the result of investment losses due to economic slowdowns 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.

**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:

Vicky Grass, Executive Director  
Firemen's Retirement System of St. Louis  
1601 South Broadway  
St. Louis, MO 63104-3845  
or  
e-mail: [vgrass@sbcglobal.net](mailto:vgrass@sbcglobal.net)

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

	September 30	
	2008	2007
<b>ASSETS</b>		
Investments, at fair value:		
Equities:		
Corporate stocks	\$ 182,766,279	230,430,772
Collective investment funds	34,612,180	49,327,740
Hedge fund	20,471,472	22,823,256
Fixed income:		
Collective investment funds	98,191,546	102,309,472
Corporate bonds	111,735	110,658
Government and agency obligations	-	668
Real estate investment trust	47,827,468	48,314,248
Money market funds	29,663,189	51,941,854
Total Investments	413,643,869	505,258,668
Cash and cash equivalents	7,840,951	5,308,278
Receivables:		
Unsettled investment transactions	954,595	2,174,909
Interest and dividends	314,554	307,502
Other receivables	129,851	64,315
Members contributions	116,353	107,051
Employer contribution	-	14,285,300
Total Receivables	1,515,353	16,939,077
Capital assets, less accumulated depreciation	390,405	376,218
Total Assets	423,390,578	527,882,241
<b>LIABILITIES</b>		
Unsettled investment transactions	1,555,832	2,001,262
Accrued investment management fees	341,015	369,348
Members contributions refundable	9,872	382,998
Accrued administrative expenses	8,156	15,431
Total Liabilities	1,914,875	2,769,039
<b>NET ASSETS HELD IN TRUST FOR PENSION</b>		
<b>BENEFITS</b> (a schedule of funding progress for the System is presented on page 27)	\$ 421,475,703	525,113,202

See notes to financial statements

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

	For The Years	
	Ended September 30	
	2008	2007
<b>ADDITIONS TO NET ASSETS ATTRIBUTED TO:</b>		
Contributions:		
Employer	\$ 7,484,524	63,689,991
Members	2,845,174	2,796,286
Total Contributions	<u>10,329,698</u>	<u>66,486,277</u>
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	(86,501,685)	61,837,269
Dividends	4,641,463	4,594,613
Interest	1,191,850	328,271
Securities lending income	301,751	158,249
Class action settlements	81,742	442,209
Recapture commissions	8,167	39,069
Total Investment Income (Loss)	<u>(80,276,712)</u>	<u>67,399,680</u>
Less - Investment management and custodial fees	1,713,052	1,770,188
Net Investment Income (Loss)	<u>(81,989,764)</u>	<u>65,629,492</u>
Total Additions - Net	<u>(71,660,066)</u>	<u>132,115,769</u>
<b>DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:</b>		
Benefits paid to retirees and beneficiaries	29,908,146	29,742,364
Refunds of Members contributions	1,152,581	1,390,936
Administrative expenses	916,706	903,835
Total Deductions	<u>31,977,433</u>	<u>32,037,135</u>
<b>NET INCREASE (DECREASE) IN PLAN NET ASSETS</b>	<b>(103,637,499)</b>	<b>100,078,634</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, BEGINNING OF YEAR</b>	<b><u>525,113,202</u></b>	<b><u>425,034,568</u></b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, END OF YEAR</b>	<b><u>\$ 421,475,703</u></b>	<b><u>525,113,202</u></b>

See notes to financial statements

**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:

	September 30		<b>Increase (Decrease)</b>
	2008	2007	
Retirees and beneficiaries currently receiving benefits	1,025	1,036	(11)
Current active Members:			
Vested - DROP	48	38	10
Vested - Non-DROP	95	102	(7)
Nonvested	582	558	24
	725	698	27
	1,750	1,734	16

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 175 and 172 at September 30, 2008 and 2007, respectively.

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

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. Reporting Entity**

The System is a pension trust fund of the City 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 (Board) are not financially accountable for any other entities or other organizations. Accordingly, the System is the only entity included in this financial report.

**2. Basis of Accounting**

The financial statements were prepared using the accrual basis of accounting. Members 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. Dividend income is recognized based on the ex-dividend date and interest income is recognized on the accrual basis as earned. Investment purchases and sales are recorded on a trade-date basis.

**3. 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.

**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. 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 ac-

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

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

count during the preceding year. Withdrawal refunds of Member's accumulated contributions are charged to this fund. Upon retirement or death in service of a Member with a surviving beneficiary, the Member's own contributions are refunded. Upon termination of employment or death in service with no survivor, the Member's contributions, including interest, are refunded. The balance at September 30, 2008 and 2007 was \$62,476,638 and \$58,226,804, 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, 2008 and 2007 was \$287,631,676 and \$281,707,518, 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, 2008 and 2007 was \$66,091,258 and \$178,483,157, 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 \$414,955 and \$223,493 were paid from the Future Benefit Fund during the years ended September 30, 2008 and 2007, respectively. The Future Benefit Fund is excluded from the assets used in determining the City's contribution requirement. The balance at September 30, 2008 and 2007 was \$4,871,856 and \$6,278,372, respectively.

**System Employees Benefit Fund** - On August 28, 1997, the Board approved a resolution to provide additional benefits for the administrative employees of the System in the form of severance pay and a limited retirement package. The severance pay applies to employees who are dismissed for any reason other than for just cause based on the wrongful conduct of the employee. The dismissed employee would be entitled to one 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 ac-

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

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

credited additional benefits of \$20,301 and \$18,105 for the years ended September 30, 2008 and 2007, respectively. The employees' accounts will be credited each anniversary date with interest on the account at the same rate as earned by the System. No benefits were paid from the System Employees Benefit Fund during the years ended September 30, 2008 and 2007. The System Employees Benefit Fund is excluded from the assets used in determining the City's contribution requirement. The balance at September 30, 2008 and 2007 was \$404,275 and \$417,351, 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. Capital Assets**

Expenditures for property and equipment exceeding \$1,000 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.

Capital asset activity was as follows:

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

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**8. Capital Assets (Continued)**

	<u>For The Year Ended September 30, 2008</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>September 30</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30</u>
	<u>2007</u>			<u>2008</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 52,645	30,441	-	83,086
Construction in progress	-	1,574	-	1,574
Total Capital Assets Not Being Depreciated	<u>52,645</u>	<u>32,015</u>	<u>-</u>	<u>84,660</u>
Capital assets being depreciated				
Building	205,417	-	-	205,417
Building improvements	203,006	2,953	-	205,959
Furniture and equipment	88,902	-	-	88,902
Total Capital Assets Being Depreciated	<u>497,325</u>	<u>2,953</u>	<u>-</u>	<u>500,278</u>
Less - Accumulated depreciation for:				
Building	31,667	5,136	-	36,803
Building improvements	57,598	13,221	-	70,819
Furniture and equipment	84,487	2,424	-	86,911
Total Accumulated Depreciation	<u>173,752</u>	<u>20,781</u>	<u>-</u>	<u>194,533</u>
Total Capital Assets Being Depreciated, Net	<u>323,573</u>	<u>(17,828)</u>	<u>-</u>	<u>305,745</u>
Governmental Activities Capital Assets, Net	<u>\$ 376,218</u>	<u>14,187</u>	<u>-</u>	<u>390,405</u>

Depreciation expense for the years ended September 30, 2008 and 2007 was \$20,781 and \$22,496, respectively.

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

**NOTE C - CASH AND CASH EQUIVALENTS**

The System's bank deposits and repurchase agreements are required by state law to be secured by the deposit of certain securities specified by RSMo 30.270. The collateralized securities are held by a trustee institution. The value of the securities must amount to the total of the System's cash not insured by the Federal Deposit Insurance Corporation. The System's bank deposits as of September 30, 2008 and 2007 were \$425,000 each year and were insured by the FDIC or collateralized with securities held by the pledging financial institution's trust department in the System's name. The System's carrying amount of bank deposits was \$999,610 and \$342,531 as of September 30, 2008 and 2007, respectively.

At September 30, 2008, the repurchase agreement was pledged by a Freddie Mac maturing on April 15, 2026, and the September 30, 2007 repurchase agreement was pledged by a U.S. Treasury bond maturing on November 15, 2021. The collateral is held by the Federal Reserve Bank.

Cash and cash equivalents consist of the following:

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Repurchase agreement	<b>\$ 6,841,341</b>	4,965,747
Checking	<b>999,610</b>	342,531
	<b><u>\$ 7,840,951</u></b>	<b><u>5,308,278</u></b>

**NOTE D - CONTRIBUTION RECEIVABLE - EMPLOYER**

Employer contributions are calculated by the System's actuary (Gabriel Roeder Smith & Company). The employer contribution due to the System for the year ended September 30, 2008 was \$7,484,524 and paid prior to year-end; the employer contribution due to the System from the City for the year ended September 30, 2007 was \$14,285,300 and was paid during the year ended September 30, 2008.

Contribution receivable - employer consists of the following:

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Current year contribution due from the City as calculated by the System's actuary	<b>\$ 7,484,524</b>	14,285,300
Unpaid contributions from prior year	<b>14,285,300</b>	50,383,343
Interest per settlement	-	3,131,750
Received from the City during current year	<b>(21,769,824)</b>	<b>(53,515,093)</b>
	<b><u>\$ -</u></b>	<b><u>14,285,300</u></b>

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

**NOTE E - INVESTMENTS**

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

	September 30	
	2008	2007
Aberdeen Asset Management, Inc.:		
Collective investment fund - fixed income	\$ 98,191,546	102,309,472
Money market fund	-	(875)
	<u>98,191,546</u>	<u>102,308,597</u>
New York Life Investment Management:		
Corporate stocks	59,475,849	62,650,243
Money market fund	79,096	123,705
	<u>59,554,945</u>	<u>62,773,948</u>
Principal Real Estate:		
Real estate investment trust	47,827,468	48,314,248
Money market fund	-	(625)
	<u>47,827,468</u>	<u>48,313,623</u>
Fisher Investments, Inc.:		
Corporate stocks	47,109,329	67,892,133
Money market fund	341,757	184,419
	<u>47,451,086</u>	<u>68,076,552</u>
Artisan Partners LP:		
Collective investment fund - equity (International)	34,612,180	49,327,740
Money market fund	327	(309)
	<u>34,612,507</u>	<u>49,327,431</u>
The Northern Trust Company:		
Money market fund	26,940,273	49,702,867
Corporate bonds	111,735	110,658
Government and agency obligations	-	668
Corporate stocks	61,418	100,741
	<u>27,113,426</u>	<u>49,914,934</u>
Brandywine Asset Management		
Corporate stocks	25,908,765	30,356,241
Money market fund	450,133	854,335
	<u>26,358,898</u>	<u>31,210,576</u>

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

**NOTE E - INVESTMENTS (Continued)**

	September 30	
	2008	2007
UBP Asset Management, LLC		
Hedge fund (multi-strategy)	20,471,472	22,823,256
Castleark Management, LLC:		
Corporate stocks	18,583,771	23,774,125
Money market fund	767,861	534,797
	19,351,632	24,308,922
Pinnacle Associates Ltd.:		
Corporate stocks	17,199,235	23,433,262
Money market fund	710,055	415,463
	17,909,290	23,848,725
Pzena Investment Management:		
Corporate stocks	14,427,912	22,224,027
Money market fund	307,884	128,077
	14,735,796	22,352,104
Oppenheimer Capital:		
Money market fund	65,803	-
Total	\$ 413,643,869	505,258,668

The System's investments are continuously exposed to various types of inherent risks. These risks are mitigated by the System's development and continual monitoring of sound investment policies. The Investment Maturities, Credit Rating by Investment, and Foreign Currency Exposures by Asset Class schedules are presented as follows to provide an illustration of the System's current level of exposure to various risks.

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

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

**NOTE E - INVESTMENTS (Continued)**

Maturities As Of September 30, 2008						
	Fair Market Value	No Maturity	Less Than One Year	1 - 5 Years	6 -10 Years	More Than 10 Years
Equities:						
Corporate stocks	\$ 182,766,279	182,766,279	-	-	-	-
Collective invest- ment funds	34,612,180	34,612,180	-	-	-	-
Hedge fund	20,471,472	20,471,472	-	-	-	-
Fixed income:						
Collective invest- ment funds	98,191,546	-	3,161,768	41,417,194	42,605,312	11,007,272
Corpoptate bonds	111,735	-	-	-	-	111,735
Real estate invest- ment trust	47,827,468	47,827,468	-	-	-	-
Money market funds	29,663,189	29,663,189	-	-	-	-
	<u>\$ 413,643,869</u>	<u>315,340,588</u>	<u>3,161,768</u>	<u>41,417,194</u>	<u>42,605,312</u>	<u>11,119,007</u>

Maturities As Of September 30, 2007						
	Fair Market Value	No Maturity	Less Than One Year	1 - 5 Years	6 -10 Years	More Than 10 Years
Equities:						
Corporate stocks	\$ 230,430,772	230,430,772	-	-	-	-
Collective invest- ment funds	49,327,740	49,327,740	-	-	-	-
Hedge fund	22,823,256	22,823,256	-	-	-	-
Fixed income:						
Collective invest- ment funds	102,309,472	-	1,616,489	54,131,942	35,624,158	10,936,883
Corpoptate bonds	110,658	-	-	-	-	110,658
Government and agency obliga- tions	668	-	-	-	-	668
Real estate invest- ment trust	48,314,248	48,314,248	-	-	-	-
Money market funds	51,941,854	51,941,854	-	-	-	-
	<u>\$ 505,258,668</u>	<u>402,837,870</u>	<u>1,616,489</u>	<u>54,131,942</u>	<u>35,624,158</u>	<u>11,048,209</u>

The System's 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:

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

**NOTE E - INVESTMENTS (Continued)**

Credit Rating Level	Credit Rating By Investment Category As Of September 30, 2008					
	Corporate Stocks	Collective Investment Funds	Corporate Bonds	Money Market Fund	Hedge Fund	Real Estate Investment Trust
AAA	\$ -	73,054,510	111,735	-	-	-
AA	-	5,724,567	-	-	-	-
A	-	7,128,706	-	-	-	-
BBB	-	12,244,486	-	-	-	-
N/A	182,766,279	-	-	-	-	-
Not rated	-	34,651,457	-	29,663,189	20,471,472	47,827,468
	<u>\$ 182,766,279</u>	<u>132,803,726</u>	<u>111,735</u>	<u>29,663,189</u>	<u>20,471,472</u>	<u>47,827,468</u>

Credit Rating Level	Credit Rating By Investment Category As Of September 30, 2007						
	Corporate Stocks	Collective Investment Funds	Corporate Bonds	Government And Agency Obligations	Money Market Funds	Hedge Fund	Real Estate Investment Fund
AAA	\$ -	82,011,273	110,658	668	-	-	-
AA	-	971,940	-	-	-	-	-
A	-	7,591,363	-	-	-	-	-
BBB	-	11,673,511	-	-	-	-	-
N/A	230,430,772	-	-	-	-	-	-
Not rated	-	49,389,125	-	-	51,941,854	22,823,256	48,314,248
	<u>\$230,430,772</u>	<u>151,637,212</u>	<u>110,658</u>	<u>668</u>	<u>51,941,854</u>	<u>22,823,256</u>	<u>48,314,248</u>

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

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

**NOTE E - INVESTMENTS (Continued)**

**Foreign Currency Exposures By Asset Class In U.S. Dollars As Of September 30, 2008**

Currency	Money Market Funds	Equities	Fixed Income	Hedge Fund	Real Estate Investment Trust	Total
Australian Dollar	\$ -	2,280,850	-	-	-	2,280,850
British Pound Sterling	-	3,972,263	-	-	-	3,972,263
Canadian Dollar	-	1,428,342	-	-	-	1,428,342
Euro	-	17,608,359	-	-	-	17,608,359
Hong Kong Dollar	-	609,111	-	-	-	609,111
Indonesian Rupiah	-	263,340	-	-	-	263,340
Japanese Yen	-	9,289,270	-	-	-	9,289,270
Malaysian Ringgit	-	82,222	-	-	-	82,222
Mexican Peso	-	230,594	-	-	-	230,594
Norwegian Krone	-	712,061	-	-	-	712,061
Singapore Dollar	-	502,378	-	-	-	502,378
Swedish Krona	-	1,121,383	-	-	-	1,121,383
Swiss Franc	-	3,861,021	-	-	-	3,861,021
Total Foreign Currency	-	41,961,194	-	-	-	41,961,194
United States Dollar	29,663,189	175,417,265	98,303,281	20,471,472	47,827,468	371,682,675
Total	<u>\$ 29,663,189</u>	<u>217,378,459</u>	<u>98,303,281</u>	<u>20,471,472</u>	<u>47,827,468</u>	<u>413,643,869</u>

**Foreign Currency Exposures By Asset Class In U.S. Dollars As Of September 30, 2007**

Currency	Money Market Funds	Equities	Fixed Income	Hedge Fund	Real Estate Investment Trust	Total
Australian Dollar	\$ -	4,937,531	-	-	-	4,937,531
British Pound Sterling	-	8,017,259	-	-	-	8,017,259
Canadian Dollar	-	2,110,265	-	-	-	2,110,265
Danish Krone	-	1,300,199	-	-	-	1,300,199
Euro	-	17,822,070	-	-	-	17,822,070
Hong Kong Dollar	-	1,597,671	-	-	-	1,597,671
Indonesian Rupiah	-	140,733	-	-	-	140,733
Japanese Yen	-	18,448,010	-	-	-	18,448,010
Mexican Peso	-	290,672	-	-	-	290,672
Norwegian Krone	-	3,974,642	-	-	-	3,974,642
South African Rand	-	154,551	-	-	-	154,551
Swedish Krona	-	1,676,189	-	-	-	1,676,189
Swiss Franc	-	3,245,925	-	-	-	3,245,925
Total Foreign Currency	-	63,715,717	-	-	-	63,715,717
United States Dollar	51,941,854	216,042,795	102,420,798	22,823,256	48,314,248	441,542,951
Total	<u>\$ 51,941,854</u>	<u>279,758,512</u>	<u>102,420,798</u>	<u>22,823,256</u>	<u>48,314,248</u>	<u>505,258,668</u>

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

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**NOTE E - INVESTMENTS (Continued)**

**Investments Policies**

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

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

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

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

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

<b>Asset Class As A Percent Of Total Assets</b>			
<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Domestic Equity:			
Large Cap	24 %	29	34
Small - Mid Cap	10	15	20
Fixed Income	25	20	35
International Equities	16	21	26
Real Estate Trust	-	10	15
Hedge Fund	-	5	10

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

**NOTE F - 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:

	<u>2008</u>	<u>2007</u>
Aberdeen Core Plus Fixed Income Portfolio	<b>\$ 98,191,546</b>	102,309,472
The Principal U.S. Property Account	<b>47,827,468</b>	48,314,248
Artisan International Stock Fund	<b>34,612,180</b>	49,327,740
Northern Trust Global Investment Collective		
Government Short-term Investment Fund	<b>26,121,883</b>	-
Northern Trust Collective Short-term Investment Fund	-	51,758,096

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

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

	<b>For The Years</b>	
	<b>Ended September 30</b>	
	<u>2008</u>	<u>2007</u>
Equities:		
Corporate stocks	<b>\$ (64,444,462)</b>	49,885,628
Collective investment funds	<b>(15,105,799)</b>	390,634
Hedge fund	<b>(2,351,784)</b>	(176,744)
Fixed income:		
Collective investment funds	<b>(4,113,939)</b>	5,568,816
Corporate bonds	<b>1,077</b>	(383,310)
Government and agency obligations	<b>2</b>	298,824
Real estate investment trust	<b>(486,780)</b>	6,253,421
	<b><u>\$ (86,501,685)</u></b>	<b><u>61,837,269</u></b>

**NOTE H - 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.

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

**NOTE H - GASB STATEMENT NO. 25 ANNUAL REQUIRED CONTRIBUTION (Continued)**

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

	<b>For The Years</b>		<b>Covered Payroll</b>	
	<b>Ended September 30</b>		<b>Percentage</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Required contributions - employer:				
Portion of normal cost attributable to the System's fiscal year	<b>\$ 10,005,016</b>	14,251,629	<b>24.0 %</b>	37.8
Unfunded actuarial accrued liability amortization payment	<b>2,580,090</b>	2,954,601	<b>6.2</b>	7.8
Total Employer Required Contribution	<b>\$ 12,585,106</b>	17,206,230	<b>30.2 %</b>	45.7
Contribution made by employer:				
During System's Fiscal Year	<b>\$ 7,484,524</b>	49,404,691	<b>18.0 %</b>	131.1
After System's Fiscal Year End	<b>\$ -</b>	14,285,300	<b>- %</b>	37.9

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 years ended September 30, 2008 and 2007 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 I - FUNDED STATUS AND FUNDING PROGRESS**

The funded status of the System as of October 1, 2008, the most recent actuarial valuation date, and October 1, 2007 is as follows (dollar amounts in thousands):

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

**NOTE I - FUNDED STATUS AND FUNDING PROGRESS (Continued)**

Valuation For The Actuarial Years Beginning October 1	Actuarial Value Of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL As A Percentage Of Covered Payroll
<b>2008</b>	\$ 485,139	\$ 523,036	\$ 37,897	92.8 %	\$ 41,649	91.0 %
2007	495,116	533,235	38,119	92.9	37,690	101.1

The schedules of funding progress, presented as required supplemental information following the notes to financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

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, 2008
Actuarial cost method	Entry-age - Frozen Initial Liability
Amortization method	30 year closed period from establishment
Remaining amortization period	Various
Asset valuation method	3-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.625%
Projected salary increases	4.0%
Inflation	3.5%
Cost-of-living adjustments:	
	<b>Under Age 60</b>
	<hr/> <b>Service Years</b> <hr/>
	<b>COLA</b>
	20 - 24 1.5%
	25 - 29 2.25%
	30 or more 3.0%
	<hr/> <b>Over Age 60</b> <hr/>
	3% with a maximum of 25% in increases after age 60

**NOTE J - 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. Borrowers shall be rated AA, A, or higher by Moodys or Standard and

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

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**NOTE J - SECURITIES LENDING (Continued)**

Poors. Collateral consisting of cash, letter of credit, U.S. government or agency securities, or floating rate notes of U.S. issuers is received and held by Northern Trust Company. The collateral maintained is at least 102% of loan value for domestic securities and 105% of loan value for international securities 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. The Northern Trust Company indemnifies operational risk and counter party risk. The System authorizes the lending and loans of the following: domestic securities, U.S. Treasuries, corporate bonds, and equities. The System does not have the ability to pledge or sell collateral securities without borrower default. Therefore, for accounting purposes, the statements of net assets and changes in net assets do not reflect an increase in assets or liabilities associated with securities lent. At September 30, 2008 the System has recorded a liability of \$573,652 due to collateral deficiency resulting from a borrower's bankruptcy.

At September 30, 2008 and 2007, outstanding loans to borrowers were \$14,597,960 and \$47,844,653, respectively. The System earned income of \$301,751 and \$158,249 for its participation in the securities lending program for the years ended September 30, 2008 and 2007, respectively.

**NOTE K - RELATED PARTY TRANSACTIONS**

The System reimburses the City 100% of the total salaries, payroll taxes, and employee fringe benefits for System employees. The System's expense for the years ended September 30, 2008 and 2007 was \$389,092 and \$324,316, respectively.

**NOTE L - 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 M - COMMITMENTS AND CONTINGENCIES**

The System was committed to the future settlement of investments purchased (accounted for by trade date) at September 30, 2008 and 2007 of \$1,555,832 and \$2,001,262, respectively. These amounts are reflected in the statements of plan net assets as a liability for unsettled investment transactions.

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

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**NOTE N - RISKS AND UNCERTAINTIES**

The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, 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 plan net assets.

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 O - SUBSEQUENT EVENTS**

A major portion (58%) of the Plan's investment holdings are invested in equity securities (corporate stocks, collective investment funds, and a hedge fund) that are subject to domestic and international stock market earnings results. These equity market conditions deteriorated significantly subsequent to the Plan's September 30, 2008 fiscal year-end. This market condition change will not affect current retirees or future retirees benefits, but will require increased contributions by the City in the future.

On January 22, 2009 the System notified UBP Asset Management, LLC of its intention to redeem in full its investment position in Selectinvest Institutional Multi-Strategy, Ltd. Hedge Fund. By contract the liquidation will occur on March 31, 2009.

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

**NOTE P - SYSTEM RESERVES**

Changes in the System's reserves for the years ended September 30, 2008 and 2007 are as follows:

	<u>Total</u>	<u>Member's Savings Fund</u>	<u>Benefit Reserve Fund</u>	<u>General Reserve Fund</u>	<u>Future Benefit Fund</u>	<u>System Employees Benefit Fund</u>
Balance, September 30, 2006	\$ 425,034,568	54,641,256	277,038,118	87,342,514	5,671,903	340,777
Contributions	66,486,277	2,796,286	-	63,689,991	-	-
Net investment income less administrative expenses	64,725,657	8,260,863	39,166,426	16,391,832	829,962	76,574
Transfer due to (surplus) deficit	-	(6,080,665)	(4,978,155)	11,058,820	-	-
Benefits paid to retirees and beneficiaries	(29,742,364)	-	(29,518,871)	-	(223,493)	-
Refunds of Members contributions	(1,390,936)	(1,390,936)	-	-	-	-
Net increase	100,078,634	3,585,548	4,669,400	91,140,643	606,469	76,574
Balance, September 30, 2007	525,113,202	58,226,804	281,707,518	178,483,157	6,278,372	417,351
Contributions	10,329,698	2,845,174	-	7,484,524	-	-
Net investment income (loss) less administrative expenses	(82,906,470)	(9,648,324)	(43,602,419)	(28,651,090)	(991,561)	(13,076)
Transfer due to (surplus) deficit	-	12,205,565	79,019,768	(91,225,333)	-	-
Benefits paid to retirees and beneficiaries	(29,908,146)	-	(29,493,191)	-	(414,955)	-
Refunds of Members contributions	(1,152,581)	(1,152,581)	-	-	-	-
Net increase (decrease)	(103,637,499)	4,249,834	5,924,158	(112,391,899)	(1,406,516)	(13,076)
<b>Balance, September 30, 2008</b>	<b>\$ 421,475,703</b>	<b>62,476,638</b>	<b>287,631,676</b>	<b>66,091,258</b>	<b>4,871,856</b>	<b>404,275</b>

**REQUIRED SUPPLEMENTAL INFORMATION SECTION**

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

Ten-year historical trend information about the System is presented herewith as required supplemental information. This information is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons with other plans.

**SCHEDULE OF FUNDING PROGRESS**

<u>For The Actuarial Valuation</u>	<u>Actuarial Value Of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL As A Percentage Of Covered Payroll ((b-a)/c)</u>
<b>October 1, 2008</b>	<b>\$ 485,138,953</b>	<b>\$ 523,035,764</b>	<b>\$ 37,896,811</b>	<b>92.8 %</b>	<b>\$ 41,648,953</b>	<b>91.0 %</b>
October 1, 2007	495,116,340	533,235,588	38,119,248	92.9	37,690,439	101.1
October 1, 2006	410,775,345	440,486,134	29,710,789	93.3	35,726,289	83.2
October 1, 2005	391,181,701	429,764,156	38,582,455	91.0	35,433,943	108.9
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

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>For The Years Ended</u>	<u>GASB Statement No. 25 Annual Required Contribution</u>			<u>Statutory Annual Required Contribution</u>		
	<u>Per Actuarial Valuation</u>	<u>Percentage Contributed</u>	<u>Percentage Of Covered Payroll</u>	<u>Per Actuarial Valuation</u>	<u>Percentage Contributed</u>	<u>Percentage Of Covered Payroll</u>
	<b>September 30, 2008</b>	<b>\$ 12,585,106</b>	<b>59.5 %</b>	<b>30.2 %</b>	<b>\$ 7,484,524</b>	<b>100.0 %</b>
September 30, 2007	17,206,230	394.0	45.7	14,285,300	474.6	37.9
September 30, 2006	17,871,455	23.0	50.0	18,179,873	22.6	50.9
September 30, 2005	14,766,270	27.8	41.7	17,768,649	23.1	50.1
September 30, 2004	9,721,831	21.1	28.7	13,765,477	14.9	40.7
August 31, 2003	4,289,688	48.4	12.4	8,913,102	23.3	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

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

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**NOTE TO REQUIRED SUPPLEMENTAL INFORMATION**

**Annual Required Contribution (ARC)**

The ARC applicable to the System's year ended September 30, 2008 and each prior year-end is presented 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.

**SUPPLEMENTAL INFORMATION SECTION**

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

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	<b>For The Years</b>	
	<b>Ended September 30</b>	
	<b>2008</b>	<b>2007</b>
<b>BENEFITS PAID TO RETIREES AND BENEFICIARIES</b>		
Service retirees	\$ 13,718,137	14,136,541
Accidental disability	12,542,278	12,095,190
Beneficiaries	3,207,773	3,063,714
Ordinary disability	370,467	384,633
Death	56,000	46,000
Medical, surgical, and hospital	13,491	16,286
	<u>\$ 29,908,146</u>	<u>29,742,364</u>
<b>ADMINISTRATIVE EXPENSES</b>		
Salaries, payroll taxes, and employee fringe benefits	\$ 389,092	324,316
Investment consultant's fees	141,556	136,890
Medical reviews, consulting, and investigations	80,490	47,717
Office supplies and expenses	70,528	107,083
Accounting and auditing fees	44,315	43,457
Insurance	42,710	28,472
Actuary fees	42,185	58,150
Travel and seminars	33,654	31,468
Legal fees	30,685	72,552
Depreciation	20,781	22,496
Building operations	20,710	31,234
	<u>\$ 916,706</u>	<u>903,835</u>

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

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**SCHEDULE OF INVESTMENT MANAGEMENT AND CUSTODIAL FEES**

	<b>For The Years</b>	
	<b>Ended September 30</b>	
	<b>2008</b>	<b>2007</b>
Investment management fees:		
Fisher Investments, Inc.	\$ 404,340	433,686
Aberdeen Capital	290,322	325,098
New York Life Investment Management	215,493	194,150
Castleark Management, LLC	206,246	112,267
Pinnacle Associates, LTD	174,272	125,901
Brandywine Asset Management	139,445	189,325
Pzena Investment Management	63,951	85,826
Stoneridge Investment Partners, LLC	-	77,836
PanAgora Asset Management	-	3,152
	<u>1,494,069</u>	<u>1,547,241</u>
Custodial fees:		
The Northern Trust Company	<u>218,983</u>	<u>222,947</u>
Total Investment Management And Custodial Fees	<u><u>\$ 1,713,052</u></u>	<u><u>1,770,188</u></u>

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

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**SUMMARY OF INSURANCE COVERAGE**

<u>Type</u>	<u>Coverage</u>
Fiduciary Liability	\$ 5,000,000
Property:	
Building	\$ 368,766
Contents	\$ 387,212
General Liability:	
Per occurrence	\$ 1,000,000
Aggregate	\$ 3,000,000
Workers' Compensation and Employers Liability	Statutory \$ 1,000,000
Umbrella Liability:	
Per occurrence	\$ 1,000,000
Aggregate	\$ 1,000,000
Non-owned Automobile	\$ 1,000,000

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

**HISTORICAL TREND INFORMATION**

**Additions to net assets:**

<u>For The Years Ended</u>	<u>Contributions</u>		<u>Net Investment Income (Loss)</u>	<u>Total</u>
	<u>Employer</u>	<u>Members</u>		
<b>September 30, 2008</b>	<b>\$ 7,484,524</b>	<b>\$ 2,845,174</b>	<b>\$ (81,989,764)</b>	<b>\$ (71,660,066)</b>
September 30, 2007 (A)	63,689,991	2,796,286	65,629,492	132,115,769
September 30, 2006	4,110,402	2,853,058	34,103,149	41,066,609
September 30, 2005	4,110,402	2,644,335	47,975,057	54,729,794
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

**Deductions from net assets:**

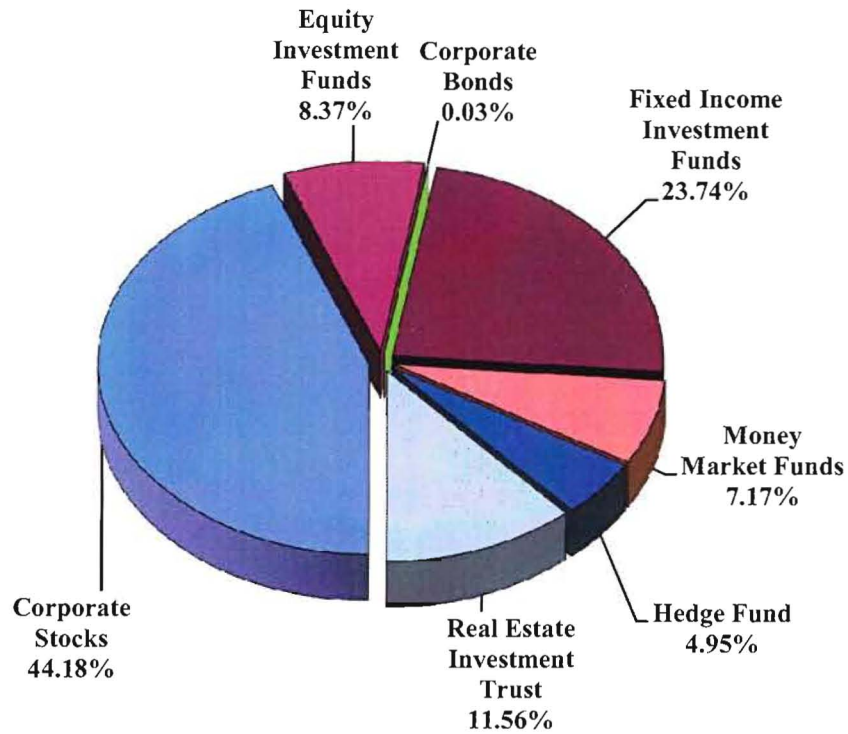
<u>For The Years Ended</u>	<u>Benefits Paid</u>	<u>Refunds To Members</u>	<u>Admini- strative Expenses</u>	<u>Total</u>
<b>September 30, 2008</b>	<b>\$ 29,908,146</b>	<b>\$ 1,152,581</b>	<b>\$ 916,706</b>	<b>\$ 31,977,433</b>
September 30, 2007	29,742,364	1,390,936	903,835	32,037,135
September 30, 2006	28,615,532	1,685,199	894,487	31,195,218
September 30, 2005	27,624,677	1,380,787	766,082	29,771,546
September 30, 2004 (B)	29,288,492	945,481	826,258	31,060,231
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

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

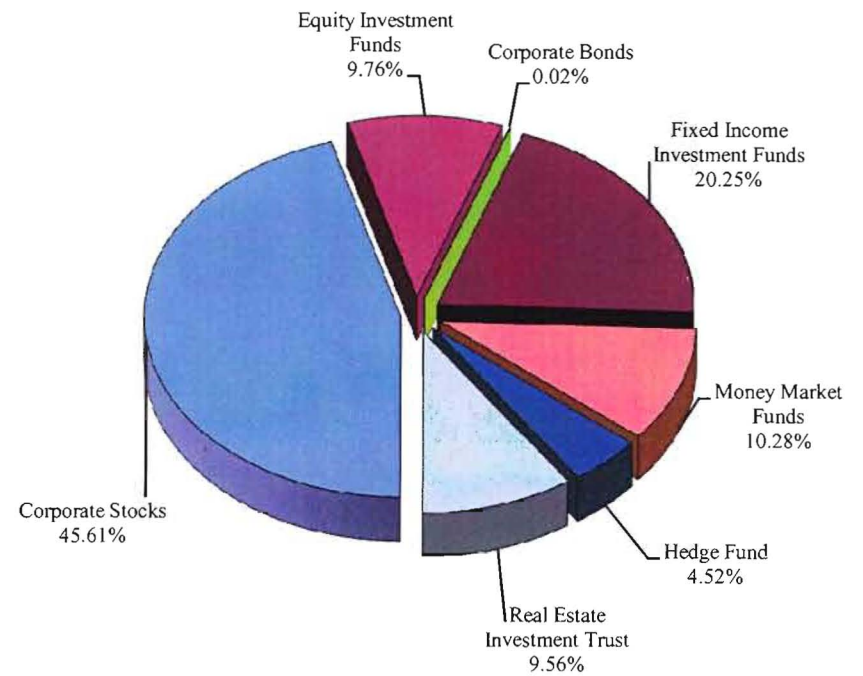
(B) Period includes 13 months.

# FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

## INVESTMENTS



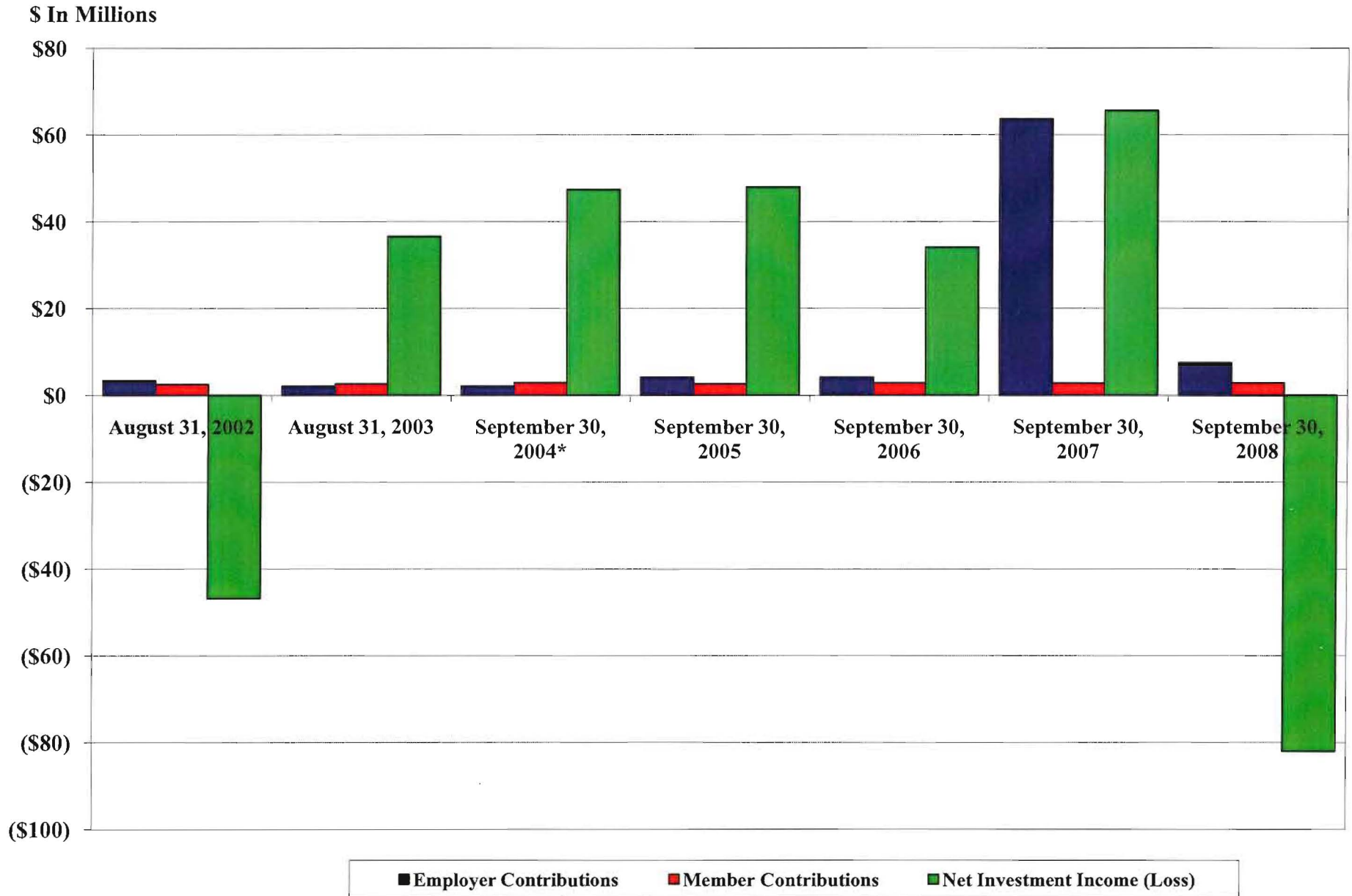
September 30, 2008



September 30, 2007

# FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS

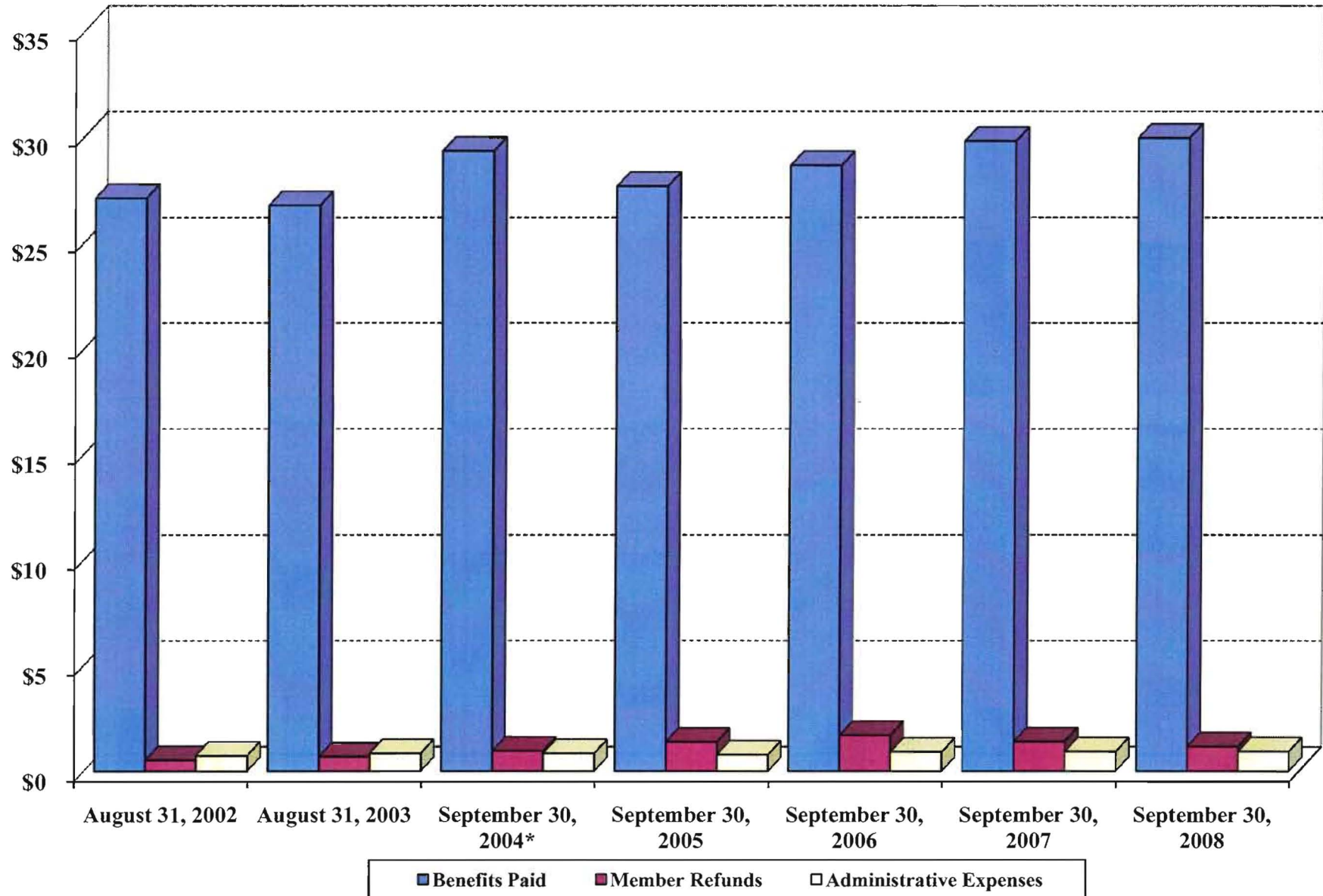
## ADDITIONS TO NET ASSETS FOR THE YEARS ENDED



\*Period includes 13 months.

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

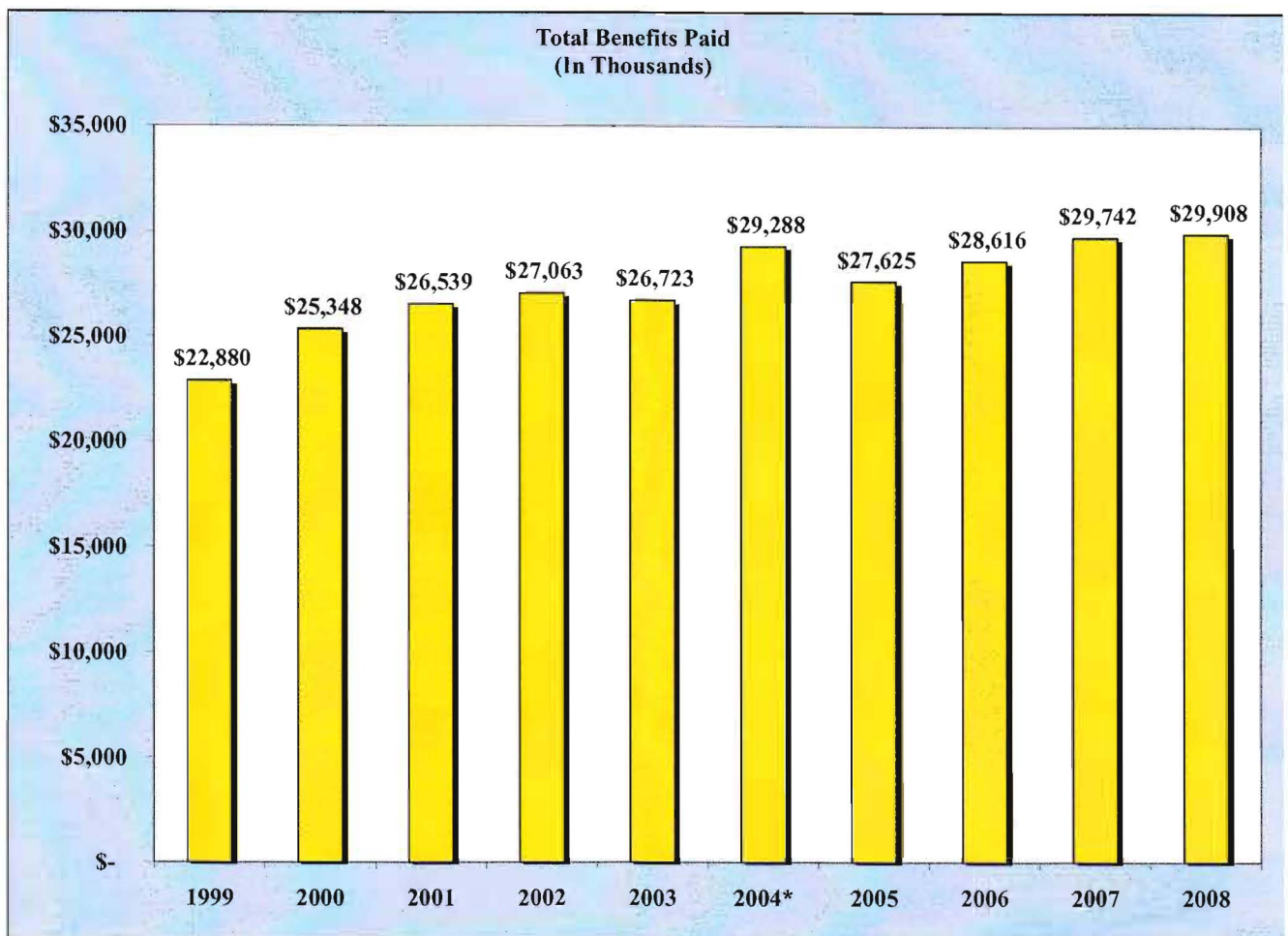
\$ In Millions



\*Period includes 13 months.

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

<b>For The Fiscal Years Ended</b>	<b>Service Retirees</b>	<b>Accidental Disability</b>	<b>Beneficiaries</b>	<b>Ordinary Disability</b>	<b>Death</b>	<b>Medical</b>	<b>Total</b>
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
2005	13,026,477	11,220,188	2,955,585	342,667	48,000	31,760	27,624,677
2006	13,526,512	11,682,680	3,032,113	319,198	32,000	23,029	28,615,532
2007	14,136,541	12,095,190	3,063,714	384,633	46,000	16,286	29,742,364
2008	13,718,137	12,542,278	3,207,773	370,467	56,000	13,491	29,908,146



\*Period includes 13 months.