



THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

(A Fiduciary Component Unit of the City of St. Louis, Missouri)

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2021

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

BOARD OF TRUSTEES

Active Police Officers

Det. Wallace K. (Kent) Leopold, Chairman - Term Expires September 30, 2024
Det. Leo G. Rice, Secretary - Term Expires September 30, 2023
Capt. Michael J. Mueller - Term Expires September 30, 2022

Retired Police Officers

Sgt. Michael A. Frederick, Secretary - Term Expires September 30, 2024
Det. Samuel G. Zouglas - Term Expires September 30, 2023
P.O. George P. Weindel - Term Expires September 30, 2022

Mayoral Appointees

Ann M. Hunter - Term Expires September 30, 2022
Richard L. Kismer - Term Expires September 30, 2022

Ex-Officio

Darlene Green, Comptroller
or
Beverly Fitzsimmons, Deputy Comptroller - designee

KEY STAFF MEMBERS

Mark Lawson, J.D., Executive Director
Kelly J. Briley, Assistant Executive Director

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
MISSION STATEMENT

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

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
FINANCIAL REPORT

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The Board of Trustees

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **THE POLICE RETIREMENT SYSTEM OF ST. LOUIS** (the System), a Pension Trust Fund of the City of St. Louis, Missouri, as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of September 30, 2021 and 2020, and the respective changes in fiduciary net position thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

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

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated March XX, 2022 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

St. Louis, Missouri
March XX, 2022

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

The following Management's Discussion and Analysis (MD&A) of The Police Retirement System of St. Louis (the System) provides an overview of the System's financial activities for the fiscal year ended September 30, 2021. The MD&A should be read in conjunction with the System's financial statements and supplemental information.

FINANCIAL HIGHLIGHTS

During the System's fiscal year ended September 30, 2021 the U.S. and global economic markets showed substantial signs of strengthening. This followed the System's fiscal year ended September 30, 2020, when the coronavirus pandemic adversely affected the U.S. and global economic markets. Much of the world entered a low interest rate environment following the 2008-09 financial crisis. The global low interest rate environment has resulted in limited returns from fixed income investments and has caused investors to focus on finding income returns in equity markets and alternative investments. With this in mind the System is well diversified and the portfolio is continually managed and monitored to an investment policy established to minimize market risks. At the end of 2021 fiscal year economic indicators in the U.S. have shown signs of recovery with falling unemployment, consumer confidence returned, growth in manufacturing, housing starts grew, and a strong U.S. dollar. The System's overall investment returns far exceeded expectations during the September 30, 2021 fiscal year. The System's investment return for the September 30, 2021 year end and changes in actuarial assumptions resulting from a five year actuarial experience study (2015 - 2020), reduced the System's unfunded net pension liability by 37.4%. The current U.S. equity bull market began in march of 2009. The returns from this portion of the System's portfolio had investment returns exceeding the actuarial assumption for that period. The System is a long-range proposition and is responsible for administering benefits to police officers of the City of St. Louis (the City) who have dedicated their careers as public servants to the residents and businesses of the St. Louis metropolitan area. The System has and will continue to provide benefits in a prudent and professional manner to its active and retired Members and their beneficiaries.

The System's net position was \$932 million at September 30, 2021, which represents an increase of \$133 million or 16.7% from September 30, 2020. This increase was primarily due to market appreciation in the fair value of investments in the current year of \$164 million versus the appreciation in the fair value of investments in the prior fiscal year of \$40 million.

Additions to net position for the fiscal year 2021 were \$206 million as compared to additions of \$85 million for fiscal year 2020. This figure is comprised of \$167 million in net investment gain, \$6 million in Members' contributions, and \$33 million in employer's contributions. Additions to net position increased \$121 million from 2020, a 141% increase due to a \$123 million higher return on the System's investments in fiscal year 2021. The employer's contributions were \$33 and \$35 million for the 2021 and 2020 fiscal years, respectively.

Deductions from net position were \$73 and \$71 million for the 2021 and 2020 fiscal years, respectively. Benefit payments and refunds of Member's contributions combined represent 98% of the total deductions from net position for both fiscal years 2021 and 2020. The remaining 2% represents the administrative cost to operate and manage the System.

The overall investment return for the System was 25.82% and 5.90% for fiscal years ended September 30, 2021 and 2020, respectively. The actuarial assumption interest rate of return used for funding purpose was 7% (7.15% less 0.15% for administrative expense) and 7.5% (7.65% less 0.15% administrative expense) at Septem-

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

ber 30, 2021 and 2020, respectively. Active oversight by the Board of Trustees continues to ensure the System retains top performing investment managers while maintaining a balanced investment portfolio.

Changes in active Members' benefits resulted from:

| | For The Years | |
|--|---------------------------|--------------------|
| | Ended September 30 | |
| | <u>2021</u> | <u>2020</u> |
| New entrants | 60 | 118 |
| Service retirements: | | |
| Regular | (43) | (33) |
| Disability | (2) | (8) |
| Death | (3) | (2) |
| Members requesting a refund withdrawal | <u>(111)</u> | <u>(64)</u> |
| Net Change In Active Members | <u>(99)</u> | <u>11</u> |

As of October 1, 2021 and 2020 the date of the most recent actuarial valuation (aggregate actuarial cost method - used for funding), the System's actuarial value of assets, including present value of future Members' contributions, were:

| | October 1 | |
|---|-------------------------|----------------------|
| | <u>2021</u> | <u>2020</u> |
| Present Value of Future Benefits | <u>\$ 1,197,325,522</u> | <u>1,140,227,347</u> |
| Actuarial Value of Assets (AVA) | \$ 870,155,717 | 826,704,556 |
| Present Value of Future Member Contributions | <u>37,978,315</u> | <u>43,723,900</u> |
| Total AVAs, Including Present Value Of Future Member Contributions | <u>\$ 908,134,032</u> | <u>870,428,456</u> |
| Funded Status | 75.85% | 76.34 |

This ratio decreased as a result of lower investment returns than the actuarial expected returns during one of the last five years (2017). For actuarial valuation computations, actuarial expected investment returns on the actuarial value of assets are recognized over a 5-year period starting with the year originated. The ratio also decreased due largely due to the reduced actuarial investment return assumption from 7.5% to 7.0% used in the 2021 actuarial valuation.

FINANCIAL STATEMENTS

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

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

- GASB 67 only affects reporting requirements and does not prescribe funding methods which could be different. The System will continue to use a funding policy that computes contribution amounts (normal cost) over the future working lifetime of current participants (the aggregate actuarial cost method). For financial reporting purposes, the System is required to use the entry age actuarial cost valuation method in determining the normal cost of the System's benefits, expressed as a percent of active covered payroll for service retirement benefits, disability benefits, survivor benefits, and administrative expenses (excluding expenses related to the investment of the System's assets, all of which are covered by investment return). The contribution amount required to amortize any unfunded actuarial liability is determined annually and as a percentage of participants covered payroll. The required contribution amounts are to be determined by regular annual actuarial valuations, conducted by the System's actuary.
- GASB 67 classifies the System as a single-employer public pension plan for reporting purposes.
- The discount rate used to calculate the present value of future benefit payments for reporting purposes is based upon the projected plan net position (PNP) using actuarial assumptions about contributions, benefit payments, and the long-term rate of return. If the projected PNP is not sufficient to cover projected benefit payments, a blended discount rate is required using both the weighted average of the long-term rate of return and the muni-bond rate for periods after the PNP is exhausted. The System currently uses the long-term discount rate of 7% investment return (7.15% less 0.15% administrative expenses) and expects assets will be sufficient to cover PNP until 2074. Since the PNP was projected to be insufficient to make all projected benefit payments of current plan Members and their beneficiaries, a blended discount rate of 6.51% was used to calculate the System's present value of future benefit payments.
- Footnote requirements include the target asset allocation including long-term expected real rate of return, investments representing 5% or more of the System's fiduciary net position, employer's net pension liability, summary of actuarial assumptions, and sensitivity of net pension liability to changes in the discount rate.
- RSI includes a schedule of changes in employer's net pension liability, schedule of employer's net pension liability, schedule of employer's contributions, and schedule of annual money-weighted rate of return on investments. Notes to the RSI include significant methods and assumptions used in calculating the actuarially determined contributions.

The financial statements section of the annual financial report consists of:

- The statements of fiduciary net position include the System's assets, deferred outflows, liabilities, deferred inflows, and resulting net position. The net position is restricted for pensions. It is a snapshot of the financial position of the System at that specific point in time.
- The statements of changes in fiduciary net position summarizes the System's financial transactions that have occurred during the current and previous fiscal years.
- The notes to financial statements are an integral part of the above financial statements and include additional information not readily evident in the statements themselves.

Other items included in the annual financial report are the MD&A, RSI, and other supplemental information which provide other information considered useful in evaluating the condition of the System.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

FINANCIAL ANALYSIS

Total assets at September 30, 2021 were \$932,757,573 and were mainly comprised of cash and investments. Total assets increased \$130,925,484 or 16.33% from the prior year, mainly due to more investment income versus benefits and administrative expenses during fiscal year 2021.

Total liabilities at September 30, 2021 were \$1,279,691 and consisted of unsettled investment purchase transactions, net pension liability - System's staff pension related, and accrued expenses. Total liabilities decreased \$2,018,228 or 61.19% from the prior year, mainly due to the decrease in unsettled investment purchase transactions of \$1,768,315 and the decrease in Member's contributions refundable of \$438,215.

The System's staff participate in the Employees Retirement System of the City of St. Louis (ERS), a cost-sharing, multi-employer defined benefit plan. The pension elements required to be reported in the statements of fiduciary net position include: 1) net pension liability and 2) deferred outflows/inflows of resources.

Net position - restricted for pensions was \$931,651,175 at September 30, 2021, an increase from the prior year of \$133,000,897 or 16.7%. The increase mainly resulting from the increase in the fair value of investments. Benefits paid by the System have exceeded investment earnings in six of the last ten fiscal years.

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

| | September 30 | | | Total Change | | | |
|--------------------------------|--------------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|-------------------|
| | | | | Amount | | Percentage | |
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2021 | 2020 |
| ASSETS | | | | | | | |
| Investments | \$ 923,573 | 791,510 | 768,981 | 132,063 | 22,529 | 16.7 % | 2.9 |
| Cash and cash equivalents | 8,023 | 9,369 | 8,512 | (1,346) | 857 | (14.4) | 10.1 |
| Receivables | 1,107 | 842 | 18,492 | 265 | (17,650) | 31.5 | (95.4) |
| Capital assets, net | 55 | 111 | 139 | (56) | (28) | (50.5) | (20.1) |
| Total Assets | <u>932,758</u> | <u>801,832</u> | <u>796,124</u> | <u>130,926</u> | <u>5,708</u> | <u>16.3</u> | <u>0.7</u> |
| DEFERRED OUTFLOWS | | | | | | | |
| System's staff pension related | 173 | 124 | 60 | 49 | 64 | 39.5 | 106.7 |
| LIABILITIES | 1,280 | 3,298 | 11,406 | (2,018) | (8,108) | (61.2) | (71.1) |
| DEFERRED INFLOWS | | | | | | | |
| System's staff pension related | - | 8 | 26 | (8) | (18) | (100.0) | (69.2) |
| NET POSITION | <u><u>\$ 931,651</u></u> | <u><u>798,650</u></u> | <u><u>784,752</u></u> | <u><u>133,001</u></u> | <u><u>13,898</u></u> | <u><u>16.7 %</u></u> | <u><u>1.8</u></u> |

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Revenues - Additions to Net Position

Net investment income totaled \$167,070,589 in fiscal year 2021 which represents an increase of \$123,268,156 from the previous fiscal year increase of \$26,287,552. The increase resulted mainly from appreciation in the fair value of investments being \$123,662,076 more for fiscal year 2021 as compared to fiscal year 2020. Investment income above is net of investment expenses (management and custodial fees) totaling \$2,381,069 which in-creased by \$223,865 or 10.38% from fiscal year 2020.

The reserves needed to finance retirement benefits as well as death and disability benefits are accumulated through the collection of employer's and Members' contributions and through earnings on investments. Members, excluding Members participating in the DROP, contribute 7% of their salary to fund future retirement benefits. This percentage is set by State Statute and was unchanged from the prior fiscal year. Contributions income totaled \$38,737,118 (\$32,839,034 from the employer and \$5,898,084 from Members) for the year ended September 30, 2021, a decrease of \$2,768,263 or 6.67% from the prior year.

Expenses - Deductions from Net Position

The primary expenses of the System include the payment of pension benefits to retirees and beneficiaries, refunds of Members' contributions, and administrative expenses to operate the System. Total expenses for fiscal year 2021 were \$72,806,810, an increase of \$1,396,802 or 1.96% from fiscal year 2020. This increase is mainly due to an increase in refunds of Members' contributions.

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

| | For The Years | | | Total Change | | | |
|--|--------------------|----------------|----------------|----------------|-----------------|--------------|--------|
| | Ended September 30 | | | Amount | | Percentage | |
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2021 | 2020 |
| ADDITIONS | | | | | | | |
| Net investment income | \$ 167,071 | 43,802 | 17,515 | 123,269 | 26,287 | 281.4 % | 150.1 |
| Employer's contributions | 32,839 | 35,336 | 35,971 | (2,497) | (635) | (7.1) | (1.8) |
| Members' contributions | 5,898 | 6,170 | 5,228 | (272) | 942 | (4.4) | 18.0 |
| Total Additions | <u>205,808</u> | <u>85,308</u> | <u>58,714</u> | <u>120,500</u> | <u>26,594</u> | 141.3 | 45.3 |
| DEDUCTIONS | | | | | | | |
| Benefits paid | 65,982 | 65,763 | 63,865 | 219 | 1,898 | 0.3 | 3.0 |
| Refunds of Members' contributions | 5,401 | 4,201 | 4,684 | 1,200 | (483) | 28.6 | (10.3) |
| Administrative expenses | 1,424 | 1,446 | 1,573 | (22) | (127) | (1.5) | (8.1) |
| Total Deductions | <u>72,807</u> | <u>71,410</u> | <u>70,122</u> | <u>1,397</u> | <u>1,288</u> | 2.0 | 1.8 |
| CHANGE IN NET POSITION | 133,001 | 13,898 | (11,408) | 119,103 | 25,306 | 857.0 | 221.8 |
| NET POSITION, BEGINNING OF YEAR | <u>798,650</u> | <u>784,752</u> | <u>796,160</u> | <u>13,898</u> | <u>(11,408)</u> | 1.8 | (1.4) |
| NET POSITION, END OF YEAR | <u>\$ 931,651</u> | <u>798,650</u> | <u>784,752</u> | <u>133,001</u> | <u>13,898</u> | 16.7 % | 1.8 |

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

SUMMARY

The System's net position - restricted for pensions has increased in eight out of the past ten years. The decreases (which occurred in fiscal years 2019 and 2015) were the result of poor investment performance due to economic slowdowns that detrimentally affected most pension systems in those years. The Board of Trustees believe, and the actuarial calculations confirm, that the System is in a financial position to meet its current and projected obligations in the immediate future. However, current actuarial projections using the GASB method indicate that the System may have an insufficient net position to make all projected future benefit payments of current Members of the System and their beneficiaries after 2074 if there are no contributions for future members. With a continued focus on a prudent investment program, cost controls, and strategic planning, the System should over time improve its current financial position.

For most public retirement systems the greatest attention is given to the current actuarial valuation results, and in particular the percentage of the current unfunded actuarial liability and the amount of the employer's contribution, it is important to remember that each valuation is merely a snapshot in the long-term progress of a pension fund's life. It is more important to judge each year's valuation results relative to historical trends, as well as trends expected into the future.

REQUESTS FOR INFORMATION

This financial report is designed to provide the Board of Trustees, our Members, and other users of our financial report with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

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

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

| | September 30 | |
|--|-----------------------|--------------------|
| | 2021 | 2020 |
| ASSETS | | |
| Investments at fair value: | | |
| Equities: | | |
| Collective investment funds | \$ 336,632,880 | 296,163,419 |
| Corporate stocks | 131,297,816 | 116,112,753 |
| Fixed income: | | |
| Corporate bonds | 60,874,669 | 51,282,876 |
| Mortgage backed securities | 22,146,370 | 20,111,855 |
| Government securities | 20,529,394 | 13,489,612 |
| Collective investment funds | 38,280,897 | 29,204,283 |
| Partnership interests | 193,611,048 | 141,338,210 |
| Money market funds | 36,253,315 | 54,696,080 |
| Real estate securities funds | 54,825,642 | 46,246,244 |
| Hedge funds | 28,196,528 | 21,987,824 |
| Investment property | 923,800 | 876,500 |
| Total Investments | 923,572,359 | 791,509,656 |
| Cash and cash equivalents | 8,023,314 | 9,368,937 |
| Receivables: | | |
| Interest and dividends | 820,335 | 668,802 |
| Unsettled investment sale transactions | 180,602 | 113,635 |
| Benefits recoverable | 105,591 | 59,396 |
| Total Receivables | 1,106,528 | 841,833 |
| Capital assets, net of accumulated depreciation | 55,372 | 111,663 |
| Total Assets | 932,757,573 | 801,832,089 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| System's staff pension related | 173,293 | 123,740 |
| LIABILITIES | | |
| Unsettled investment purchase transactions | 194,632 | 1,962,987 |
| Members' contributions refundable | - | 438,215 |
| Net pension liability - System's staff pension related | 506,639 | 384,250 |
| Accrued investment management fees | 407,805 | 346,164 |
| Accrued administrative expenses | 170,615 | 166,303 |
| Total Liabilities | 1,279,691 | 3,297,919 |
| DEFERRED INFLOWS OF RESOURCES | | |
| System's staff pension related | - | 7,632 |
| NET POSITION - RESTRICTED FOR PENSIONS | \$ 931,651,175 | 798,650,278 |

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

| | For The Years Ended September 30 | |
|--|-------------------------------------|-------------------|
| | 2021 | 2020 |
| ADDITIONS TO NET POSITION ATTRIBUTED TO | | |
| Investment income: | | |
| Net appreciation in fair value of investments | \$ 163,643,431 | 39,981,355 |
| Interest: | | |
| Corporate bonds | 2,438,172 | 2,449,190 |
| Government obligations | 534,129 | 472,340 |
| Other | 39,358 | 252,468 |
| Dividends | 2,708,357 | 2,703,744 |
| Securities lending income | 55,881 | 89,907 |
| Recapture commissions | 4,511 | 5,833 |
| Class action settlements and other income | 27,819 | 4,800 |
| Total Investment Income | 169,451,658 | 45,959,637 |
| Less - Investment management and custodial fees | 2,381,069 | 2,157,204 |
| Net Investment Income | 167,070,589 | 43,802,433 |
| Contributions: | | |
| Employer | 32,839,034 | 35,335,830 |
| Members | 5,269,928 | 5,592,594 |
| Portability and restoration | 628,156 | 576,957 |
| Total Contributions | 38,737,118 | 41,505,381 |
| Total Additions | 205,807,707 | 85,307,814 |
| DEDUCTIONS FROM NET POSITION ATTRIBUTED TO | | |
| Benefits paid to retirees and beneficiaries | 65,981,928 | 65,762,646 |
| Refunds of Members' contributions | 5,400,986 | 4,201,135 |
| Administrative expenses | 1,423,896 | 1,446,227 |
| Total Deductions | 72,806,810 | 71,410,008 |
| CHANGE IN NET POSITION | 133,000,897 | 13,897,806 |
| NET POSITION - RESTRICTED FOR PENSIONS, BEGINNING OF YEAR | 798,650,278 | 784,752,472 |
| NET POSITION - RESTRICTED FOR PENSIONS, END OF YEAR | \$ 931,651,175 | 798,650,278 |

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

NOTE A - DESCRIPTION OF PLAN

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

| | September 30 | | Increase |
|--------------------------------|---------------------|-------------|-------------------|
| | 2021 | 2020 | (Decrease) |
| Benefit status: | | | |
| Retirees | 1,432 | 1,439 | (7) |
| Beneficiaries | 495 | 494 | 1 |
| Total Benefit Status | 1,927 | 1,933 | (6) |
| Current active Members: | | | |
| Vested - participating in DROP | 44 | 57 | (13) |
| Vested - non-DROP | 256 | 260 | (4) |
| Total Vested | 300 | 317 | (17) |
| Nonvested | 888 | 969 | (81) |
| Total Current Active Members | 1,188 | 1,286 | (98) |
| Total Membership | 3,115 | 3,219 | (104) |

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

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

The System implemented a Deferred Retirement Option Plan (DROP) feature during the System's fiscal year ended September 30, 1996. The DROP option is available to Members of the System who have at least 20 years of creditable service and have achieved eligibility for retirement. Those Members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the DROP account of the Member, and will no longer make contributions to the System. During participation in DROP, the Member will not receive credit for service and the Member shall not share in any benefit improvement that is enacted or becomes effective while such Member is participating in DROP. A Member may participate in DROP only once for any period up to five years, at which point the Member may re-enter the System. At retirement the funds in the Member's DROP account plus interest is available to the Member in a lump sum or in installments. The number of active Members with DROP account balances and currently participating at September 30, 2021 and 2020 were as follows:

| | Currently Participating | Total DROP Accounts | DROP Account Balances |
|-------------|------------------------------------|--------------------------------|----------------------------------|
| 2021 | 44 | 283 | \$ 45,046,528 |
| 2020 | 57 | 300 | 46,138,810 |

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

2. Board Composition

The Board shall consist of nine (9) Trustees, three (3) of whom are elected by the active Members of the System, three (3) of whom are elected by the retired Members of the System, two (2) of whom are appointed by the Mayor of the City, and one (1) of whom are Trustees by virtue of offices (Comptroller of the City or the Comptroller's designee -- Deputy Comptroller or the first Assistant Comptroller).

3. Basis of Accounting

The financial statements were prepared using the accrual basis of accounting. Members' and employer's contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the System's benefit provisions. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Dividend income is recognized based on the ex-dividend date and interest income is recognized on the accrual basis as earned. Fair value changes are recorded as investment income or loss. Investment purchases and sales are recorded on a trade-date basis (the date upon which the transaction is initiated).

4. GASB 67 Financial Reporting Model

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

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Investment Valuation

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

6. Cash and Cash Equivalents

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

7. Operating Expenses

Benefits paid and administrative expenses are approved by the Board and paid by the System.

8. Use of Estimates

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

9. Capital Assets

Expenditures for furniture, equipment, and software exceeding \$1,000 are capitalized and depreciated over the estimated useful lives of the capital assets on the straight-line method as follows:

| Asset | Years |
|------------------------------------|--------------|
| Furniture, equipment, and software | 3 - 10 |

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

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Capital Assets (Continued)

Capital assets consist of the following:

| | September 30 | |
|--|-----------------------------|--------------------|
| | 2021 | 2020 |
| Furniture, equipment, and software - at cost | \$ 715,306 | 709,241 |
| Accumulated depreciation | (659,934) | <u>(597,578)</u> |
| Total Capital Assets, Net Of Accumulated Depreciation | <u>\$ 55,372</u> | <u>111,663</u> |

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

| | For The Year Ended September 30, 2021 | | | |
|--|--|-------------------|------------------|--|
| | Balance September 30 2020 | Increases | Decreases | Balance September 30 2021 |
| | Furniture, equipment, and software, net | <u>\$ 111,663</u> | <u>6,065</u> | <u>62,356</u> |

Depreciation expense for the years ended September 30, 2021 and 2020 was \$62,356 and \$61,995, respectively.

10. Staff Pension Plan

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

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of fiduciary net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statements of fiduciary net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The System currently has deferred inflows and outflows from GASB 68 pension elements from the System's staff participation in ERS which is reported on the statements of fiduciary net position.

NOTE C - CASH AND CASH EQUIVALENTS

The System's bank deposits and repurchase agreements are required by state law to be secured by the deposit of certain securities specified by RSMo 30.270. The collateralized securities are held by a trustee institution. The value of the securities must amount to the total of the System's cash not insured by the Federal Deposit Insurance Corporation (FDIC). The System's bank deposits were fully secured or collateralized at September 30, 2021 and 2020. The System's bank deposits and repurchase agreements were insured by the FDIC and collateralized with securities held by the Federal Reserve Bank in the System's name. The repurchase agreements at September 30, 2021 are pledged by a Federal Home Loan Mortgage Pool certificate (maturing May 1, 2033), Federal National Mortgage Association certificate (maturing March 1, 2045), and a Freddie Mac certificate (maturing October 1, 2027). The repurchase agreements at September 30, 2020 were pledged by a Federal Home Loan Mortgage Pool certificate (maturing May 1, 2033), Federal National Mortgage Association certificate (maturing March 1, 2045), and a Federal Home Loan Bank certificate (maturing August 8, 2031). All pledged collateral securities had an AA+ credit rating level.

Cash and cash equivalents consist of the following:

| | September 30 | | | |
|-----------------------|-------------------------|----------------------------|-------------------------|----------------------------|
| | 2021 | | 2020 | |
| | Bank Balance | Carrying Amount | Bank Balance | Carrying Amount |
| Repurchase agreements | \$ 7,829,697 | 7,829,697 | 8,682,382 | 8,682,382 |
| Bank deposits | 781,735 | 193,617 | 770,813 | 686,555 |
| Total | \$ 8,611,432 | 8,023,314 | 9,453,195 | 9,368,937 |

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

NOTE D - CONTRIBUTIONS RECEIVABLE - EMPLOYER

Contributions receivable - employer consists of the following:

| | September 30 | |
|--|----------------------|--------------|
| | 2021 | 2020 |
| Current year contributions due from the employer as calculated by the System's actuary | \$ 32,839,034 | 35,335,830 |
| Contributions received from the employer during the year | (32,839,034) | (35,335,830) |
| Total Contributions Receivable - Employer At End Of Year | \$ - | - |

Missouri revised State Statutes require the City's contributions to be paid to the System in six equal monthly payments starting on July 1 and ending on December 1, 2021 and 2020, respectively.

NOTE E - INVESTMENTS

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

| | September 30 | |
|--|---------------------|-------------|
| | 2021 | 2020 |
| Commerce Bank N.A. (fixed income and equity): | | |
| Corporate bonds | \$ 1,072,105 | 51,282,876 |
| Mortgage backed securities | 22,146,324 | 20,111,855 |
| Government securities | 20,529,394 | 13,489,612 |
| Collective investment funds - fixed income | 9,591,019 | 5,118,575 |
| Money market fund | 1,419,003 | 2,696,938 |
| Collective investment funds - preferred stock | 60,874,669 | 1,847,564 |
| | 115,632,514 | 94,547,420 |
| Crescent Capital Group (opportunistic fixed income): | | |
| Partnership interest - fixed income | 55,872,716 | 46,590,080 |
| Dover Street IX, L.P. (private equity - fund of funds): | | |
| Partnership interest - venture capital | 17,799,651 | 15,526,452 |
| ElmTree Net Lease Fund III, L.P. (core real estate - private equity): | | |
| Real estate securities fund | 6,916 | 202,996 |
| ElmTree Net Lease Fund IV, L.P. (core real estate - private equity): | | |
| Real estate securities fund | 3,586,199 | 824,663 |
| EnTrust Capital Diversified Fund QP, Ltd. (multi-strategy hedge fund): | | |
| Hedge fund | 956,803 | 954,510 |

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

NOTE E - INVESTMENTS (Continued)

| | September 30 | |
|---|---------------------|-------------------|
| | 2021 | 2020 |
| EnTrust Special Opportunities Fund III, L.P. (multi-strategy hedge fund of funds): | | |
| Hedge fund | <u>5,934,429</u> | <u>4,459,903</u> |
| EnTrust Special Opportunities Fund IV, L.P (hedged equity hedge fund of funds): | | |
| Partnership interest - venture capital secondary market | <u>12,128,337</u> | <u>9,515,127</u> |
| Falcon E&P Opportunities Fund, L.P. (private equity - oil and gas): | | |
| Partnership interest - oil and gas | <u>1,176,313</u> | <u>2,095,034</u> |
| GQG Partners International Equity Fund (international equity - emerging markets): | | |
| Collective investment fund - equity | <u>47,643,757</u> | <u>40,932,507</u> |
| Hancock Timberland & Farmland (real estate farmland): | | |
| Partnership interest - real estate | <u>13,643,184</u> | <u>140,000</u> |
| HarbourVest 2020 Global Fund, L.P. (private equity diversified) | | |
| Partnership interest - venture capital | <u>4,707,575</u> | <u>-</u> |
| IFM Global Infrastructure (U.S.), L.P. (private equity - core infrastructure): | | |
| Partnership interest - infrastructure | <u>14,815,418</u> | <u>13,219,338</u> |
| Kennedy Capital Management, Inc. (domestic equity mid-cap - value): | | |
| Corporate stocks | <u>26,494,255</u> | <u>23,954,363</u> |
| Money market fund | <u>516,641</u> | <u>392,881</u> |
| | <u>27,010,896</u> | <u>24,347,244</u> |
| Lazard Asset Management, Inc. (international equity - emerging markets): | | |
| Collective investment fund - equity | <u>40,034,119</u> | <u>40,617,472</u> |
| MetLife Emerging Markets Debt (EM Fixed Income): | | |
| Collective investment fund - fixed income | <u>28,689,878</u> | <u>24,085,708</u> |
| MFS Institutional Advisors, Inc. (domestic equity large-cap - value): | | |
| Corporate stocks | <u>49,696,446</u> | <u>44,011,389</u> |
| Money market fund | <u>578,687</u> | <u>623,650</u> |
| | <u>50,275,133</u> | <u>44,635,039</u> |
| Neuberger Berman Secondary Opportunities Fund III, L.P. (private equity - fund of funds): | | |
| Partnership interest - venture capital secondary market | <u>3,294,082</u> | <u>3,658,181</u> |

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

NOTE E - INVESTMENTS (Continued)

| | September 30 | |
|---|---------------------|-------------|
| | 2021 | 2020 |
| Neuberger Berman U.S. Defensive Equity Index PutWrite Fund, LLC (multi-strategy hedge fund): Hedge fund | 21,305,296 | 16,573,411 |
| Neumeier Poma Investment Counsel, LLC (domestic equity small-cap - value): Corporate stocks | 26,846,058 | 23,107,121 |
| Money market fund | 3,211,303 | 4,157,635 |
| | 30,057,361 | 27,264,756 |
| The Northern Trust Company (domestic equity large-cap - core and small-cap growth): Collective investment funds - equity | 156,445,774 | 135,326,683 |
| Money market fund | 30,198,033 | 46,770,171 |
| Corporate stocks | 1,013,817 | 681,761 |
| | 187,657,624 | 182,778,615 |
| Parametric Defensive Equity Fund LLC (S&P index option based): Partnership interest - options based | 21,367,788 | 15,792,312 |
| Petrocap Partners II, L.P. (private equity - oil and gas): Partnership interest - oil and gas | 9,390,406 | 7,336,941 |
| Petrocap Partners III, L.P. (private equity - oil and gas): Partnership interest - oil and gas | 4,126,787 | 2,707,289 |
| Principal U.S. Property Account (core real estate - equity): Real estate securities fund | 51,232,527 | 45,218,585 |
| RCP Multi-Strategy Fund, L.P. (LBO private equity) Partnership interest - venture capital | 480,000 | - |
| Salient Zarvona Energy Fund II-A, L.P. (private equity - oil and gas): Partnership interest - oil and gas | 6,903,390 | 4,795,349 |
| Siguler Guff Small Buyout Opp IV (LBO private equity - fund of funds) Partnership interest - venture capital | 6,417,235 | 2,229,060 |
| Silchester International Investors (international equity large-cap - value) Collective investment fund - equity | 46,577,725 | 44,783,489 |
| Ullico Infrastructure Taxable Fund, L.P. (private equity - infrastructure/ energy): Partnership interest - infrastructure | 14,423,964 | 13,552,166 |

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

NOTE E - INVESTMENTS (Continued)

| | September 30 | |
|--|-----------------------|-------------|
| | 2021 | 2020 |
| Wellington Trust Company, N.A. (international equity small-cap - value): | | |
| Collective investment fund - equity | 44,859,401 | 32,655,704 |
| Westfield Capital Management Company, L.P. (domestic equity mid-cap - growth): | | |
| Corporate stocks | 27,247,239 | 24,358,120 |
| Money market fund | 329,694 | 54,805 |
| | 27,576,933 | 24,412,925 |
| Zarvona III-A, L.P. (private equity - oil and gas): | | |
| Partnership interest - oil and gas | 7,064,202 | 4,180,881 |
| Total Investments Managed | 922,648,559 | 790,633,157 |
| Investment property - real estate | 923,800 | 876,500 |
| Total Investments | \$ 923,572,359 | 791,509,657 |

Money market funds are invested in Northern Trust's Collective Government Short-term Investment Fund. The Fund invests substantially all of its assets in cash and securities issued or guaranteed as to principal and interest by the U.S. Government. The Fund seeks to preserve value at \$1 per share, but the value is not guaranteed.

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

The System categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value (NAV). NAV is used as a practical expedient to estimate the fair value of the System's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of September 30, 2021, the System had no specific plans or intentions to sell investments at amounts different from NAV.

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

NOTE E - INVESTMENTS (Continued)

For the investments measured at NAV at September 30, 2021, the System had the following unfunded purchase commitments, redemption frequency, when currently available, and redemption notice periods as follows:

| | September 30, 2021 | | | |
|--|---------------------------|-----------------------------|---|--|
| | Fair Value | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period (Days) |
| Partnership interest - venture capital: | | | | |
| Dover Street IX, L.P. | \$ 17,799,651 | 3,600,000 | N/A | N/A |
| HarbourVest 2020 Global Fund, L.P. | 4,707,575 | 8,460,000 | N/A | N/A |
| RCP Multi-strategy Fund, L.P. | 480,000 | 11,520,000 | N/A | N/A |
| Siguler Guff Small Buyout Opp IV | 6,417,235 | 6,744,000 | N/A | N/A |
| Partnership interest - venture capital secondary market: | | | | |
| Neuberger Berman Secondary Opportunities Fund III, L.P. | 3,294,082 | 2,862,362 | N/A | N/A |
| Partnership interest - private equity oil and gas: | | | | |
| Falcon E&P Opportunities Fund, L.P. | 1,176,313 | 1,294,999 | N/A | N/A |
| PetroCap Partners II, L.P. | 9,390,406 | 2,903,528 | N/A | N/A |
| PetroCap Partners III, L.P. | 4,126,787 | 10,933,567 | N/A | N/A |
| Zarvona III-A, L.P. | 7,064,202 | 650,000 | N/A | N/A |
| Real estate securities fund: | | | | |
| ElmTree Net Lease Fund IV, L.P. | 3,586,199 | 11,656,099 | N/A | N/A |
| Total | <u>\$ 58,042,450</u> | <u>60,624,555</u> | | |
| Hedge funds: | | | | |
| Entrust Cap Diversified Fund CL X Series 3/31/17 | \$ 478,358 | N/A | Quarterly | 1-90 |
| Entrust Cap Diversified Fund CL X Series 12/31 | 478,445 | N/A | Quarterly | 1-90 |
| Entrust Special Opportunities III, L.P. | 5,934,429 | N/A | Quarterly | 1-90 |
| Neuberger Bernman U.S. Equity Index PutWrite Fund LLC | 21,305,296 | N/A | Daily, Monthly | 1-30 |
| Total Hedge Funds | <u>\$ 28,196,528</u> | | | |

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

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

NOTE E - INVESTMENTS (Continued)

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

| Fixed Income Investment Categories | Maturities As Of September 30, 2021 | | | | |
|---|--|-------------------------------|------------------------|-------------------------|-------------------------------|
| | Total | Less Than One Year | 1 - 5 Years | 6 - 10 Years | More Than 10 Years |
| Corporate bonds | \$ 60,874,669 | 1,411,145 | 25,428,875 | 15,409,903 | 18,624,746 |
| Mortgage backed securities: | | | | | |
| Nongovernment | 19,270,321 | - | 1,889,014 | 1,018,324 | 16,362,983 |
| Government | 2,876,049 | - | 12,337 | 46,754 | 2,816,958 |
| Collective investment funds | 38,280,897 | - | 4,254,477 | 32,965,439 | 1,060,981 |
| Government securities | 20,529,394 | 752,037 | 9,077,050 | 8,478,482 | 2,221,825 |
| Total | <u>\$ 141,831,330</u> | <u>2,163,182</u> | <u>40,661,753</u> | <u>57,918,902</u> | <u>41,087,493</u> |
| | | | | | |
| Fixed Income Investment Categories | Maturities As Of September 30, 2020 | | | | |
| | Total | Less Than One Year | 1 - 5 Years | 6 - 10 Years | More Than 10 Years |
| Corporate bonds | \$ 51,282,876 | - | 19,953,226 | 15,406,002 | 15,923,648 |
| Mortgage backed securities: | | | | | |
| Nongovernment | 19,601,587 | - | 2,853,269 | 437,106 | 16,311,212 |
| Government | 510,268 | - | 3,467 | 64,815 | 441,986 |
| Collective investment funds | 29,204,283 | - | 2,156,395 | 25,358,183 | 1,689,705 |
| Government securities | 13,489,612 | - | 4,341,720 | 3,884,082 | 5,263,810 |
| Total | <u>\$ 114,088,626</u> | <u>-</u> | <u>29,308,077</u> | <u>45,150,188</u> | <u>39,630,361</u> |

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

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

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

NOTE E - INVESTMENTS (Continued)

Credit Rating As Of September 30, 2021

| Credit Rating Level | Total | Corporate Bonds | Nongovernment Mortgage Backed Securities | Government Mortgage Backed Securities | Collective Investment Funds | Government Securities |
|---------------------|-----------------------|-------------------|--|---------------------------------------|-----------------------------|-----------------------|
| AAA | \$ 24,533,303 | 2,596,092 | 4,522,484 | 2,876,049 | - | 14,538,678 |
| AA | 16,327,301 | 9,271,286 | 1,065,299 | - | - | 5,990,716 |
| A | 38,906,411 | 32,860,916 | 6,045,495 | - | - | - |
| BBB | 43,411,906 | 14,722,028 | - | - | 28,689,878 | - |
| BB | 4,248,998 | - | - | - | 4,248,998 | - |
| B | 5,382,888 | - | 40,867 | - | 5,342,021 | - |
| CCC | - | - | - | - | - | - |
| CC | - | - | - | - | - | - |
| D | - | - | - | - | - | - |
| Not rated | 9,020,523 | 1,424,347 | 7,596,176 | - | - | - |
| Total | <u>\$ 141,831,330</u> | <u>60,874,669</u> | <u>19,270,321</u> | <u>2,876,049</u> | <u>38,280,897</u> | <u>20,529,394</u> |

Credit Rating As Of September 30, 2020

| Credit Rating Level | Total | Corporate Bonds | Nongovernment Mortgage Backed Securities | Government Mortgage Backed Securities | Collective Investment Funds | Government Securities |
|---------------------|-----------------------|-------------------|--|---------------------------------------|-----------------------------|-----------------------|
| AAA | \$ 14,583,966 | 2,677,642 | 2,977,764 | 510,268 | - | 8,418,292 |
| AA | 14,776,554 | 9,061,401 | 643,833 | - | - | 5,071,320 |
| A | 30,853,346 | 25,507,122 | 5,346,224 | - | - | - |
| BBB | 38,325,879 | 12,573,806 | 820,096 | - | 24,931,977 | - |
| BB | 2,997,036 | - | - | - | 2,997,036 | - |
| B | 1,329,313 | - | 54,043 | - | 1,275,270 | - |
| CCC | - | - | - | - | - | - |
| CC | - | - | - | - | - | - |
| D | - | - | - | - | - | - |
| Not rated | 11,222,532 | 1,462,905 | 9,759,627 | - | - | - |
| Total | <u>\$ 114,088,626</u> | <u>51,282,876</u> | <u>19,601,587</u> | <u>510,268</u> | <u>29,204,283</u> | <u>13,489,612</u> |

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

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

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

Foreign Currency Exposures By Asset Class In U.S. Dollars As Of September 30, 2021

| Currency | Equities | Fixed Income | Money Market Funds | Hedge Funds | Investment Property And Partnerships | Total |
|---------------------------|------------------------------|---------------------------|--------------------------|--------------------------|---|---------------------------|
| Barbadian Dollar | \$ - | 1,371,732 | - | - | - | 1,371,732 |
| British Pound Sterling | 1,603,316 | 1,580,204 | - | - | - | 3,183,520 |
| Canadian Dollar | 1,224,409 | 2,651,783 | - | - | - | 3,876,192 |
| Danish Krone | 600,900 | - | - | - | - | 600,900 |
| Euro | 772,959 | 3,758,351 | - | - | - | 4,531,310 |
| Indian Rupee | 1,077,715 | - | - | - | - | 1,077,715 |
| Israeli Shekel | 1,229,468 | - | - | - | - | 1,229,468 |
| Swiss Franc | 946,915 | - | - | - | - | 946,915 |
| Total Foreign Currency | <u>7,455,682</u> | <u>9,362,070</u> | - | - | - | <u>16,817,752</u> |
| United States Dollar | <u>460,475,014</u> | <u>132,469,260</u> | <u>36,253,315</u> | <u>28,196,528</u> | <u>249,360,490</u> | <u>906,754,607</u> |
| Total | <u><u>\$ 467,930,696</u></u> | <u><u>141,831,330</u></u> | <u><u>36,253,315</u></u> | <u><u>28,196,528</u></u> | <u><u>249,360,490</u></u> | <u><u>923,572,359</u></u> |

Foreign Currency Exposures By Asset Class In U.S. Dollars As Of September 30, 2020

| Currency | Equities | Fixed Income | Money Market Funds | Hedge Funds | Investment Property And Partnerships | Total |
|---------------------------|------------------------------|---------------------------|--------------------------|--------------------------|---|---------------------------|
| Barbadian Dollar | \$ - | 1,497,398 | - | - | - | 1,497,398 |
| British Pound Sterling | 1,268,988 | 1,606,455 | - | - | - | 2,875,443 |
| Canadian Dollar | 752,238 | 1,070,681 | - | - | - | 1,822,919 |
| Danish Krone | 612,650 | - | - | - | - | 612,650 |
| Euro | 1,436,649 | 3,293,256 | - | - | - | 4,729,905 |
| Indian Rupee | 1,016,964 | - | - | - | - | 1,016,964 |
| Israeli Shekel | 887,430 | - | - | - | - | 887,430 |
| Swiss Franc | 1,126,158 | - | - | - | - | 1,126,158 |
| Total Foreign Currency | <u>7,101,077</u> | <u>7,467,790</u> | - | - | - | <u>14,568,867</u> |
| United States Dollar | <u>405,175,095</u> | <u>106,620,836</u> | <u>54,696,080</u> | <u>21,987,824</u> | <u>188,460,954</u> | <u>776,940,789</u> |
| Total | <u><u>\$ 412,276,172</u></u> | <u><u>114,088,626</u></u> | <u><u>54,696,080</u></u> | <u><u>21,987,824</u></u> | <u><u>188,460,954</u></u> | <u><u>791,509,656</u></u> |

Certain collective investment funds are classified as United States Dollar which is respective of the majority of the pooled holdings.

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

NOTE E - INVESTMENTS (Continued)

Investments Policies

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

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The average effective duration of the aggregate portfolio, reflecting all instruments including CMO and Asset-Backed Securities, must be maintained at plus or minus one year of the duration of the respective Investment Manager’s benchmark index.

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

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

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

Long-term Expected Rate of Return on the System’s investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE E - INVESTMENTS (Continued)

produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric average rates of return for each major asset class included in the System's target asset allocation as of September 30, 2021 are summarized in the following table:

| <u>Asset Class</u> | <u>Long-term Expected Real Rate Of Return</u> |
|--|---|
| Fixed income - core | 0.15% |
| Fixed income - emerging markets debt | 2.55 |
| Fixed income - opportunistic | 2.05 - 2.35 |
| Domestic equities | 4.85 - 6.05 |
| Foreign equities | 4.95 - 5.75 |
| Defensive equity | 4.25 |
| Timber | 3.65 |
| Farmland | 4.05 |
| Real estate (REIT) equities - core | 3.95 |
| Real estate (REIT) equities - Triple Net Lease | 8.75 |
| Real estate (REIT) equities - infrastructure | 4.85 |
| Private equity (partnerships) | 9.05 - 10.05 |
| Money market | (2.05) |

The above long-term expected real rates of return represent best estimates of geometric average rates of return for each major asset class included. These rates of return are shown net of inflation (assumed at 2.25%) and net of investment expenses. These expected returns are calculated by taking the cumulative return over a ten-year period annualized.

Liquidity Risk is the risk that redemption notice periods are required and longer periods may be imposed before payment of redemption proceeds are settled for the following investments:

- Dover Street IX, L.P.
- ElmTree Net Lease Fund III, L.P.
- ElmTree Net Lease Fund IV, L.P.
- EnTrust Capital Diversified Fund QP, Ltd.
- EnTrust Special Opportunities Fund III, L.P.
- EnTrust Special Opportunities Fund IV, L.P.
- Falcon E&P Opportunities Fund, L.P.
- Hancock Timberland & Farmland Fund, L.P.
- HarbourVest 2020 Global Fund, L.P.
- IFM Global Infrastructure, L.P.
- Neuberger Berman Secondary Opportunities Fund III, L.P.
- Neuberger Berman U.S. Equity Index PutWrite Fund, LLC
- Principal U.S. Property Account
- RCP Multi-Strategy Fund, L.P.
- Siguler Guff Small Buyout Opportunity IV, L.P.
- Wellington Trust Company International Opportunities Fund

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

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

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

| | September 30 | |
|---|---------------------|-------------|
| | 2021 | 2020 |
| Collective funds: | | |
| MFB Northern Trust Company Daily S&P 500 Equity Index Fund | \$ 79,945,130 | 58,965,633 |
| MFB Northern Trust Collective Russell 1,000 Growth Index Fund | 48,570,743 | 49,823,363 |
| Crescent Capital High Income Fund LP | 55,872,716 | 46,590,080 |
| Principal Real Estate Investment Trust | 51,232,527 | 45,218,585 |
| Silchester International Investors Collective Investment Fund | - | 44,783,489 |
| GQG Partners International Equity Fund | 47,643,757 | 40,932,507 |
| Lazard Emerging Markets Core Equity Trust | - | 40,617,472 |

NOTE G - FUNDING POLICY CONTRIBUTIONS

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

Actuarially determined funding policy contributions requirements are calculated using the System's fiscal year. The 2021 and 2020 contributions are as shown in the following table:

| | For The Years | | Covered Payroll | |
|--|---------------------------|-------------------|------------------------|-------------|
| | Ended September 30 | | Percentage | |
| | 2021 | 2020 | 2021 | 2020 |
| Employer's annual required contributions: | | | | |
| Portion of normal cost attributable to the System's fiscal years | <u>\$ 32,839,034</u> | <u>35,335,830</u> | 39.7 % | 42.8 |
| Employer's Funding Policy Contributions Received | <u>\$ 32,839,034</u> | <u>35,335,830</u> | 39.7 % | 42.8 |
| Members' Contributions Made | <u>\$ 5,269,928</u> | <u>5,592,594</u> | 6.4 % | 6.8 |

The covered payroll of active participants (including DROP participants) per the actuarial valuation amounted to \$83,068,458 and \$82,639,813 for the years ended September 30, 2021 and 2020, respectively.

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

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

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

| | Actuarial Valuation October 1 | |
|---|--------------------------------------|---------------|
| | 2021 | 2020 |
| Present value of all future benefits | \$ 1,197,325,522 | 1,140,227,347 |
| Actuarial value of assets, including present value of future Members' contributions | 908,134,032 | 870,428,456 |
| Present Value Of Future Normal Contributions Due From The City | \$ 289,191,490 | 269,798,891 |
| Funded Status | 75.8% | 76.3 |

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

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

The components of the net pension liability (the System's liability determined in accordance with GASB 67 less the fiduciary net position) as of September 30, 2021 and 2020, are shown in the schedules of employer's net pension liability below.

Actuarial valuation of an ongoing plan involves estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of changes in net pension liability presents multi-year trend information about whether the System's fiduciary net position is increasing or decreasing over time relative to the total pension liability. These schedules are presented in the RSI. The total pension liability as of September 30, 2021 and 2020 are based on actuarial valuations performed as of September 30, 2020 and 2019, and projected to September 30, 2021 and 2020, using generally accepted actuarial procedures.

Schedules of Net Pension Liability

| | September 30 | |
|--|-------------------------|---------------|
| | 2021 | 2020 |
| Total pension liability | \$ 1,156,959,283 | 1,158,383,361 |
| System's fiduciary net position | 931,651,175 | 798,650,278 |
| Net Pension Liability | \$ 225,308,108 | 359,733,083 |
| System's Fiduciary Net Position as a Percentage of Total Pension Liability | 80.5% | 68.9 |
| Covered Payroll (including DROP participants) | \$ 83,068,458 | 82,639,813 |
| Net Pension Liability as a Percentage of Covered Payroll | 271.2% | 435.3 |

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

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

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

| | <u>1% Decrease</u> | <u>Current Discount Rate Assumption</u> | <u>1% Increase</u> |
|---|--------------------|---|--------------------|
| GASB 67 blended discount rate | 5.51% | 6.51 | 7.51 |
| Total pension liability | \$ 1,290,658,519 | 1,156,959,283 | 1,047,781,377 |
| Net pension liability | \$ 358,845,667 | 225,308,108 | 114,968,525 |
| System's fiduciary net position as a percentage of total pension liability | 72.2% | 80.5 | 89.0 |

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

The blended discount rate used to measure the total pension liability was 6.51%. The projection of cash flows used to determine the discount rate assumed that employer's contributions will continue to follow the current funding policy. Based on those assumptions, the System's net position was projected to be insufficient to make all projected future benefit payments of current plan Members and beneficiaries after 2074. A municipal bond rate of 2.26% was used in the development of the blended GASB discount rate after that point. The 2.26% rate is based on the Bond Buyer General Obligation 20 Year High Grade Rate Municipal Bond Index (AA/Aa or higher). Based on the System's long-term investment rate of return of 7% and the municipal bond rate of 2.26%, the blended GASB discount rate is 6.51%.

A similar calculation was made as of September 30, 2020 using a blend of the assumed long-term expected rate of return of 7.5% and a municipal bond index rate of 2.21%. This calculation resulted in a blended discount rate of 6.33%.

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

| | |
|-------------------------------|---|
| Actuarial methods: | |
| Valuation date | October 1, 2021 and 2020 |
| Actuarial cost method: | |
| GASB reporting | Entry Age Normal |
| Funding requirements | Aggregate, reduced by employee contributions |
| Amortization method/period | None - Aggregate is funded over the future working lifetime of current participants |
| Asset valuation method | 5-years smoothed market |
| Actuarial assumptions: | |
| Investment rate of return | 7 % net of 0.15% administrative expenses |
| Long-term municipal bond rate | 2021 - 2.26% and 2020 - 2.21% |
| Rate of payroll growth | Varies by age 3% to 6.25%, including merit and promotions |
| Consumer price inflation | 2.5% |
| Mortality (ordinary) | RP-2014 Blue collar projected generationally with MP-2015 |
| Mortality (retiree) | RP-2014 Blue collar projected generationally with MP-2015 with 1.15 adjustment |
| Mortality (accidental) | 0.03% per year for all ages in addition to ordinary mortality |
| Mortality (disabled) | RP-2014 disabled retiree projected generationally with MP-2015 with 0.9 adjustment male and no adjustment female |

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

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

Covered Payroll

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

NOTE J - SYSTEM EMPLOYEES AND POST-RETIREMENT BENEFITS

Current System employees are reimbursed up to \$1,000 per year for validated claims for vision and dental costs. Reimbursed health care benefits totaled \$4,339 and \$5,662 for the years ended September 30, 2021 and 2020, respectively.

The System provides post-retirement health care benefits to all employees and their spouses who were employed as of February 26, 1992 and who retired from the System on or after attaining age 65. Those who are insured by another entity do not qualify for this benefit. Currently, no retiree qualifies to receive post-retirement benefits.

The System pays the premiums of retired System employees for the Medicare Supplemental Insurance Program. The System also reimburses retired System employees up to \$1,000 per year for validated claims for vision and dental costs. Expenditures for post-retirement health care benefits are recognized as the premiums are paid or as retirees report claims. Due to no eligible retiree and the limited exposure, no provision for estimated claims incurred but not yet reported has been made. Expenditures for post-retirement health care were \$0 and \$4,867 for years ended September 30, 2021 and 2020, respectively.

NOTE K - SYSTEM EMPLOYEES' PENSION PLAN

General Information about the Pension Plan

Plan Description

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

Benefits Provided

ERS provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Employees retire with full retirement benefits after the age of 65 or if an employee's age and creditable service combined equal or exceed 85 years. Employees may retire and receive a reduced benefit after age 60 with five years of creditable service, age 55 with at least 20 years of creditable service, or any age with 30 years of creditable service. The monthly pension benefits of all retirees or their beneficiaries are adjusted according to the

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

NOTE K - SYSTEM EMPLOYEES' PENSION PLAN (Continued)

changes in the Consumer Price Index of the U.S. Department of Labor. Increases are limited each year, with total increases to retirees or their beneficiaries limited to 25%.

Contributions

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

| Service Period | Contribution Rate |
|------------------------|--------------------------|
| July 2021 to current | 15.42% |
| July 2020 to June 2021 | 13.19 |
| July 2019 to June 2020 | 12.26 |

Contributions to ERS from the System were \$54,108 and \$73,330 for the years ended September 30, 2021 and 2020, respectively. The System pays 50% of these contributions and the City pays the other 50%.

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

Net Pension Expense

Net pension expense is the sum of changes in the net pension liability and deferred inflows and outflows of resources. For fiscal years 2021 and 2020, the System's net pension expense was calculated as follows:

| | For The Years | |
|---|---------------------------|-------------|
| | Ended September 30 | |
| | 2021 | 2020 |
| System's 50% share of employer contributions | \$ 27,054 | 36,665 |
| Increase in net pension liability | 122,389 | 109,750 |
| Increase (decrease) in deferred inflows of resources | (7,632) | (18,522) |
| (Increase) decrease in deferred outflows of resources | (49,553) | (63,862) |
| Net Pension Expense | \$ 92,258 | 64,031 |

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

NOTE K - SYSTEM EMPLOYEES' PENSION PLAN (Continued)

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

The net pension liability was measured as of the beginning of the System's fiscal years September 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The System had a liability of \$506,639 (or 0.18%) and \$384,250 (or 0.18%) for its proportionate share of the ERS' net pension liability for the years ended September 30, 2021 and 2020, respectively. The System's proportionate share of the net pension liability was based on a projection of the System's long-term share of contributions to ERS relative to the projected contributions of all the participating employers, actuarially determined.

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

| | For The Year Ended September 30, 2021 | | |
|--|--|----------------|---------------------|
| | Outflows | Inflows | Net Outflows |
| Fiscal year 2021 paid contributions - System's 50% | \$ 27,054 | - | 27,054 |
| Net difference from assumption changes | 53,974 | - | 53,974 |
| Net difference between expected and actual experience | 7,953 | - | 7,953 |
| Net difference between projected and actual investment earnings on ERS' investments | 73,468 | - | 73,468 |
| Net impact from changes in proportion allocation between the participating employers | 10,844 | - | 10,844 |
| Total | \$ 173,293 | - | 173,293 |

| | For The Years Ending September 30 | | | | |
|--|--|-------------|-------------|-------------|-------------|
| | Total | 2022 | 2023 | 2024 | 2025 |
| Deferred outflows (inflows) future recognition | \$ 173,293 | 84,637 | 59,612 | 23,662 | 5,382 |

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

NOTE K - SYSTEM EMPLOYEES' PENSION PLAN (Continued)

| | For The Year Ended September 30, 2020 | | |
|--|--|---------|--------------|
| | Outflows | Inflows | Net Outflows |
| Fiscal year 2020 paid contributions - System's 50% | \$ 36,665 | - | 36,665 |
| Net difference between expected and actual experience | 840 | (7,632) | (6,792) |
| Net difference between projected and actual investment earnings on ERS' investments | 58,091 | - | 58,091 |
| Net impact from changes in proportion allocation between the participating employers | 28,144 | - | 28,144 |
| Total | \$ 123,740 | (7,632) | 116,108 |

| | For The Years Ending September 30 | | | | |
|--|-----------------------------------|--------|--------|--------|--------|
| | Total | 2021 | 2022 | 2023 | 2024 |
| Deferred outflows (inflows) future recognition | \$ 116,108 | 55,964 | 20,076 | 21,991 | 18,077 |

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

Valuation date:

Actuarially determined contributions are calculated as of October 1, 2020 and 2019 (beginning of year) valuation date used to calculate the required contribution for the fiscal years ending September 30, 2021 and 2020.

Actuarial methods:

| | |
|---------------------------------|---|
| Actuarial cost method (Funding) | Projected Unit Credit Cost Method |
| Actuarial cost method (GASB 68) | Entry Age Normal |
| Amortization method | Fixed 20-year period as of October 1, 2015 as a level percentage of payroll. Future gains and losses and changes in actuarial assumptions will be amortized in layers over 20-year periods. |
| Asset valuation method | 5-year smoothing |

Actuarial assumptions:

| | |
|------------------------------|--|
| Inflation | 2.5% |
| Salary increases | 3% plus merit component based on employee's year of service |
| Investment rate of return | 7 %, net of pension plan investment expenses |
| Mortality rates - ordinary | RP-2000 healthy mortality 3-year set-forward with generational projections using scale AA |
| Mortality rates - disability | RP-2000 disabled mortality 3-year set-forward with generational projections using scale AA |
| Municipal bond yield | 2020 - 2.21%, 2019 - 2.66% |

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

NOTE K - SYSTEM EMPLOYEES' PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to follow the current funding policy. Based on those assumptions, the ERS's fiduciary net position was projected to be sufficient to make all projected future benefits payments of current plan employees and their beneficiaries.

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

The following presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.25%) or 1% point higher (8.25%) than the current rate:

| | 1% Decrease | Current Discount Rate Assumption | 1% Increase |
|-----------------------|--------------------|---|--------------------|
| Discount rate | 6.25 % | 7.25 | 8.25 |
| Net pension liability | \$ 702,667 | 506,639 | 339,831 |

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

NOTE L - SECURITIES LENDING

The System participated in The Northern Trust Company's (NTC) securities lending program in order to enhance the investment yield. In a securities lending transaction, the System transfers possession--but not title--of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by NTC. The broker/dealer collateralizes their borrowing (usually in cash) to 102% of the security value plus accrued interest and this collateral is adjusted daily to maintain the 102% level. The collateral is increased to 105% if the borrowed securities and collateral are denominated in a foreign currency. The System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The System continues to earn income on the loaned security. In addition, the System receives 70% of the net lending fees generated by each loan of securities. NTC receives the remaining 30% of the net lending fees as compensation for its services provided in the securities lending program. NTC indemnifies operational risk and counter party risk. The System authorizes the lending and loans of the following: domestic securities, U.S. Treasuries, corporate bonds, and equities. The System does not have the ability to pledge or sell collateral securities without borrower default. Therefore, for accounting purposes, the statements of fiduciary net position and changes in fiduciary net position do not reflect an increase in assets or liabilities associated with securities lent.

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

NOTE L - SECURITIES LENDING (Continued)

At September 30, 2021 and 2020, outstanding loans to borrowers were \$43,103,558 and \$26,076,788, respectively. The System earned income of \$55,881 and \$89,907 for its participation in the securities lending program for the years ended September 30, 2021 and 2020, respectively.

NOTE M - RISK MANAGEMENT

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

NOTE N - RELATED PARTY TRANSACTIONS

The System owed the City \$79,723 and \$79,201 at September 30, 2021 and 2020, respectively, for personnel costs (salaries, payroll taxes, payroll processing, and employee fringe benefits for System employees). The System reimburses 50% of personnel costs, plus actual directly allocated expenses. The total of these items and the System's expense for the years ended September 30, 2021 and 2020 was \$319,413 and \$448,192, respectively.

NOTE O - COMMITMENTS AND CONTINGENCIES

The System was committed to the future settlement of investments (sold and purchased). These amounts are reflected in the statements of fiduciary net position as a receivable and liability for unsettled investment transactions, respectively. Then commitments at September 30, 2021 and 2020 were as follows:

| | September 30 | |
|--|---------------------|------------------|
| | 2021 | 2020 |
| Pending purchases: | | |
| Commerce Bank N.A. | \$ - | 1,899,432 |
| Hancock Timberland & Farmland | 86,365 | - |
| MFS Institutional Advisors, Inc. | - | 21,265 |
| Wellington International Small Cap, N.A. | 108,267 | 42,290 |
| | | |
| Total Pending Purchases | \$ 194,632 | 1,962,987 |

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

NOTE O - COMMITMENTS AND CONTINGENCIES (Continued)

| | September 30 | |
|---|--------------|---------|
| | 2021 | 2020 |
| Pending sales: | | |
| ElmTree Net Lease Fund III, L.P. | \$ - | 8,676 |
| Hancock Timberland & Farmland | 40,910 | - |
| MFS Institutional Advisors, Inc. | - | 15,497 |
| Neumeier Poma Investment Counsel, LLC | 107,153 | - |
| Silchester International Investors Collective Investment Fund | 32,539 | 31,566 |
| Westfield Capital Management Company, LP | - | 57,896 |
| | | |
| Total Pending Sales | \$ 180,602 | 113,635 |

NOTE P - RISKS AND UNCERTAINTIES

Investment Risks

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

Experience Risks

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 Q - RATE OF RETURN

For the years ended September 30, 2021 and 2020, the annual money-weighted rate of return on the System's investments, net of investment expenses, was 25.82% and 5.90%, respectively. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

NOTES TO FINANCIAL STATEMENTS

NOTE R - TAX STATUS

The System meets the requirements of a governmental plan under Section 414(d) of the Internal Revenue Code (IRC). The System obtained its latest determination letter on March 12, 2014 in which the Internal Revenue Service (IRS) stated that the System, as designed, was in compliance with the applicable requirements of the IRC. The Trustees believe that the System is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, they believe that the System was qualified and the related trust was tax exempt as of the financial date.

Accounting principles generally accepted in the United States of America require the System's Trustees to evaluate tax positions taken by the System and recognize a tax liability if an uncertain position that more likely than not would not be sustained upon examination by the IRS or U.S. DOL. The System's Trustees have analyzed the tax positions taken by the System and has concluded that as of September 30, 2021 and 2020, no uncertain positions are taken or are expected to be taken that would require recognition of a liability or disclosure in the financial statements. The System is subject to routine audits by the taxing jurisdictions; however, there are currently no audits for any tax periods in progress and the System has not been assessed any interest or penalties by the IRS or U.S. DOL.

NOTE S - SUBSEQUENT EVENTS

The System has performed an evaluation of subsequent events through February 24, 2022, the date the basic financial statements were available to be issued.

On February 23, 2022, the Board of Trustees approved the Employer contribution of \$37,289,426 for the System's fiscal year ending September 30, 2022, as calculated by the System's actuary (Cheiron).

No other material events were identified by the System.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
REQUIRED SUPPLEMENTAL INFORMATION

REQUIRED SUPPLEMENTAL INFORMATION SECTION

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

SCHEDULES OF CHANGES IN NET PENSION LIABILITY

| | For The Years Ended September 30 | | | | | | | |
|---|---|---------------|---------------|---------------|---------------|-----------------|-----------------|--------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Discount Rate Assumption | 6.51 % | 6.33 % | 6.69 % | 7.24 % | 6.67 % | 6.19 % | 7.29 % | 7.48 % |
| Total Pension Liability (A) | | | | | | | | |
| Service cost | \$ 20,487,163 | 18,188,606 | 15,678,890 | 16,369,318 | 17,988,134 | 12,617,971 | 12,977,679 | 12,991,999 |
| Interest on total pension liability, including service cost | 71,739,532 | 72,663,853 | 71,309,613 | 68,899,130 | 66,042,714 | 67,036,489 | 66,579,275 | 65,906,383 |
| Benefit changes | - | - | - | - | - | - | - | - |
| Differences between expected and actual experience | (16,689,147) | (16,422,842) | 22,854,628 | (4,886,531) | 3,911,067 | (3,684,265) | (2,041,444) | - |
| Assumption changes | (5,578,712) (D) | 42,292,759 | 59,418,045 | (59,545,809) | (55,153,649) | 131,846,504 (D) | 16,248,637 | 6,650,362 |
| Benefit payments | (65,981,928) | (65,762,646) | (63,865,309) | (63,603,561) | (59,959,184) | (59,673,662) | (67,107,828) | (58,302,794) |
| Refunds of Members' contributions | (5,400,986) | (4,201,135) | (4,683,627) | (4,972,550) | (3,493,396) | (2,963,770) | (2,425,249) | (2,670,671) |
| Net Change In Total Pension Liability | (1,424,078) | 46,758,595 | 100,712,240 | (47,740,003) | (30,664,314) | 145,179,267 | 24,231,070 | 24,575,279 |
| Total Pension Liability Beginning | 1,158,383,361 | 1,111,624,766 | 1,010,912,526 | 1,058,652,529 | 1,089,316,843 | 944,137,576 | 919,906,506 | 895,331,227 |
| Total Pension Liability Ending (a) | \$ 1,156,959,283 | 1,158,383,361 | 1,111,624,766 | 1,010,912,526 | 1,058,652,529 | 1,089,316,843 | 944,137,576 | 919,906,506 |
| System Fiduciary Net Position | | | | | | | | |
| Contributions - Employer | \$ 32,839,034 | 35,335,830 | 35,970,630 | 33,104,561 | 33,826,528 | 30,778,664 | 30,600,069 | 32,324,823 |
| Contributions - Members | 5,269,928 | 5,592,594 (F) | 5,110,119 | 4,600,917 (E) | 4,456,241 | 4,320,337 | 4,202,023 | 4,202,765 |
| Contributions - Member portability and restoration | 628,156 | 576,957 | 118,319 | 528,237 | 197,727 | 56,530 | 285,919 | 235,581 |
| Net investment income (loss) | 167,070,589 | 43,802,433 | 17,514,881 | 51,089,258 | 93,520,079 | 52,927,643 | (8,325,611) | 48,094,636 |
| Benefit payments | (65,981,928) | (65,762,646) | (63,865,309) | (63,603,561) | (59,959,184) | (59,673,662) | (67,107,828) | (58,302,794) |
| Refunds of Members' contributions | (5,400,986) | (4,201,135) | (4,683,627) | (4,972,550) | (3,493,396) | (2,963,770) | (2,425,249) | (2,670,671) |
| Administrative expenses | (1,423,896) | (1,446,227) | (1,572,951) | (1,165,930) | (1,206,161) | (1,102,866) | (1,125,310) | (1,095,653) |
| Net Change In System Fiduciary Net Position | 133,000,897 | 13,897,806 | (11,407,938) | 19,580,932 | 67,341,834 | 24,342,876 | (43,895,987) | 22,788,687 |
| System Fiduciary Net Position Beginning | 798,650,278 | 784,752,472 | 796,160,410 | 776,579,478 | 709,237,644 | 684,894,768 | 728,790,755 (C) | 706,276,668 |
| System Fiduciary Net Position Ending (b) | \$ 931,651,175 | 798,650,278 | 784,752,472 | 796,160,410 | 776,579,478 | 709,237,644 | 684,894,768 | 729,065,355 |
| Net Pension Liability Ending (a-b) | \$ 225,308,108 | 359,733,083 | 326,872,294 | 214,752,116 | 282,073,051 | 380,079,199 | 259,242,808 | 190,841,151 |

Notes:

- (A) The total pension liability as of the end of each measurement year is measured as of the measurement date (October 1) at the beginning of each year and projected to the end of each year.
- (B) Because the beginning and ending values are based on the same actuarial valuation (September 30, 2013) and there were no significant events, no liability gains or losses due to experience are reported for the year ended September 30, 2014.
- (C) The September 30, 2014 System fiduciary net position was restated (decreased) by \$274,600 from recording the beginning net pension liability resulting from implementing GASB 68 for the System's staff participation in ERS during the year ended September 30, 2015.
- (D) The actuarial assumptions were updated based on actuarial experience reviews for the five year period (2016-2020) and (2011-2015), and were first effective with the actuarial valuation as of October 1, 2021 and 2016.
- (E) Proposition P wage increase became effective in July 2018.
- (F) There were Member contributions for 27 payroll periods received during the fiscal year ending September 30, 2020, which happens every 11 years. There were 26 payroll periods during all other fiscal years presented.

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

SCHEDULES OF NET PENSION LIABILITY AND RELATED RATIOS

| | September 30 | | | | | | | | |
|--|-------------------------|---------------|---------------|---------------|---------------|---------------|-------------|-------------|-------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Total pension liability | \$ 1,156,959,283 | 1,158,383,361 | 1,111,624,766 | 1,010,912,526 | 1,058,652,529 | 1,089,316,843 | 944,137,576 | 919,906,506 | 895,331,227 |
| System fiduciary net position | 931,651,175 | 798,650,278 | 784,752,472 | 796,160,410 | 776,579,478 | 709,237,644 | 684,894,768 | 729,065,355 | 706,276,668 |
| Net Pension Liability | \$ 225,308,108 | 359,733,083 | 326,872,294 | 214,752,116 | 282,073,051 | 380,079,199 | 259,242,808 | 190,841,151 | 189,054,559 |
| System Fiduciary Net Position as a Percentage of the Total Pension Liability | 80.5 % | 68.9 | 70.6 | 78.8 | 73.4 | 65.1 | 72.5 | 79.3 | 78.9 |
| Covered Payroll (including DROP participants) | \$ 83,068,458 | 82,639,813 | 82,494,022 | 76,710,452 | 76,141,625 | 72,684,487 | 72,325,153 | 72,151,450 | N/A |
| Net Pension Liability as a Percentage of Covered Payroll | 271.2 % | 435.3 | 396.2 | 280.0 | 370.5 | 522.9 | 358.4 | 264.5 | N/A |

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

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

SCHEDULES OF EMPLOYER'S CONTRIBUTIONS

| | For The Years Ended September 30 | | | | | | | | |
|--|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2020 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Employer actuarially determined contributions | \$ 32,839,034 | 35,335,830 | 35,970,630 | 33,104,561 | 33,826,528 | 30,778,664 | 30,600,069 | 32,324,823 | 32,629,036 |
| Contributions in relation to the actuarially determined contribution | (32,839,034) | (35,335,830) | (35,970,630) | (33,104,561) | (33,826,528) | (30,778,664) | (30,600,069) | (32,324,823) | (32,629,036) |
| Contribution Deficiency | \$ - | - | - | - | - | - | - | - | - |
| Covered Payroll (including DROP participants) | \$ 83,068,458 | 82,639,813 | 82,494,022 | 76,710,452 | 76,141,625 | 72,684,487 | 72,325,153 | 72,151,450 | N/A |
| Contributions as a Percentage of Covered Payroll | 39.5 % | 42.8 | 43.6 | 43.2 | 44.4 | 42.3 | 42.3 | 44.8 | N/A |

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

SCHEDULES OF ANNUAL MONEY-WEIGHTED RATE OF RETURN ON INVESTMENTS

| | For The Years Ended September 30 | | | | | | | | |
|---|---|-------------|-------------|-------------|--------------|-------------|---------------|-------------|--------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Annual money-weighted rate of return, net of investment expenses | <u>25.82</u> % | <u>5.90</u> | <u>2.29</u> | <u>7.43</u> | <u>13.09</u> | <u>7.85</u> | <u>(1.14)</u> | <u>7.08</u> | <u>11.90</u> |

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

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2021

1. Changes in Benefit Terms

Changes in benefit terms must be enacted by the General Assembly of the State of Missouri. There were no changes in benefits during the year ended September 30, 2021.

2. Changes in Actuarial Assumptions

The blended discount rate of 6.51% was used to measure the total pension liability for the year ended September 30, 2021. Previously 6.33% for the year ended September 30, 2020. This change resulted in a decrease of approximately \$6 million to total pension liability.

3. Changes in Actuarial Method

None

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

The actuarially determined employer's contributions were calculated as of the September 30 preceding the fiscal year in which contributions are made. That is, the employer's contribution calculated as of the September 30, 2020 actuarial valuation was made during the fiscal year ended September 30, 2021. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules of employer's contributions (schedule):

Actuarial methods:

| | |
|----------------------------------|---|
| Valuation date | October 1, 2021 and 2020 |
| Actuarial cost method: | |
| GASB reporting | Entry Age Normal |
| Funding requirements | Aggregate, reduced by employee contributions |
| Amortization method/period | None - Aggregate is funded over the future working lifetime of current participants |
| Asset valuation method (funding) | 5-years smoothed market |
| Asset valuation method (GASB 67) | Fair value |

Actuarial assumptions:

| | |
|-------------------------------|--|
| Investment rate of return | 7.5% net of 0.15% administrative expenses |
| Long-term municipal bond rate | 2021 - 2.26%; 2020 - 2.21% |
| Rate of payroll growth | Varies by age 3% to 6.25%, including merit and promotions |
| Consumer price inflation | 2.5% |
| Mortality (ordinary) | RP-2014 Blue collar projected generationally with MP-2015 |
| Mortality (accidental) | 0.03% per year for all ages in addition to ordinary mortality |
| Mortality (disabled) | RP-2014 disabled retiree projected generationally with MP-2015 with 0.9 adjustment with 0.9 adjustment male and no adjustment female |
| Mortality (retiree) | RP-2014 Blue collar projected generationally with MP-2015 with 1.15 adjustment |

5. GASB 67 Ten-year Required Supplemental Schedules

Required supplemental schedules are required to present 10 years of information. However, the information in the schedules are not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is presented.

6. Money-weighted Rate of Return

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

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

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2021 (Continued)

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

The discount rate used to calculate the present value of future benefit payments for reporting purposes is based upon the projected fiduciary net position using actuarial assumptions about contributions, benefit payments, and the long-term rate of return. If the projected fiduciary net position is not sufficient to cover projected benefit payments, a blended discount rate is required using both the weighted average of the long-term rate of return and the high grade bond muni-bond rate for periods after the fiduciary net position is exhausted. The System currently uses the long-term discount rate of 7.0% and expects assets will be sufficient to cover fiduciary net position until 2074. The muni-bond rate used in the valuation was 2.26% and is based on the Bond Buyers General Obligation 20 Year High Grade Rate Municipal Bond Index (AA/Aa or higher). Since the fiduciary net position was projected to be insufficient to make all projected benefit payments of current System Members and beneficiaries, a blended discount rate of 6.5% was used to calculate the System's present value of future benefit payments.

8. Covered Payroll

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

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
REQUIRED SUPPLEMENTAL INFORMATION -
GASB STATEMENT NO. 68 PENSION ELEMENTS -
SYSTEM STAFF PENSION RELATED

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

| | September 30 | | | | | | |
|--|---------------------|---------|---------|---------|---------|---------|---------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| ERS' fiscal year ended September 30 (A) | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Proportionate Share of the Employer's Contributions | 0.18 % | 0.18 | 0.16 | 0.14 | 0.16 | 0.15 | 0.14 |
| Proportionate Share of the Collective Net Pension Liability | \$ 506,639 | 384,250 | 274,500 | 248,006 | 333,568 | 330,070 | 221,645 |
| Covered Payroll | \$ 437,921 | 423,912 | 388,771 | 341,892 | 378,373 | 348,595 | 343,651 |
| Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Payroll | 115.69 % | 90.64 | 70.61 | 72.54 | 88.16 | 94.69 | 64.50 |
| ERS' Fiduciary Net Position as a Percentage of the Total Pension Liability | 73.82 % | 78.56 | 83.02 | 82.46 | 78.52 | 76.22 | 83.47 |

- Notes:
- (A) The System elected to report pension elements using the beginning of the year actuarial valuation as allowed by GASB 68. Therefore, the amounts presented were determined as of ERS' previous fiscal year actuarial valuations and projected to the end of the year (i.e., the September 30, 2021 pension elements are based on ERS' October 1, 2020 actuarial valuation).
- (B) The System implemented GASB 68 for the fiscal year ended September 30, 2015. Years will be added to this schedule in future fiscal years until 10 years of information is provided.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
REQUIRED SUPPLEMENTAL INFORMATION -
GASB STATEMENT NO. 68 PENSION ELEMENTS -
SYSTEM STAFF PENSION RELATED

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

| | For The Years | | | | | | |
|--|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Ended September 30 | | | | | | |
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Contractually required contribution | \$ 54,588 | 52,303 | 47,637 | 42,519 | 51,217 | 51,498 | 52,740 |
| Contributions in relation to the contractually required contribution | <u>(54,588)</u> | <u>(52,303)</u> | <u>(47,637)</u> | <u>(42,519)</u> | <u>(51,217)</u> | <u>(51,498)</u> | <u>(52,740)</u> |
| Contribution Deficiency | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Covered Payroll | \$ 437,921 | 423,912 | 388,771 | 341,892 | 378,373 | 348,595 | 343,651 |
| Contributions as a Percentage of Covered Payroll | 12.47 % | 12.34 | 12.25 | 12.44 | 13.54 | 14.77 | 15.35 |

Notes to schedule:

| | |
|---|---|
| <p>Valuation date</p> <p>Methods and assumptions used to determine contribution rates:</p> <p>Actuarial cost method - 2020 and 2017</p> <p>Actuarial cost method - 2016 and 2015</p> <p>Amortization method - 2020 and 2018</p> <p>Amortization method - 2017</p> <p>Amortization method - 2016 and 2015</p> <p>Asset valuation method (funding)</p> <p>Asset valuation method (GASB 67)</p> <p>Inflation</p> <p>Salary increases - 2020, 2019, 2018, and 2017</p> <p>Salary increases - 2016 and 2015</p> <p>Investment rate of return</p> <p>Mortality rates - ordinary - 2020, 2019, 2018, 2017, and 2016</p> <p>Mortality rates - ordinary - 2015</p> <p>Mortality rates - disability - 2020, 2019, 2018, 2017, and 2016</p> <p>Mortality rates - disability - 2015</p> | <p>Actuarially determined contributions are calculated as of October 1, 2014 through 2020</p> <p>Entry age normal cost method</p> <p>Projected Unit Credit Cost Method</p> <p>Fixed 20 year period as of October 1, 2015 as a level percentage of payroll/</p> <p>Future gains and losses and changes in actuarial assumptions will be amortized in layers over separate 20 year periods</p> <p>Fixed 20 year period as of October 1, 2015 as a level percentage of payroll</p> <p>Rolling 30-year level dollar amortization of unfunded liability</p> <p>5-years smoothing</p> <p>Fair value</p> <p>2020, 2019, 2018, 2017, and 2016 - 2.5% and 2015 - 3.125%</p> <p>3% plus merit component based on employee's years of service</p> <p>3.5% plus merit component based on employee's years of service</p> <p>2020, 2019, 2018, 2017, and 2016 - 7.5% and 2015 - 8%, net of pension plan investment expenses</p> <p>RP-2000 healthy mortality 3 year set-forward with generational projections using scale AA</p> <p>1994 Group Annuity Mortality Table</p> <p>RP-2000 disabled mortality 3 year set-forward with generational projections using scale AA</p> <p>1953 Railroad Retirement Board disabled life mortality table</p> |
|---|---|

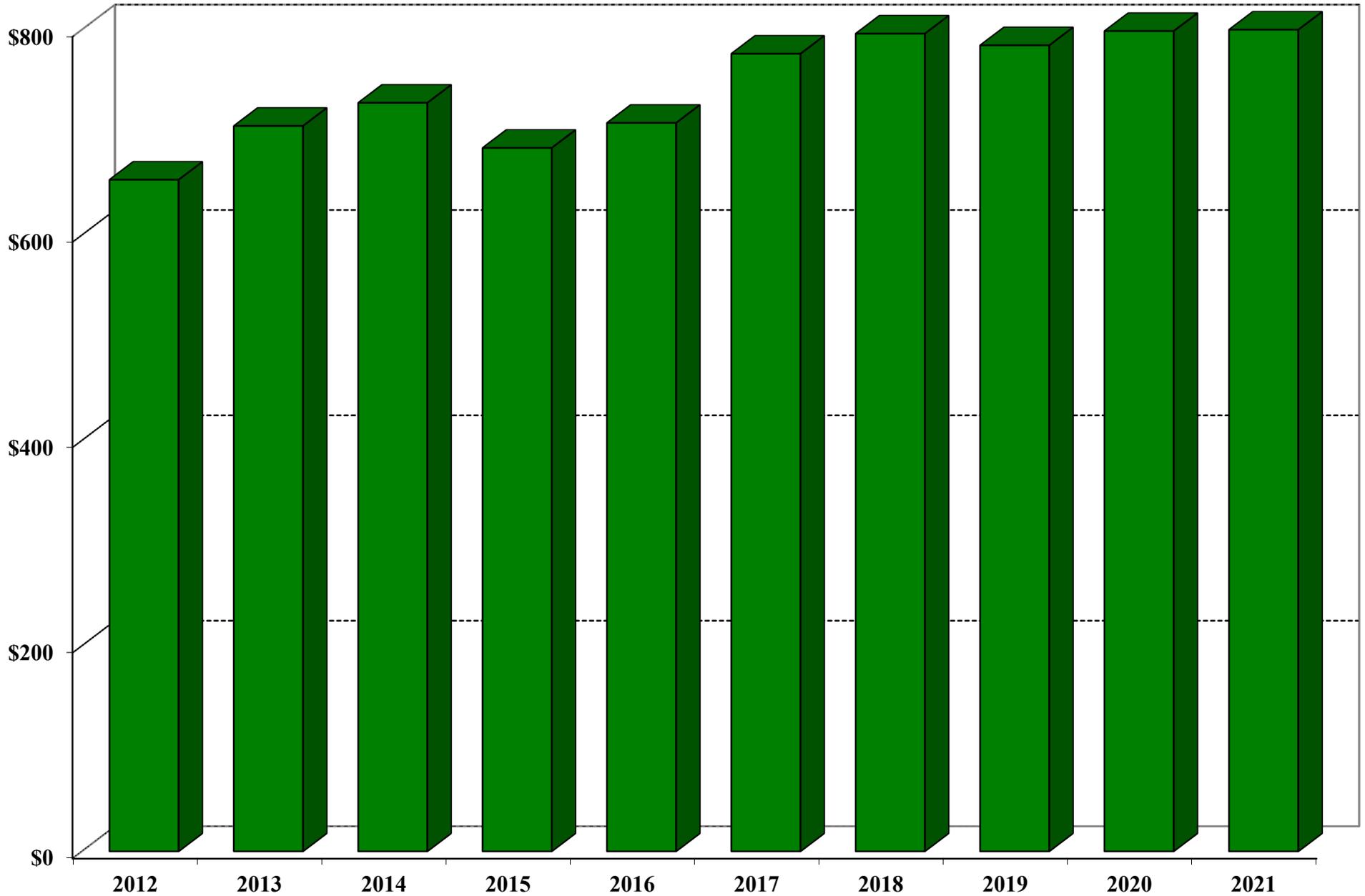
- Notes:
- (A) The System elected to report pension elements using the beginning of the year actuarial valuation as allowed by GASB 68. Therefore, the amounts presented were determined as of the ERS' fiscal years ended September 30, 2014 through 2020 actuarial valuations and projected to the end of the years.
- (B) The System implemented GASB 68 for the fiscal year ended September 30, 2015. Years will be added to this schedule in future fiscal years until 10 years of information is provided.

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
OTHER SUPPLEMENTAL INFORMATION

OTHER SUPPLEMENTAL INFORMATION SECTION

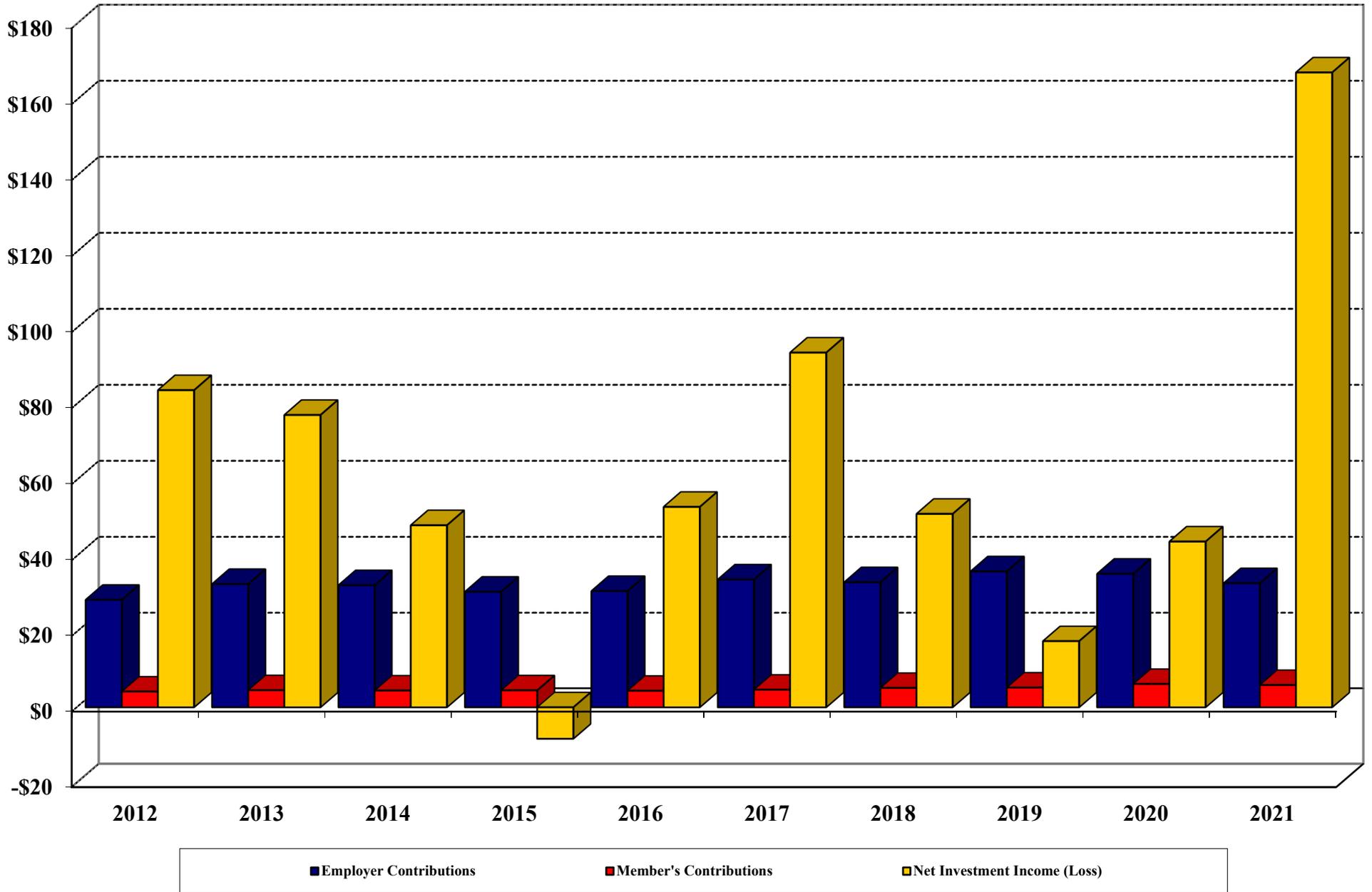
**THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
NET POSITION
SEPTEMBER 30**

\$ in Millions



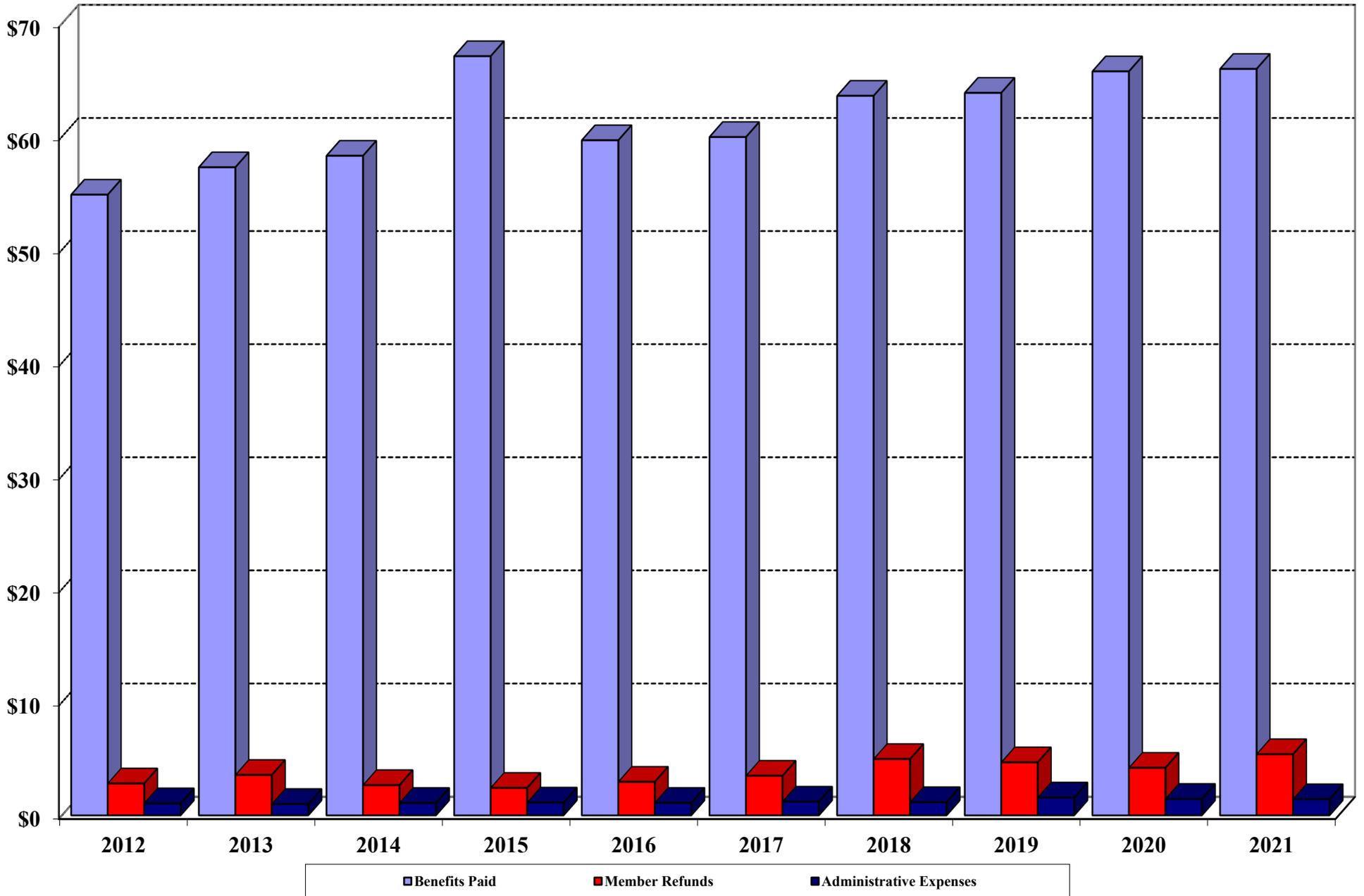
**THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
 ADDITIONS TO NET POSITION
 FOR THE YEARS ENDED SEPTEMBER 30**

\$ in Millions

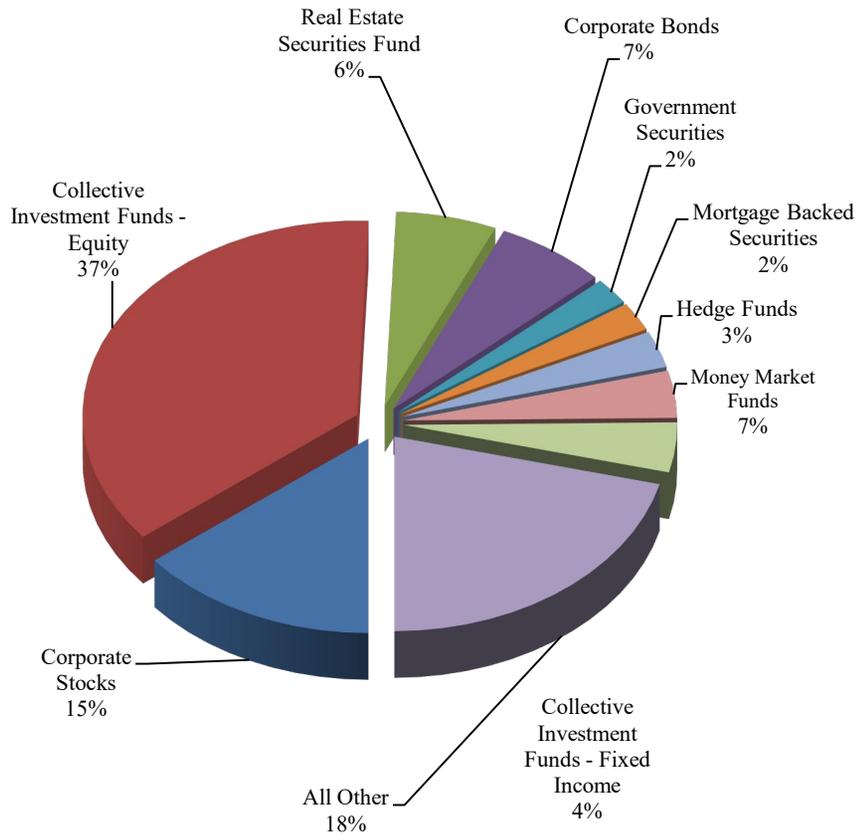


**THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
DEDUCTIONS FROM NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30**

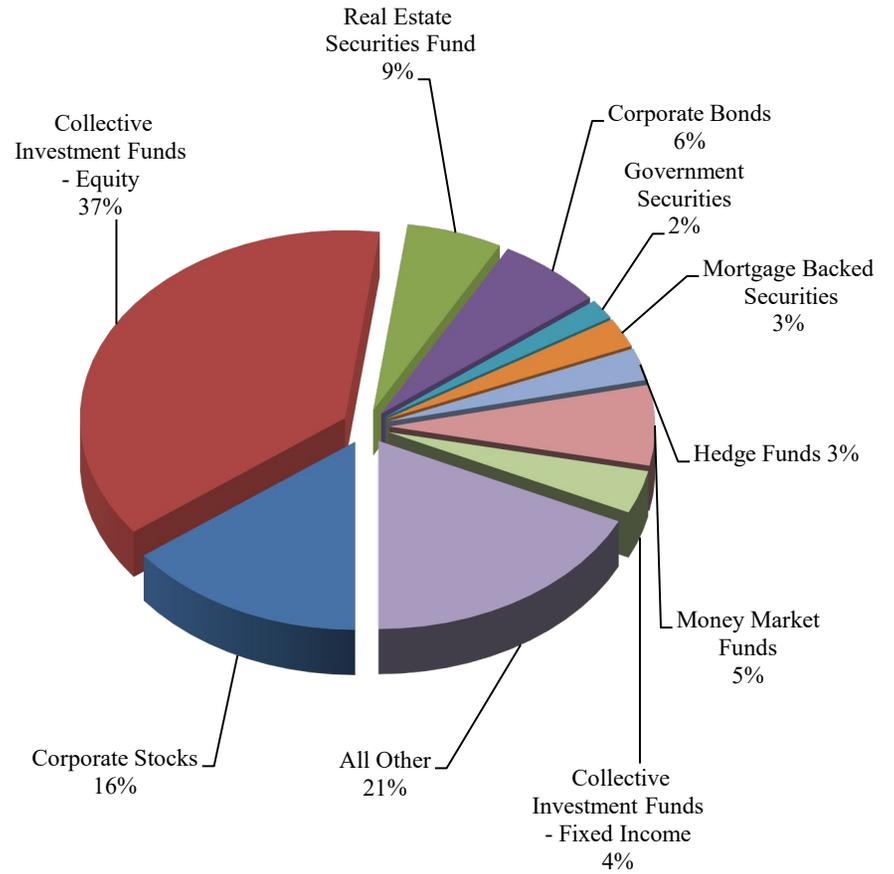
\$ in Millions



**THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
INVESTMENTS**



September 30, 2021



September 30, 2020

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
OTHER SUPPLEMENTAL INFORMATION

| | For The Years | |
|---|--------------------------|-----------------------|
| | Ended September 30 | |
| | 2021 | 2020 |
| BENEFITS PAID TO RETIREES AND BENEFICIARIES | | |
| Monthly annuity: | | |
| Accidental disability and death | \$ 5,064,449 | 4,963,043 |
| Advisor fees | 2,392,150 | 2,358,520 |
| Consultant fees | 2,187,452 | 2,220,782 |
| Dependents monthly benefits | 5,826,042 | 5,646,954 |
| Medical, surgical, and hospital | 97,587 | 55,691 |
| Ordinary disability | 453,540 | 626,310 |
| Service retirees | 45,289,701 | 45,229,848 |
| Total Monthly Annuity | <u>61,310,921</u> | <u>61,101,148</u> |
| Lump sum: | | |
| Accidental disability and death | 130,397 | 143,789 |
| Drop | 4,540,610 | 4,517,709 |
| Total Lump Sum | <u>4,671,007</u> | <u>4,661,498</u> |
| Total Benefits Paid To Retirees And Beneficiaries | <u>\$ 65,981,928</u> | <u>65,762,646</u> |
| ADMINISTRATIVE EXPENSES | | |
| Personnel costs: | | |
| Salaries | \$ 227,171 | 335,550 |
| Payroll taxes | 16,711 | 22,596 |
| Insurance - workers compensation | 2,832 | 4,865 |
| Employee benefits: | | |
| Pension expense | 92,258 | 64,031 |
| Group medical and life insurance | 16,843 | 26,993 |
| Total Personnel Costs | <u>355,815</u> | <u>454,035</u> |
| Bank charges | 12,842 | 12,666 |
| Board of Trustees account | 22,218 | 28,177 |
| Committee | 50,563 | 66,573 |
| Computer and website | 124,073 | 122,646 |
| Cost allocated from the City | 28,802 | 21,523 |
| Depreciation | 62,356 | 61,995 |
| Equipment rental and maintenance | 16,397 | 20,908 |
| Insurance | 74,418 | 80,661 |
| Medical reviews, consulting, and investigations | 160,723 | 66,897 |
| Office supplies and expenses | 11,990 | 18,168 |
| Post-retirement and employee health care benefits | 4,339 | 10,592 |
| Postage | 19,999 | 14,916 |
| Professional fees: | | |
| Accounting | 45,079 | 61,777 |
| Actuary | 99,150 | 53,820 |
| Investment consultant | 201,667 | 220,000 |
| Outside general counsel | 81,350 | 100,137 |
| Repairs and maintenance | 15,601 | - |
| Telephone | 8,049 | 7,251 |
| Utilities | 28,465 | 23,485 |
| Total Administrative Expenses | <u>\$ 1,423,896</u> | <u>1,446,227</u> |

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
OTHER SUPPLEMENTAL INFORMATION

INVESTMENT MANAGEMENT AND CUSTODIAL FEES

| | For The Years | |
|--|---------------------------|------------------|
| | Ended September 30 | |
| | 2021 | 2020 |
| Investment management fees: | | |
| Brandes Investment Partners | \$ - | 23,894 |
| CenterSquare Investment Management Company | - | 114,454 |
| Commerce Bank N.A. | 255,192 | 211,684 |
| Kennedy Capital Management, Inc. | 207,804 | 179,794 |
| Lazard Asset Management, Inc. | 228,967 | 198,945 |
| MFS Institutional Advisors, Inc. | 209,390 | 187,275 |
| Neumeier Poma Investment Counsel, LLC | 289,618 | 253,213 |
| Silchester International Investors, LLP | 415,117 | 417,184 |
| Wellington Trust Company, N.A. | 346,373 | 221,003 |
| Westfield Capital Management Company, L.P. | 221,680 | 199,300 |
| | 2,174,141 | 2,006,746 |
| Custodial fees: | | |
| The Northern Trust Company | 206,928 | 150,458 |
| Total Investment Management And Custodial Fees | \$ 2,381,069 | 2,157,204 |

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

- Crescent Capital Group (Partnership Interest)
- Dover Street IX (Partnership Interest)
- ElmTree Net Lease Fund IV, L.P. (Real Estate Separate Account)
- EnTrust Capital Diversified Fund QP, Ltd. (Hedge Fund)
- EnTrust Special Opportunities Fund III, L.P. (Hedge Fund)
- EnTrust Special Opportunities Fund IV, L.P. (Partnership Interest)
- Falcon E&P Opportunities Fund, L.P. (Partnership Interest)
- GQG International Equity Fund (Partnership Interest)
- Hancock Timberland and Farmland Fund, L.P. (Partnership Interest)
- IFM Global Infrastructure (U.S.), L.P. (Partnership Interest)
- MetLife Emerging Markets (Partnership Interest)
- Neuberger Berman Secondary Opportunities Fund III, L.P. (Partnership Interest)
- Neuberger Berman U.S. Equity Index PutWrite Fund, LLC (Hedge Fund)
- Parametric Defensive Equity Fund LLC (Partnership Interest)
- Petrocap Partners II, L.P. (Partnership Interest)
- Principal U.S. Property Account (Real Estate Separate Account)
- Salient Zarvona Energy Fund II-A, L.P. (Partnership Interest)
- Siguler Guff Small Buyout Opp IV, L.P. (Partnership Interest)
- Ullico Infrastructure Taxable Fund, L.P. (Partnership Interest)
- Zarvonia III-A, L.P. (Partnership Interest)

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
OTHER SUPPLEMENTAL INFORMATION

SUMMARY OF INSURANCE COVERAGE

| <u>Type</u> | <u>Policy Term</u> | <u>Coverage</u> |
|--|--------------------------------------|-----------------|
| Fiduciary liability | November 1, 2020 to November 1, 2021 | \$ 10,000,000 |
| Directors and Officers liability | November 1, 2020 to November 1, 2021 | 5,000,000 |
| Commercial general liability | November 1, 2020 to November 1, 2021 | 2,000,000 |
| Cyber and privacy liability | May 31, 2021 to May 31, 2022 | 3,000,000 |
| Umbrella liability | November 1, 2020 to November 1, 2021 | 1,000,000 |
| Employee dishonesty, forgery, and computer fraud | November 1, 2020 to November 1, 2021 | 1,000,000 |
| Non-owned automobile | November 1, 2020 to November 1, 2021 | 1,000,000 |
| Property: | | |
| Building | November 1, 2020 to November 1, 2021 | 2,618,091 |
| Personal property | | 1,805,650 |

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS
OTHER SUPPLEMENTAL INFORMATION

HISTORICAL TREND INFORMATION - 10 YEARS

Additions to net position:

| For The Years Ended September 30 | Contributions | | | Net Investment Income (Loss) | Total |
|---|----------------------|---------------------|---|---|--------------------|
| | Employer | Members | Portability And Restorations | | |
| 2021 | \$ 32,839,034 | \$ 5,269,928 | \$ 628,156 | \$ 167,070,589 | 205,807,707 |
| 2020 | 35,335,830 | 5,592,594 | 576,957 | 43,802,433 | 85,307,814 |
| 2019 | 35,970,630 | 5,110,119 | 118,319 | 17,514,881 | 58,713,949 |
| 2018 | 33,104,561 | 4,600,917 | 528,237 | 51,089,258 | 89,322,973 |
| 2017 | 33,826,528 | 4,456,241 | 197,727 | 93,520,079 | 132,000,575 |
| 2016 | 30,778,664 | 4,320,337 | 56,530 | 52,927,643 | 88,083,174 |
| 2015 | 30,600,069 | 4,202,023 | 285,919 | (8,325,611) | 26,762,400 |
| 2014 | 32,324,823 | 4,202,765 | 235,581 | 48,094,636 | 84,857,805 |
| 2013 | 32,629,036 | 4,270,446 | 251,125 | 77,112,248 | 114,262,855 |
| 2012 | 28,473,995 | 4,154,589 | 6,753 | 83,638,329 | 116,273,666 |

Deductions from net position:

| For The Years Ended September 30 | Benefits Paid | Refunds To Members | Admini- strative Expenses | Total |
|---|--------------------------|-------------------------------|--|-------------------|
| 2021 | \$ 65,981,928 | \$ 5,400,986 | \$ 1,423,896 | 72,806,810 |
| 2020 | 65,762,646 | 4,201,135 | 1,446,227 | 71,410,008 |
| 2019 | 63,865,309 | 4,683,627 | 1,572,951 | 70,121,887 |
| 2018 | 63,603,561 | 4,972,550 | 1,165,930 | 69,742,041 |
| 2017 | 59,959,184 | 3,493,396 | 1,206,161 | 64,658,741 |
| 2016 | 59,673,662 | 2,963,770 | 1,102,866 | 63,740,298 |
| 2015 | 67,107,828 | 2,425,249 | 1,125,310 | 70,658,387 |
| 2014 | 58,302,794 | 2,670,671 | 1,095,653 | 62,069,118 |
| 2013 | 57,283,047 | 3,566,809 | 999,324 | 61,849,180 |
| 2012 | 54,862,523 | 2,813,393 | 1,059,515 | 58,735,431 |

INTERNAL CONTROL AND COMPLIANCE SECTION

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

The Board of Trustees

THE POLICE RETIREMENT SYSTEM OF ST. LOUIS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States, the statements of fiduciary net position and the related statements of changes in fiduciary net position of **THE POLICE RETIREMENT SYSTEM OF ST. LOUIS** (the System), a component unit of the City of St. Louis, Missouri, as of and for the year ended September 30, 2020, and the related notes to financial statements, which collectively comprise the System’s basic financial statements, and have issued our report thereon dated March XX, 2022.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the System’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System’s internal control. Accordingly, we do not express an opinion on the effectiveness of the System’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the System’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

St. Louis, Missouri
March XX, 2022