



**CITY OF SPRINGFIELD, MISSOURI  
POLICEMEN'S AND FIREMEN'S PENSION PLAN**

Financial Statements and  
Required Supplementary Information

June 30, 2003

(With Independent Auditors' Report Thereon)

**CITY OF SPRINGFIELD, MISSOURI  
POLICEMEN'S AND FIREMEN'S PENSION PLAN**

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## Independent Auditors' Report

The Board of Trustees  
City of Springfield, Missouri  
Policemen's and Firemen's Pension Plan:

We have audited the accompanying statement of plan net assets of the City of Springfield, Missouri (the City) Policemen's and Firemen's Pension Plan (the Plan), a pension trust fund of the City, as of June 30, 2003, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

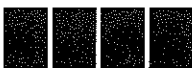
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Plan as of June 30, 2003, and the changes in plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The schedules of funding progress and employer contributions on page 7 are presented for additional analysis and are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied to the schedules of funding progress and employer contributions certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedules. However, we did not audit and do not express an opinion on such information. The Plan has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

**KPMG LLP**

Kansas City, Missouri  
November 21, 2003



**CITY OF SPRINGFIELD, MISSOURI  
POLICEMEN'S AND FIREMEN'S PENSION PLAN**

Statement of Plan Net Assets

June 30, 2003

Assets:

Investments:

Debt securities	\$ 66,373,551
Equity securities	44,491,858
Other investments	<u>7,040,772</u>

Total investments	117,906,181
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Cash and interest-bearing deposits	12,413
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Accrued interest	273,645
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Other assets	<u>315,005</u>
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Total assets	118,507,244
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Liabilities:

Accounts payable and other liabilities	<u>18,972</u>
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Net assets held in trust for pension benefits (an unaudited schedule of funding progress is presented on page 7)	<u>\$ 118,488,272</u>
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See accompanying notes to financial statements.

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POLICEMEN'S AND FIREMEN'S PENSION PLAN**

Statement of Changes in Plan Net Assets

Year ended June 30, 2003

Additions:	
Employer contributions	\$ 5,196,810
Member contributions	2,560,157
Net investment income:	
Net appreciation of investments	6,905,804
Interest and dividend income	3,702,453
Investment expenses	<u>(724,943)</u>
Net investment income	<u>9,883,314</u>
Total additions	<u>17,640,281</u>
Deductions:	
Benefit payments	10,126,772
Pension refunds	1,162,740
Administrative expenses	<u>17,433</u>
Total deductions	<u>11,306,945</u>
Increase in net assets	6,333,336
Net assets held in trust for pension benefits:	
Beginning of year	<u>112,154,936</u>
End of year	<u>\$ 118,488,272</u>

See accompanying notes to financial statements.

**CITY OF SPRINGFIELD, MISSOURI  
POLICEMEN'S AND FIREMEN'S PENSION PLAN**

Notes to Financial Statements

June 30, 2003

**(1) Plan Description and Provisions**

The City of Springfield, Missouri's (the City) policemen and firemen become members in the Policemen's and Firemen's Pension Plan (the Plan), a single-employer, defined benefit pension plan, as a condition of their employment. Operations of the Plan are governed by City ordinance and are administered by the Plan's nine member board of trustees. The board of trustees shall consist of an annually rotating seat held by either the chief of the police department or the chief of the fire department, or in the event the chief of either department is not a member of the policemen's and firemen's retirement system, then the highest ranking member of such department who is a member of the retirement system shall be designated by the department's chief to serve as the representative in lieu of such department's chief, two members of the police department, two members of the fire department, one former employee who is currently receiving benefits from the system, and three citizen members which shall be recommended by the city manager and approved by the city council, to be chosen from the professional community in the areas of law, accounting, financial management, investment management or actuarial analysis. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974. The Plan is considered part of the City financial reporting entity and is included in the City's basic financial statements as a pension trust fund.

Membership in the Plan as of June 30, 2003 is comprised of the following:

Retirees and beneficiaries currently receiving benefits and terminated vested members	412
Active members:	
Fully vested	355
Nonvested	186
Total active members	541

The following description of the Plan provides only general information. Participants should refer to the plan document and the pamphlet, *City of Springfield Policemen's and Firemen's Pension Plan Summary Plan Description*, for a more complete description of the Plan's provisions. Copies of the pamphlet are available from the City's Finance Department.

***Retirement Benefits***

Members become vested in the Plan after 10 years of service notwithstanding age, provided the last five years of service are continuous. Members are entitled to retirement benefits after 25 years of service, at age 50 after 20 years of service, or at age 60. Members with at least 10 years of service may elect to receive early retirement at reduced benefits at age 60. Normal retirement benefits are 2.8% of the average of a member's highest 3 years of salary within the last 10 years for each year of credited service, limited to 70% of average annual salary.

***Disability Benefits***

Nonduty disability benefits are available to members having at least three years of service who become totally and permanently disabled from nonduty causes. These benefits are 1 3/4% of the member's average

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Notes to Financial Statements

June 30, 2003

salary for each year of service, subject to a minimum of 25% and a maximum of 50%. Duty disability benefits are available to members, irrespective of the length of service, who become disabled as a direct result of occupational duties. Duty disability benefits are 66 2/3% of the member's salary in effect at the date of the disability, with an offset for any amounts payable under workers' compensation.

***Survivor's Benefits***

A pension equal to 50% of the member's average salary in effect at the date of death is payable to the surviving spouse until the spouse remarries if death occurs as a direct result of an act of duty. A pension of 10% of the member's salary is payable to each surviving child under the age of 18, subject to a maximum payment to a surviving spouse and children of 75% of the member's salary, with an offset for any amounts payable under workers' compensation. Survivor's pensions for nonduty connected deaths are 25% of average salary plus 1 1/8% of average salary for each year of service, provided the member had at least five years of service, subject to a maximum of 50% of average salary paid to the surviving spouse. 10% of the member's salary is payable to each surviving child under the age of 18, subject to a maximum payment of 60% of the member's salary to a surviving spouse and children for a nonduty death.

***Termination***

A member who terminates employment with the City and is not eligible for benefits from the Plan is paid, on demand and without interest, the member's contributions into the Plan. If the member has 10 years of service, the member may remain vested and elect to receive benefits payable commencing at the member's normal retirement date.

***Annual Adjustments***

Pension benefits are increased 3% each July over the amount paid in the preceding month of June, provided that the pension has been paid at least 12 months prior to the July change. For age and service retirement pensions, the 3% increase does not begin until the calendar year of the employee's 56th birthday. Surviving spouses and dependent children receiving benefits are also eligible for the increase.

**(2) Summary of Significant Accounting Policies**

***Basis of Accounting***

The Plan's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed which is when there is a legal commitment to contribute. Benefits are recognized when due and payable under terms of the Plan.

***Investments***

Investments are recorded at fair value, based on quoted market prices at the valuation date. There were no individual investments in excess of 5% of net assets as of June 30, 2003.

**CITY OF SPRINGFIELD, MISSOURI  
POLICEMEN'S AND FIREMEN'S PENSION PLAN**

Notes to Financial Statements

June 30, 2003

***Net Investment Income***

Security transactions are accounted for on the date the securities are purchased or sold (i.e., trade date). Dividend income is recorded on the ex-dividend date. Income from other investments is recorded as earned on an accrual basis.

***Risks and Uncertainties***

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**(3) Employer and Employee Contributions**

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

Members were required to contribute 10.64% of their annual salary to the Plan for the year ended June 30, 2003. The City is required to contribute the remaining amounts necessary to fund the Plan using the entry age normal actuarial method as specified by ordinance.

During the year ended June 30, 2003, contributions totaling \$7,756,967 (\$5,196,810—employer and \$2,560,157—members) were made in accordance with contribution requirements determined by an actuarial valuation of the Plan as of June 30, 2001. The annual pension cost was equal to the required and actual contribution. Employer contributions represented 20.74% of the current year covered payroll, and employee contributions represented 10.64% of covered payroll. Administrative costs of the Plan are funded by investment income.

**(4) Investments**

The City's investment policies are governed by the City Charter and management policies. Permissible investments include obligations of the U.S. Government, State of Missouri, City of Springfield, bonds, bills, or notes guaranteed by the U.S., state or city governments, certificates of deposit, repurchase agreements, bankers' acceptances, and commercial paper. The City purchases investments from SEC-registered broker-dealers and banks.

As of June 30, 2003, the City pension plan investments include investments in external investment pools and mutual funds that cannot be categorized because the entity is not issued securities but rather is a registered shareholder.

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Required Supplementary Information (Unaudited)

June 30, 2003

**Schedule of Funding Progress**  
*(In Thousands)*

Actuarial valuation date	(a) Actuarial value of assets	(b) Entry age actuarial accrued liability	(a/b) Funded ratio	(b-a) Unfunded accrued liability (UAL)	(c) Annual covered payroll	[(b-a)/c] UAL as a percentage of covered payroll
6/30/98	\$ 107,955	136,533	79%	\$ 28,578	17,894	160%
6/30/99	116,425	150,253	77	33,828	18,448	183
6/30/00	124,462	159,782	78	35,320	19,046	185
6/30/01	129,480	168,345	77	38,865	20,222	192
6/30/02	129,854	179,126	72	49,272	22,142	223
6/30/03	129,849	195,975	66	66,126	22,817	290

**Schedule of Employer Contributions**  
*(In Thousands)*

Fiscal year June 30	Annual required contribution	Percent contributed
1998	\$ 3,686	100%
1999	3,945	100
2000	4,050	100
2001	4,497	100
2002	4,494	100
2003	5,197	100

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Required Supplementary Information (Unaudited)

June 30, 2003

The information presented in the required supplementary information was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2003
Actuarial cost method	Entry age
Amortization method	Level percent; closed
Remaining amortization period	35 years
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases, depending on age, attributable to seniority/merit	4.25% per year, with an additional 1% during each of the first six years of service
Projected salary increases, attributable to inflation	3.0%
Increase in benefits per year after retirement	3.0%

