

**CITY OF SPRINGFIELD, MISSOURI**  
**POLICE OFFICERS' AND FIRE FIGHTERS'**  
**RETIREMENT FUND**

**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL INFORMATION**

**June 30, 2011**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Trustees  
City of Springfield, Missouri  
Police Officers' and Fire Fighters' Retirement Fund  
Springfield, Missouri

We have audited the accompanying statement of plan net assets of the City of Springfield, Missouri (the City) Police Officers' and Fire Fighters' Retirement Fund (the Plan), a pension trust fund component unit of the City of Springfield, Missouri, as of June 30, 2011, 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 opinions 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 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 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 opinions.

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, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

The Board of Trustees  
City of Springfield, Missouri  
Police Officers' and Fire Fighters' Retirement Fund  
Springfield, Missouri

Management's Discussion and Analysis on pages 6 through 10 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The schedules of funding progress and employer contributions on pages 27 and 28 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 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 the information, and express no opinion on it.

*Davis, Lynn & Moots, P.C.*

DAVIS, LYNN & MOOTS, P.C.  
September 16, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

We are pleased to present a narrative overview and analysis of the financial activities of the City of Springfield Police Officers' and Firefighters' Retirement System for the fiscal year ending June 30, 2011. We believe this information, in conjunction with the financial statements and the notes to the financial statements provides the reader with a clear assessment of the Plan's overall financial status.

### FINANCIAL HIGHLIGHTS

- Plan net assets, which represent funds available to pay current and future benefits were \$191 million as of the end of the fiscal year. This is an increase of \$50.5 million, or 36% from the prior year.
- Total Additions to Plan Net Assets, as reflected in the Statement of Changes in Plan Net Assets are \$68.6 million. This is an increase of \$22.7 million from 2010. This increase is primarily a result of an increase in net investment income of \$20.3 million and an increase in Public Safety Sales Tax of \$20.7 million.
- Total deductions to Net Assets totaled \$18.1 million, a 3% increase from last year. Retirement benefit payments totaled \$16.6 million and refunds of employee contributions totaled \$1.3 million.
- During the fiscal year the return on investments was 18.9%, on a market value basis, net of fees.
- As of June 30, 2011, the funded status of the plan (the ratio of plan assets to plan liabilities) was 54%, an increase of 5% from the prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to help the reader understand the purpose of the key components within the financial statements of the City of Springfield Police Officers' and Firefighters' Retirement System. The financial statements are comprised of the following:

*The Statement of Plan Net Assets* presents assets and liabilities by major categories as of the end of the fiscal year. The difference between assets and liabilities is the net assets held in trust for pension payments. Over time, increases or decreases in net assets can be monitored to determine whether the Plan's financial condition is improving or deteriorating.

*The Statement of Changes to Plan Net Assets* provides information on the increases and decreases that caused the change in net assets during the fiscal year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

*The Notes to the Basic Financial Statements* are an integral part of the financial statements. The notes provide important detailed and background information that is essential to the full understanding of the data provided in the financial statements. The notes also contain information pertaining to the Plan's actuarial methods and assumptions including data on the funded status of the plan.

*Required Supplementary Information* – The Schedule of Funding Progress includes historical trend information about the actuarially funded status of the Plan, and the progress made in accumulation of sufficient assets to pay benefits when due. The Schedule of Employer Contributions provides historical information about the annual required contributions of the City of Springfield. Both of these schedules help promote understanding of the changes in the funded status of the plan over time.

### FINANCIAL ANALYSIS

#### *PLAN NET ASSETS*

Table 1 is the condensed comparative Statement of Plan Net Assets for the fiscal years ended June 30, 2011, and June 30, 2010.

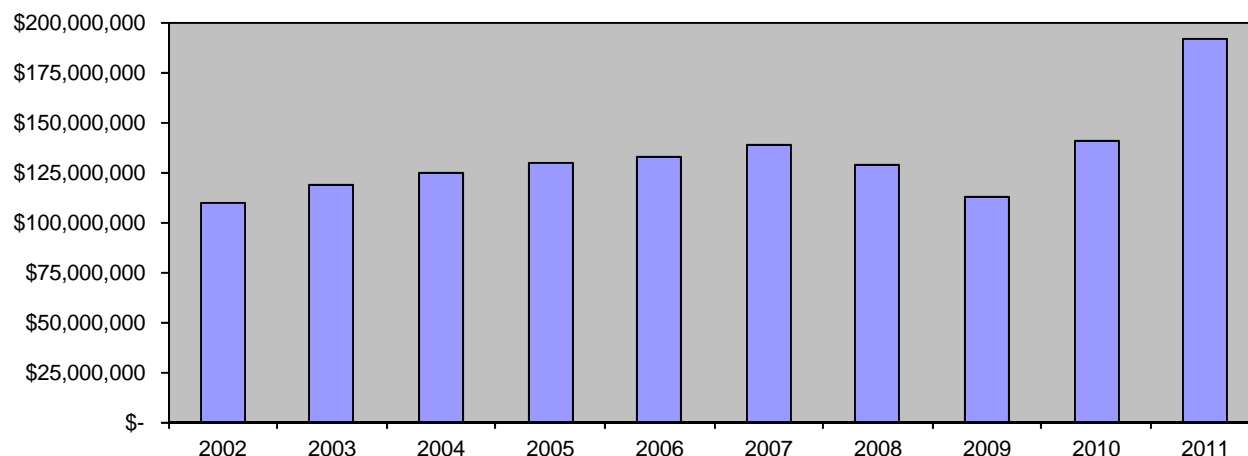
**TABLE 1 – NET ASSETS**

	6/30/2011	6/30/2010	Increase/ (Decrease)
<b>ASSETS</b>			
Cash and interest bearing deposits	\$ 6,409,737	\$ 6,214,110	\$ 195,627
Investments	180,267,606	130,050,274	50,217,332
Due from other funds	4,215,756	4,038,384	177,372
Other assets	286,430	342,296	(55,866)
TOTAL ASSETS	191,179,529	140,645,064	50,534,465
<b>LIABILITIES</b>			
Accounts payable and other liabilities	11,968	10,876	1,092
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 191,167,561	\$ 140,634,188	\$ 50,533,373

Plan net assets increased \$50.5 million or 36% over the prior fiscal year. The increase is primarily a result of a increase in the market value of assets and an increase in sales tax revenue.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**NET ASSETS HELD IN TRUST FOR PENSION BENEFITS**



**ADDITIONS TO PLAN NET ASSETS**

Table 2 is the condensed comparative Statement of Changes in Plan Net Assets for the fiscal years ending June 30, 2011 and June 30, 2010.

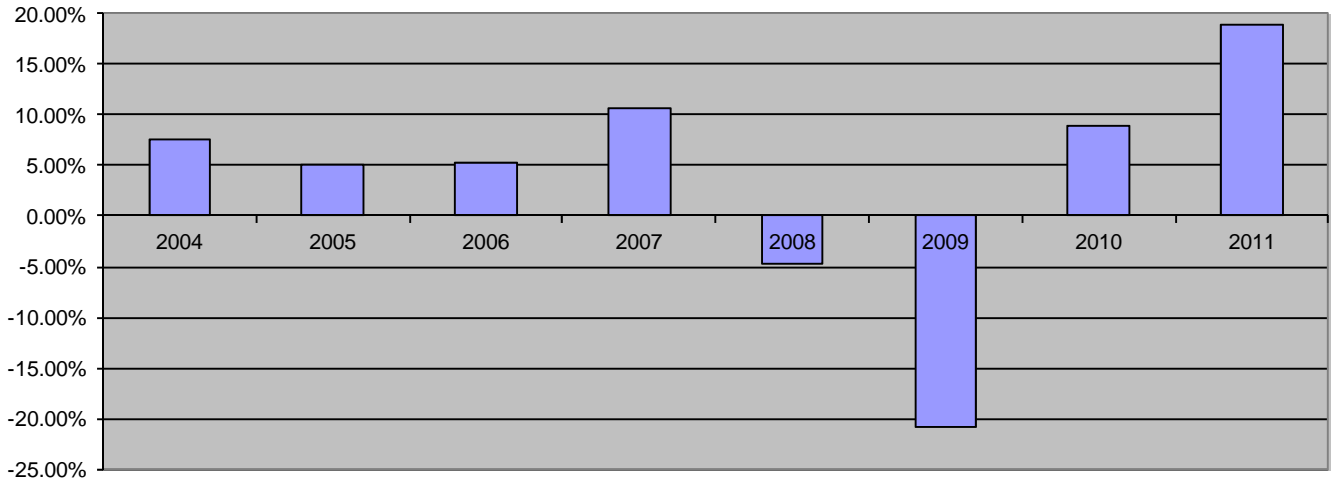
**TABLE 2 – CHANGES IN PLAN NET ASSETS**

	<u>6/30/2011</u>	<u>6/30/2010</u>	Increase/ (Decrease)
<b>ADDITIONS</b>			
Employer Contributions	\$ 7,859,176	\$ 26,322,119	\$ (18,462,943)
Member Contributions	2,991,273	2,772,203	219,070
Public safety sales tax	26,282,689	5,594,736	20,687,953
Net Investment Income	<u>31,483,443</u>	<u>11,184,522</u>	<u>20,298,921</u>
<b>TOTAL ADDITIONS</b>	<b>68,616,581</b>	<b>45,873,580</b>	<b>22,743,001</b>
<b>DEDUCTIONS</b>			
Benefit Payments	16,603,322	16,170,259	433,063
Pension Refunds	1,322,514	1,237,358	85,156
Administrative Expenses	<u>157,372</u>	<u>201,962</u>	<u>(44,590)</u>
<b>TOTAL DEDUCTIONS</b>	<b><u>18,083,208</u></b>	<b><u>17,609,579</u></b>	<b><u>473,629</u></b>
<b>INCREASE IN NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b><u><u>\$ 50,533,373</u></u></b>	<b><u><u>\$ 28,264,001</u></u></b>	<b><u><u>\$ 22,269,372</u></u></b>

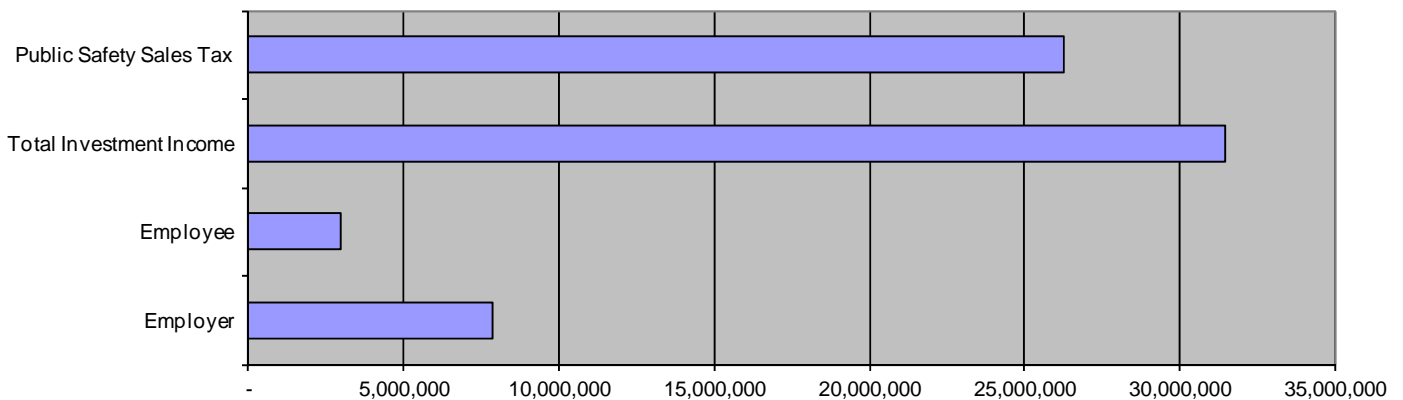
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

For the fiscal year ending June 30, 2011, contributions to the Plan net assets were \$10.9 million. This is a decrease of \$18.3 million from the prior year. The decrease is a result of employer contributions decreasing \$18.3 million. The return on investments, net of fees, was 18.9% compared to 8.84%, (20.8%), (4.9%), 10.7% and 5.31% in 2010, 2009, 2008, 2007 and 2006, respectively.

NET INVESTMENT RETURNS



ADDITIONS TO PLAN NET ASSETS



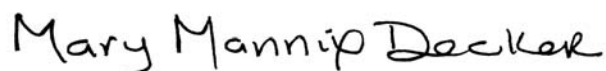
## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### *DEDUCTIONS TO NET PLAN ASSETS*

Deductions to net plan assets were \$18.1 million. This is an increase of \$473,629 over the prior fiscal year. Pension benefits increased \$433,063 as members received a 3% cost of living adjustment on July 1, 2010. Administrative expenses decreased \$44,590 while pension contribution refunds increased \$85,156.

### *Requests for Additional Information*

This financial report is designed to provide a general overview of the City of Springfield Police Officers' and Firefighters' Retirement System to all parties with an interest, and to demonstrate accountability to the community. Questions regarding any information provided in this report or requests for additional financial information should be directed to Director of Finance, City of Springfield Finance Department, 840 Boonville Avenue, Springfield, Missouri 65802.



Mary Mannix Decker  
Director of Finance

## **FINANCIAL INFORMATION**

CITY OF SPRINGFIELD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
STATEMENT OF PLAN NET ASSETS  
June 30, 2011

ASSETS

Investments

Debt securities	\$ 17,418,665
Equity securities	147,318,254
Government securities	<u>15,530,687</u>

TOTAL INVESTMENTS 180,267,606

Cash and interest-bearing deposits	6,409,737
Due from other funds	4,215,756
Accrued interest	<u>286,430</u>

TOTAL ASSETS 191,179,529

LIABILITIES

Accounts payable and other liabilities	<u>11,968</u>
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS \$ 191,167,561

See accompanying notes.

CITY OF SPRINGFIELD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
STATEMENT OF CHANGES IN PLAN NET ASSETS  
Year Ended June 30, 2011

ADDITIONS

Employer contributions - plan 1	\$ 7,812,984
Employer contributions - plan 2	46,192
Member contributions - plan 1	2,979,941
Member contributions - plan 2	11,332
Public safety sales tax	26,282,689
	<hr/>
TOTAL CONTRIBUTIONS	37,133,138

Net investment income:

Net appreciation in fair value of investments	30,376,721
Interest and dividend income	1,684,796
Investment expenses	(578,074)
	<hr/>

TOTAL INVESTMENT INCOME 31,483,443

TOTAL ADDITIONS 68,616,581

DEDUCTIONS

Benefit payments	16,603,322
Pension refunds	1,322,514
Administrative expenses	157,372
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TOTAL DEDUCTIONS 18,083,208

INCREASE IN NET ASSETS 50,533,373

NET ASSETS HELD IN TRUST

FOR PENSION BENEFITS, July 1, 2010 

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 140,634,188

NET ASSET HELD IN TRUST

FOR PENSION BENEFITS, June 30, 2011 

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 \$ 191,167,561

See accompanying notes.

CITY OF SPRINGFIELD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan participant contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable under terms of the Plan.

Method Used to Value Investments

Investments are recorded at fair value, based on quoted market prices at the valuation date. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. There were no individual investments in excess of 5% of net assets as of June 30, 2011.

Net Investment Income

Security transactions are accounted for on the date the securities are purchased or sold. 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.

NOTE B – CASH AND INVESTMENTS

The Trustees recommend the appropriate assets types to City Council for their approval. The Board of Trustees may add, delete or change asset classes within those asset types at their discretion at any time within the parameters established by the City Council. In selecting asset classes, the Trustees will choose asset classes reasonably designed to further the purposes of the Plan, taking into account the risk of loss and opportunity for gain associated with the asset classes, the composition of the available asset classes with regard to the Plan's opportunity to meet its objectives without exceeding the risk tolerance permitted and still achieving diversification of the Plan's investment portfolio. Also, the Trustees will take into account the liquidity, current, and projected return with respect to the asset classes, relative to the objectives of the Plan.

CITY OF SPRINGFIELD, MISSOURI  
 POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

NOTE B – CASH AND INVESTMENTS (continued)

The asset classes, target asset allocation and ranges to be used in the Plan are shown below. The Trustees may change the asset classes and target at any time within the parameters established by the City Council. All percentages are based on market values. The portfolios will be rebalanced any time they are not within the appropriate ranges. Each investment manager may hold cash under the guidelines set out below, but that cash shall be considered invested in the asset class assigned. The asset classes and targets established are as follows:

<u>Asset Type and Class</u>	<u>Range</u>	<u>Target</u>
Equities:	45% - 75%	
Large Cap		30.00%
Small Cap		10.00%
International Equities		15.00%
Emerging Markets		5.00%
Fixed Income:	25% - 40%	
Domestic		21.75%
International		10.75%
Alternatives:	0% - 15%	
Real Estate		7.50%
Hedge Funds		0.00%

At June 30, 2011, the bank balances of the Plan's deposits totaled \$6,409,737. Of this amount \$500,000 was covered by FDIC insurance and \$5,909,737 was supported by collateral, held by banks in the Plan's name that do not hold the collateralized deposits.

The Plan's investment policies are governed by the City Charter and management policies. The Plan purchases investments from SEC-registered broker-dealers and banks. Plan investments also 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.

CITY OF SPRINGFIELD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE B – CASH AND INVESTMENTS (continued)

The Plan's investments at June 30, 2011, mature as follows:

Investment Type	Fair Value	Investment Maturities			
		1 Year	Less Than 5 Years	10 Years	More Than 10 Years
U.S. Treasury Obligations	\$ 13,590,855	\$ -	\$ -	\$ 5,847,872	\$ 7,742,983
Domestic:					
Corporate Debt Obligations	16,399,481	-	6,437,632	5,707,198	4,254,651
Municipal Debt Obligations	1,939,832	-	551,311	976,496	412,025
Foreign:					
Corporate Debt Obligations	1,019,184	-	819,826	199,358	-
Index Funds:					
Russell 2000	24,235,216	24,235,216	-	-	-
S&P 500 Flagship NI	53,841,222	53,841,222	-	-	-
Dow Jones Ubs Commodity	5,380,884	5,380,884	-	-	-
Prudential - PRISA	9,312,256	9,312,256	-	-	-
Pictet International Equity Fund	36,009,238	36,009,238	-	-	-
Brandywine International	18,539,438	18,539,438	-	-	-
<b>TOTAL</b>	<b>\$ 180,267,606</b>	<b>\$ 147,318,254</b>	<b>\$ 7,808,769</b>	<b>\$ 12,730,924</b>	<b>\$ 12,409,659</b>

**Interest Rate Risk:** As a means of limiting its exposure to interest rate risk, the Plan diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The Plan coordinates its investment maturities to closely match cash flow needs.

**Credit Risk:** The Plan policy limits investments to those authorized by State statutes for purchase by life insurance or casualty companies in the state so that no more than two percent of the admitted assets of the system may be invested in the common stock of any one corporation. The Plan also limits the amount available for investment in small capital stocks.

CITY OF SPRINGFIELD, MISSOURI  
 POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

NOTE B – CASH AND INVESTMENTS (continued)

Investment Type	Rating	Percentage
Domestic:		
Corporate Debt Obligations	BBB or higher	9%
Municipal Debt Obligations	AA or higher	1%
Foreign:		
Corporate Debt Obligations	BBB or higher	less than 1%
Index Funds:		
Russell 2000 Fund	N/A	13%
S&P 500 Flagship NI Fund	N/A	30%
Dow Jones Usb Commodity Fund	N/A	3%
Prudential - PRISA	N/A	5%
Pictet International Equity Fund	BBB or higher	20%
Brandywine	N/A	10%

All investments shown in the preceding schedule have a rating as shown or higher for each given category. The Plan avoids a concentration of credit risk by diversifying its investments by security type and institution. In addition, as of June 30, 2011 the Plan had not invested over five percent of its assets in any one entity.

NOTE C – PLAN DESCRIPTION AND PROVISIONS

Prior to the closing of the Plan to new entrants on January 31, 2010, the City of Springfield, Missouri's police officers and fire fighters became participants in the Police Officers' and Fire Fighters' Retirement Fund, a single-employer, defined benefit pension plan, as a condition of their employment. Members hired on or after June 1, 2006, have voluntarily left the Plan and are currently participants in the LAGERS Pension System. Operations of the Plan are governed by City ordinance and are administered by the Plan's Board of Trustees. The Board of Trustees consists of a member of the City Council designated by the Mayor to act as a liaison, one current member of the police department, one current member of the fire department, one former employee who is currently receiving benefits from the system, and six citizens recommended by the City Manager and approved by the City Council. 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.

CITY OF SPRINGFIELD, MISSOURI  
 POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

NOTE C – PLAN DESCRIPTION AND PROVISIONS (continued)

Membership in the Plan as of June 30, 2011, is comprised of the following:

	<u>Police Officers</u>	<u>Firefighters</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits and terminated vested members	<u>234</u>	<u>263</u>	<u>497</u>
Active members:			
Fully vested	230	164	394
Nonvested	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ACTIVE MEMBERS	<u>230</u>	<u>164</u>	<u>394</u>

The following description of the Plan provides only general information. The Plan was amended effective June 1, 2006, and March 8, 2010. These amendments establish changes that will affect Plan participants joining after June 1, 2006. Participants should refer to the plan document and the pamphlet, *City of Springfield Police Officers' and Fire Fighters' Retirement Fund 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

Participants become vested in the Plan after five years of service. Participants are entitled to retirement benefits after 25 years of service, at age 50 after 20 years of service, or at age 60. Participants with at least 5 years of service may elect to receive early retirement at reduced benefits at age 55. Normal retirement benefits are 2.8% of the average of a participant's highest 3 years of salary within the last 10 years for each year of credited service, limited to 70% of average annual salary.

Members hired on or after June 1, 2006, have been removed from the Plan and are currently participants in the LAGERS Pension System. Their contributions to this plan have been refunded and they are no longer due any benefits.

Disability Benefits

Non-duty disability benefits are available to participants having at least three years of service who become totally and permanently disabled from non-duty causes. These benefits are 1 3/4% of the participant's average salary if the participant retired prior to January 1, 2005, and 7/8 of the percentage multiplier rate for the normal service retirement benefit, including the additional 3/10% multiplier for each year of service, subject to a minimum of 25% and a maximum of 50%.

CITY OF SPRINGFIELD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE C – PLAN DESCRIPTION AND PROVISIONS (continued)

With respect to any participant commencing employment on or after January 1, 2005, and before June 1, 2006, and having at least five years of service who becomes totally and permanently disabled from non-duty causes shall be entitled to a non-duty disability pension. This pension shall be payable during the lifetime of the participant, provided the disability continues. The pension for participants commencing employment on or after January 1, 2005, and before June 1, 2006, shall be equal to seven-eighths (7/8) of the percentage multiplier rate for the normal service retirement benefit in effect at the time of the granting of the non-duty disability pension, including the additional three-tenths percent (0.3%) multiplier amount referenced in Section 2-455(d), times the average salary for each year of service, subject to a minimum benefit of twenty-five percent (25%) of average salary and a maximum benefit of fifty percent (50%) of average salary.

Duty disability benefits are available to participants, 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 participant's salary in effect at the date of the disability, with an offset for any amounts payable under worker's compensation.

Survivor's Benefits

A pension equal to 50% of the participant'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 participant'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 participant's salary, with an offset for any amounts payable under workers' compensation. Survivor's pensions for non-duty connected deaths are 25% of average salary plus 1 and 1/8% of average salary for each year of service, provided the participant had at least five years of service, subject to a maximum of 50% of average salary paid to the surviving spouse. 10% of the participant's salary is payable to each surviving child under the age of 18, subject to a maximum payment of 60% of the participant's salary to a surviving spouse and children for a non-duty death.

Termination

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

CITY OF SPRINGFIELD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE C – PLAN DESCRIPTION AND PROVISIONS (continued)

Annual Adjustments

Plan participants entering the Plan prior to June 1, 2006, will have pension benefits 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 56<sup>th</sup> birthday. Surviving spouses and dependent children receiving benefits are also eligible for the increase.

Plan participants entering the Plan on or after June 1, 2006, and before February 1, 2010, have been removed from the Plan and are currently participating in LAGERS Pension System. Their contributions to this Plan have been refunded and they are no longer due any benefits.

Police officers and firefighters hired on or after February 1, 2010, are provided a retirement plan through the Local Government Employees Retirement System (LAGERS).

NOTE D – 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.

Participants entering the Plan prior to June 1, 2006, were required to contribute 13.35% of their annual salary to the Plan for the year ended June 30, 2011. The City may, at their discretion, 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, 2011, contributions totaling \$37,133,138 were made to the Plan. The employer's actual contributions of \$7,859,176 in employer contribution and \$26,282,689 in public safety sales tax revenue met the annual required employer's contributions of \$12,972,229 as determined by the Plan's actuary, decreasing the net pension obligation by \$20.9 million. The net pension obligation totaled \$(39,904,669) with the current year's increase along with interest added and other actuarial adjustments. Employer contributions represented 38.3% and employee contributions represented 14.5% of covered payroll for the fiscal year. Administrative costs of the Plan are funded by investment income.

CITY OF SPRINGFIELD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE E – OTHER PENSION RELATED DISCLOSURES

The Plan had an actuarial valuation performed as of June 30, 2011. This valuation was based on the following assumptions:

**Actuarial Methods**

Following are brief descriptions of the actuarial cost and asset valuation methods used in the valuation.

Actuarial Cost Method

The Entry Age Normal Cost Method on an individual basis is used. Normal costs are computed as a level percentage of pay.

The Unfunded Entry Age Accrued Liability is amortized as a level dollar amount over a 20 year closed period measured from June 30, 2010. Each year, the amortization period will decrease by 1 until it reaches 0 years as of June 30, 2030.

Asset Valuation Method

An asset valuation method is used to help smooth short-term fluctuations in market value.

The actuarial value of assets is equal to the prior year's actuarial value of assets adjusted as follows:

1. increased with actual contributions for the year;
2. reduced by actual benefit payments and expenses for the year;
3. increased by investment income equal to the assumed rate of return multiplied by the beginning market value;
4. increased by phased-in investment gains / (losses)

Each year, the amount of investment income to be phased in is equal to the excess of the plan's actual investment performance in excess of the amount credited under item 3) above. 25% of this amount plus 25% of the similar amounts calculated in each of the three preceding years are summed and recognized as the amount of phased-in gains recognized in the current year. There is no specific corridor around market value in which the resulting value must fall.

The actuarial value of assets was reset to the market value of assets for the June 30, 2007, valuation.

CITY OF SPRINGFIELD, MISSOURI  
 POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

NOTE E – OTHER PENSION RELATED DISCLOSURES (continued)

**Actuarial Assumptions**

Following are the primary actuarial assumptions used in performing the valuation.

Interest Rate 7.5% per annum, net of investment expenses

Annual Pay Increases

<u>Years of Service</u>	<u>Fire</u>	<u>Police</u>
1	7.5%	7.5%
2	7.5%	7.5%
3	7.5%	7.5%
4	7.5%	7.5%
5	7.5%	7.5%
6	7.5%	7.5%
7	4.5%	7.5%
8	4.5%	7.5%
9	4.5%	4.5%
10	4.5%	4.5%
11	3.0%	4.5%
12	3.0%	4.5%
13 and later	3.0%	3.0%

Final Average Salary Adjustment

For Fire Members, the Average Salary at retirement is increased by a factor of 1.09 for Members 40 and older and a factor of 1.03 for Members younger than 40.

For Police Members, the Average Salary at retirement is increased to reflect the assumption that each participant will have the maximum accrual paid out from their continuous operating holiday balance. For Members 40 and older, the maximum accrual amount is tripled.

Mortality

RP-2000 Employees, Healthy annuitant and Disabled Mortality Tables, male and female rates.

CITY OF SPRINGFIELD, MISSOURI  
 POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

NOTE E – OTHER PENSION RELATED DISCLOSURES (continued)

Turnover

Separation from service for reasons other than disability, death, or age/service retirement. Rates at selected ages:

<u>Age</u>	<u>Percentage Terminating in the Next Year</u>	
	<u>Police</u>	<u>Fire</u>
25	5.27%	1.75%
30	4.83%	1.61%
35	4.47%	1.49%
40	3.84%	1.28%
45	3.21%	1.07%
50	1.52%	0.51%
55	0.33%	0.11%

Forfeiture of City Provided Benefit

A vested member who terminates employment may elect to receive a return of his/her own contributions and forfeit any City-provided benefit. The portion of members making such election at selected ages:

<u>Age</u>	<u>Percentage Electing ROC</u>
35 and under	100%
36-54	grading from 95% to 5%
55 and over	0%

Rate of Disability

Probability of becoming disabled during the next year. Rates at selected ages:

<u>Age</u>	<u>Percentage Becoming Disabled in Next Year</u>
20	0.25%
25	0.29%
30	0.34%
35	0.43%
40	0.58%
45	0.89%
50	1.86%
55	3.80%

100% of all disabilities are assumed to be duty related.

Workers Compensation offset to the plan disability benefit is assumed to be zero.

CITY OF SPRINGFIELD, MISSOURI  
 POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

NOTE E – OTHER PENSION RELATED DISCLOSURES (continued)

Rates of Retirement

Probability of an eligible member retiring under the age/service provisions during the next year. Rates are as follows:

<u>Age</u>	<u>Percentage Retiring in Next Year</u>
45	20%
46	20%
47	25%
48	25%
49	25%
50	30%
51	25%
52	25%
53	25%
54	35%
55	60%
56	60%
57	60%
58	60%
59	60%
60	100%

Dependent Information

For retired members, actual marital status and spouse birth date are used. For active members, 90% are assumed to be married, with males assumed three years older than their spouses. Members are assumed to have no dependent children.

Cost-of-Living Adjustment (COLA)

Automatic 3% COLA reflected

CITY OF SPRINGFIELD, MISSOURI  
 POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

NOTE E – OTHER PENSION RELATED DISCLOSURES (continued)

The actuarial valuation revealed the following relating to the financial position of the Plan (presented 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
6/30/11	183,460	340,163	54%	156,703	20,498	765%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The information contained in the multi-year trend information was derived based on the actuarial methods and assumptions noted above. The projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitations.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF SPRINGFIELD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
SCHEDULE OF FUNDING PROGRESS (IN THOUSANDS)  
June 30, 2011

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
6/30/99	\$ 116,425	\$ 150,253	77%	\$ 33,828	\$ 18,448	183%
6/30/00	124,462	155,782	80%	31,320	19,046	164%
6/30/01	129,480	168,345	77%	38,865	20,222	192%
6/30/02	129,854	179,126	72%	49,271	22,142	223%
6/30/03	129,849	195,975	66%	66,126	22,817	290%
6/30/04	130,419	238,755	55%	108,336	24,105	449%
6/30/05	130,496	250,850	52%	120,353	23,866	504%
6/30/06	133,494	263,814	51%	130,320	23,747	549%
6/30/07	138,891	277,862	50%	138,971	23,864	582%
6/30/08	140,780	295,580	48%	154,800	24,696	627%
6/30/09	147,198	316,681	47%	169,483	23,826	711%
6/30/10	160,365	328,043	49%	167,678	20,970	800%
6/30/11	183,460	340,163	54%	156,703	20,498	765%

See Plan document for effect of changes in benefits provided as a result of revisions to the Plan in the years ended June 30, 2006 & 2010.

CITY OF SPRINGFIELD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT FUND  
SCHEDULE OF EMPLOYER CONTRIBUTIONS (IN THOUSANDS)  
June 30, 2011

<u>Year Ended June 30,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Interest on NPO</u>	<u>ARC Adjustments</u>	<u>Amortization Factor</u>	<u>Annual Pension Cost</u>	<u>Actual Employer Contribution</u>	<u>Change in Net Pension Obligation</u>	<u>Net Pension Obligation</u>
1999	\$ 3,945	\$ -	\$ -	\$ -	\$ 3,945	\$ 3,945	\$ -	\$ -
2000	4,050	-	-	-	4,050	4,050	-	-
2001	4,497	-	-	-	4,497	4,497	-	-
2002	4,494	-	-	-	4,494	4,494	-	-
2003	5,197	-	-	-	5,197	5,197	-	-
2004	5,892	-	-	-	5,892	5,892	-	-
2005	7,319	-	-	-	7,319	6,796	523	523
2006	9,835	39	23	22	9,851	6,831	3,020	3,543
2007	10,238	266	158	22	10,345	7,388	2,958	6,500
2008	12,347	488	316	21	12,519	8,794	3,725	10,225
2009	13,273	767	547	19	13,494	23,980	(10,486)	(261)
2010	13,137	(20)	(16)	17	13,133	31,917	(18,784)	(19,044)
2011	12,972	(1,428)	(1,738)	11	13,282	34,282	(20,860)	(39,905)

See Plan document for effect of changes in benefits provided as a result of revisions to the Plan in the years ended June 30, 2006 & 2010.

## **OTHER FINANCIAL INFORMATION**



DAVIS, LYNN &  
MOOTS, P.C.  
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**INDEPENDENT AUDITORS' 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  
City of Springfield, Missouri  
Police Officers' and Fire Fighters' Retirement Fund  
Springfield, Missouri

We have audited the accompanying financial statements of the City of Springfield, Missouri Police Officers' and Fire Fighters' Retirement Fund as of and for the year ended June 30, 2011, which collectively comprise the City of Springfield, Missouri Police Officers' and Fire Fighters' Retirement Fund's basic financial statements and have issued our report thereon dated September 16, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Springfield, Missouri Police Officers' and Fire Fighters' Retirement Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Springfield, Missouri Police Officers' and Fire Fighters' Retirement Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Springfield, Missouri Police Officers' and Fire Fighters' Retirement Fund's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

The Board of Trustees  
City of Springfield, Missouri  
Police Officers' and Fire Fighters' Retirement Fund  
Springfield, Missouri

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

#### Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

*Davis, Lynn & Moots, P.C.*

DAVIS, LYNN & MOOTS, P.C.  
September 16, 2011