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Financial Statements, 1998

City of Kirkwood Civilian Employees Retirement Plan

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St. Louis County

KPMG

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**CITY OF KIRKWOOD, MISSOURI
CIVILIAN EMPLOYEES RETIREMENT PLAN
(A Pension Trust Fund of the City of Kirkwood, Missouri)**

Financial Statements

March 31, 1998

(With Independent Auditors' Report Thereon)

10 South Broadway
Suite 900
St. Louis, MO 63102-1761

Independent Auditors' Report

The Board of Trustees
City of Kirkwood, Missouri
Civilian Employees Retirement Plan:

We have audited the statement of plan net assets of the City of Kirkwood, Missouri Civilian Employees Retirement Plan (A Pension Trust Fund of the City of Kirkwood, Missouri) as of March 31, 1998, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the City of Kirkwood, Missouri Civilian Employees Retirement 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 generally accepted auditing standards. 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.

As discussed in note 1, the financial statements present only the City of Kirkwood, Missouri Civilian Employees Retirement Plan and are not intended to present fairly the financial position and results of operations of the City of Kirkwood, Missouri, in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets the City of Kirkwood, Missouri Civilian Employees Retirement Plan as of March 31, 1998, and the changes in plan net assets for the year then ended, in conformity with generally accepted accounting principles.

As discussed in note 4 to the financial statements, the City of Kirkwood, Missouri Civilian Employees Retirement Plan adopted Governmental Accounting Standards Board Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, during 1998.

KPMG Peat Marwick LLP

August 7, 1998



**CITY OF KIRKWOOD, MISSOURI
CIVILIAN EMPLOYEES RETIREMENT PLAN
(A Pension Trust Fund of the City of Kirkwood, Missouri)**

Statement of Plan Net Assets

March 31, 1998

Assets	
Investments:	
Mutual funds:	
Actively managed funds	\$ 2,140,960
Index funds	147,513
Model portfolio funds	2,625,231
Mutual fund series	3,424,264
Guaranteed investment contracts	1,852,414
Total investments	10,190,382
Contributions receivable	9,182
Due from other funds	101,204
Total assets	\$ 10,300,768
Net Assets	
Net assets held in trust for pension benefits	\$ 10,300,768

See accompanying notes to financial statements.

**CITY OF KIRKWOOD, MISSOURI
 CIVILIAN EMPLOYEES RETIREMENT PLAN
 (A Pension Trust Fund of the City of Kirkwood, Missouri)**

Statement of Changes in Plan Net Assets

Year ended March 31, 1998

Additions:	
Employer contribution	\$ 203,553
Investment income:	
Interest	75,710
Net appreciation in the fair value of investments	2,099,790
Total investment income	2,175,500
Less investment expenses	(33,082)
Net investment income	2,142,418
Total additions	2,345,971
Deductions:	
Benefit payments	277,776
Uplift payments	110,556
Administrative and general:	
Insurance and other premiums	77,035
Professional fees	15,064
Total administrative and general	92,099
Total deductions	480,433
Net increase	1,865,538
Net assets held in trust for employee pension benefits:	
Beginning of year, as restated (note 4)	8,435,230
End of year	\$ 10,300,768

See accompanying notes to financial statements.

**CITY OF KIRKWOOD, MISSOURI
 CIVILIAN EMPLOYEES RETIREMENT PLAN
 (A Pension Trust Fund of the City of Kirkwood, Missouri)**

Notes to Financial Statements

March 31, 1998

(1) Plan Description

The City of Kirkwood, Missouri, Civilian Employees Retirement Plan (Plan) is a defined contribution retirement system which covers all nonuniformed employees of the City of Kirkwood, Missouri (City), the Kirkwood Public Library, and the Kirkwood Housing Authority. At March 31, 1998, there were 187 plan members.

Under the Plan, all full-time employees are eligible for participation upon completing 500 hours of service in a consecutive six-month period. Employees are considered vested when they have attained five years of credited service. Nonvested participant accounts are forfeited to the Plan upon termination of employment. The forfeited amounts reduce the City's required contribution in the year of termination.

The Plan receives contributions from the City, in accordance with City ordinances, in an amount equal to 4% of each participating employee's gross wages. Normal retirement age is 65. Benefits are paid upon retirement in the form of a lump-sum or an annuity with optional surviving spouse benefits. Benefit and contribution provisions are established by the City Council. The Plan purchases annuities for retirees who choose the annuity form of retirement payment. These annuities are not reflected in the assets of the Plan.

A summary of contribution amounts of the City is presented below for fiscal year 1998:

City contribution made and required	\$ 203,553
City contribution required as a percent of covered payroll	4 %

(2) Summary of Significant Accounting Policies

(a) Reporting Entity

The accompanying financial statements include only the City of Kirkwood, Missouri, Civilian Employees Retirement Plan. The Plan is included in the City's financial reporting entity as a separate pension trust fund of the City and, therefore, the financial statements of the Plan are not intended to present fairly the financial position and results of operations of the City as a whole in conformity with generally accepted accounting principles.

(b) Basis of Accounting

The financial statements of the Plan are prepared using the accrual basis of accounting. Investment income is recognized as earned.

(c) Administration of the Plan

The Plan is under the management and control of the Board of Trustees, as provided in the City of Kirkwood, Missouri Civilian Employees Retirement Plan Ordinance. The Board of Trustees consists of seven members – five are appointed by the City Council, and two are appointed by plan participants.

(d) Method Used to Value Investments

Plan investments are reported at fair value. Fair values for investments are determined by closing market prices at year-end as reported by the investment custodian.

**CITY OF KIRKWOOD, MISSOURI
CIVILIAN EMPLOYEES RETIREMENT PLAN
(A Pension Trust Fund of the City of Kirkwood, Missouri)**

Notes to Financial Statements

(2) Investments

The mutual funds and guaranteed investment contracts do not meet the requirements to be classified in categories of credit risk to give an indication of the level of risk assumed at year-end.

The Plan's Board of Trustees is responsible for administering the Plan and making all investment decisions. The City changed Master Custodians during the year ended March 31, 1998 from Boatmen's Trust Company to ICMA Retirement Corporation. The Master Custodian manages the investments of the Plan in accordance with directions from the Board of Trustees.

At March 31, 1998, investments consisted of the following:

Mutual funds:

Actively managed funds:	
Aggressive opportunities	\$ 423,838
International	619,159
Growth stock	144,281
Equity income	880,820
Asset allocation	40,989
U.S. Treasury securities	31,873
Total actively managed funds	2,140,960
Index funds:	
Overseas equity	10,010
Mid/small company	29,973
Broad market	52,446
500 stock	14,822
Core bond	40,262
Total index funds	147,513
Model portfolio funds:	
Long-term growth	1,198,399
Traditional growth	464,040
Conservative growth	168,371
Savings oriented growth	794,421
Total model portfolio	2,625,231
Mutual fund series:	
Series/momentum growth	99,418
Series/aggressive growth	100,116
Series/growth	134,511
Series/contrarian growth	59,229
Series/growth and income	925,044
Series/social responsibility	23,155
Series/special situations	584,282
Series/balanced income	53,511
Series/balanced	879,317
Series/income	565,681
Total mutual fund series	3,424,264
Investment contract fund – 457 and 401 PLUS fund	1,852,414
Total	\$ 10,190,382

**CITY OF KIRKWOOD, MISSOURI
CIVILIAN EMPLOYEES RETIREMENT PLAN
(A Pension Trust Fund of the City of Kirkwood, Missouri)**

Notes to Financial Statements

(3) Previous Civilian Employees Defined Benefit Plan – Change Effective 1987

Effective April 1, 1987, the City terminated its Civilian Employees Defined Benefit Retirement Plan (former plan) and established the Civilian Employees Defined Contribution Plan as described above. Annuities were purchased for all retired participants to provide benefits equal to the amount received under the terminated former plan. For active participants, initial contributions were made to the new defined contribution plan equaling the amount determined to be actuarially equivalent to the accrued benefits of the former plan. The remaining assets of the former plan may be used for the following:

- Disability insurance premiums;
- Group life insurance premiums;
- Discretionary uplift benefits to retirees; and
- Certain administrative expenses of the plan.

At March 31, 1998, the market value of plan assets available to fund future uplift payments and other benefits was \$5,439,093 and are included in the accompanying financial statements.

Effective April 1, 1988, the City enacted Ordinance No. 7788 which provides supplemental pension benefits to those retirees and terminated vested participants receiving annuity payments under the terminated former plan (uplift payments).

The effects of this Ordinance were to establish a supplemental defined benefit single employer public employee retirement plan which increased monthly benefits to retirees who were receiving benefits prior to January 1, 1987 to 2% times the number of years retired (or portion thereof) at April 1, 1988. Ordinance No. 8160 subsequently provided a 7% increase in benefits to a retiree effective January 1, 1992. Annuities were purchased for all retired participants to provide the uplift benefit.

Effective January 1, 1996, the City enacted Ordinance No. 8474 which provides an additional monthly benefit increase in an amount equal to 6% of the amount of the monthly benefits being paid to such retirees as of July 1, 1995 for those retirees receiving benefits on or about April 1, 1987. Ordinance 8474 also provides a lump-sum retroactive payment equivalent to such monthly increase for the period from July 1, 1995 to December 31, 1995. Annuities were purchased for all retired participants to provide the uplift benefit.

Effective July 1, 1997, the City enacted Ordinance No. 8661 which provides an additional monthly benefit increase, in an amount equal to 5.5% of the amount of the monthly benefits being paid to such retirees as of July 1, 1997, for those retirees receiving benefits on or about April 1, 1987. Annuities were purchased for all retired participants to provide uplift benefits.

**CITY OF KIRKWOOD, MISSOURI
 CIVILIAN EMPLOYEES RETIREMENT PLAN
 (A Pension Trust Fund of the City of Kirkwood, Missouri)**

Notes to Financial Statements

During 1996, the City engaged a consulting actuary to perform a calculation as to the future benefit obligations of the Plan based upon the assumption that current disability and group life insurance premiums and certain administrative expenses would continue for 25 or 50 years. The calculated reserve was as follows:

	25 years	50 years
Insurance premiums	\$ 1,564,000	1,941,000
Administrative expenses	366,000	525,000
	\$ 1,930,000	2,466,000

Prior to 1996 no calculation had been made to determine the aggregate future amount for payments to be made from current available assets. Actuarial assumptions used in the calculation are as follows:

Interest rate on invested assets:	7.5% per annum.
Inflation rate:	4% per annum.
Mortality rates:	1983 GAM.
LTD Benefit changes:	It was assumed that the monthly maximum benefit will be increased by \$500 every 10 years.
Benefit payout period:	25 years or 50 years.
Discount rate:	7.5% per annum.

(4) Adoption of New Accounting Pronouncement

During 1998, the Plan adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The adoption of this new accounting pronouncement resulted in an increase to the net assets held in trust for employee pension benefits in the amount of \$1,791,863 at April 1, 1997, due to the change in the method of accounting for the carrying value of investments from cost to fair value.

**CITY OF KIRKWOOD, MISSOURI
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT PLAN
(A Pension Trust Fund of the City of Kirkwood, Missouri)**

Notes to Financial Statements

Effective April 1, 1988, the City enacted Ordinance No. 7778 which provides supplemental pension benefits to those retirees and terminated vested participants receiving annuity payments under the terminated former plan (uplift payments). Ordinance No. 8096 provided a 6% increase in benefits to a retiree effective October 1, 1991. The effects of these Ordinances were to establish a supplemental defined benefit single employer public employee retirement plan which:

1. Increased monthly benefits to retirees who were receiving benefits prior to December 31, 1977 to one-half the salary of a Kirkwood police officer at March 31, 1988.
2. Increased monthly benefits to retirees and terminated vested participants who retired under the former plan enacted in 1978 to reflect an additional rank accrual monthly benefit of \$38.50.

Effective June 30, 1995, the City enacted Ordinance No. 8531 which provides an additional monthly benefit increase in an amount equal to 6% of the amount of the monthly benefit being paid to such retirees as of June 30, 1995 for those retirees receiving benefits on or before April 1, 1987.

Effective July 1, 1997, the City enacted Ordinance No. 8662 which provides an additional monthly benefit increase, in an amount equal to 5.5% of the amount of the monthly benefits being paid to such retirees as of July 1, 1997, for those retirees receiving benefits on or before April 1, 1987. Annuities were purchased for all retired participants to provide uplift benefits.

During 1996, the City engaged a consulting actuary to perform a calculation as to the future benefit obligations of the Plan based upon uplift payments currently in effect for current retirees and the assumption that current disability and group life insurance premiums and certain administrative expenses would continue for 25 or 50 years. The calculated reserve was as follows:

	25 years	50 years
Uplift benefit payments	\$ 867,000	867,000
Insurance premiums	1,014,000	1,276,000
Administrative expenses	685,000	985,000
	\$ 2,566,000	3,128,000

Prior to 1996 no calculation had been made to determine the aggregate future amount for payments to be made from current available assets. Actuarial assumptions used in the calculation are as follows:

Interest rate on invested assets:	7.5% per annum.
Inflation rate:	4% per annum.
Mortality rates:	1983 GAM.
LTD Benefit changes:	It was assumed that the monthly maximum benefit will be increased by \$500 every 10 years.
Benefit payout period:	25 years or 50 years.
Discount rate:	7.5% per annum.