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1-1-1999

## Financial Statements, 1998

City of Kirkwood Police Officers' and Fire Fighters' Retirement Plan

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St. Louis County

**KPMG**

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**CITY OF KIRKWOOD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS'  
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  
Police Officers' and Fire Fighters' Retirement Plan:

We have audited the statement of plan net assets of the City of Kirkwood, Missouri Police Officers' and Fire Fighters' 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 Police Officers' and Fire Fighters' 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 Police Officers' and Fire Fighters' 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 of the City of Kirkwood, Missouri Police Officers' and Fire Fighters' 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 5 to the financial statements, the City of Kirkwood, Missouri Police Officers' and Fire Fighters' 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  
POLICE OFFICERS' AND FIRE FIGHTERS' RETIREMENT PLAN  
(A Pension Trust Fund of the City of Kirkwood, Missouri)**

Statement of Plan Net Assets

March 31, 1998

Assets	
Cash	\$ 941,527
Investments – mutual funds:	
Growth stock	3,242,312
Conservative stock	4,998,196
International growth stock	1,986,956
Asset allocation money market funds, stocks, and bonds	2,450,208
Bonds	1,258,370
Stable value money market funds and government securities	3,138,019
S&P 500 index	1,193,396
Small company stocks	1,009,162
Total investments	19,276,619
Contributions receivable, net	44,321
Accrued investment income	5,904
Total assets	\$ 20,268,371
Net Assets	
Net assets held in trust for pension benefits	\$ 20,268,371

See accompanying notes to financial statements.

**CITY OF KIRKWOOD, MISSOURI  
POLICE OFFICERS' AND FIRE FIGHTERS' 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:	
Contributions:	
Employer	\$ 665,800
Employee, net of refunds	282,039
Total contributions	947,839
Investment income:	
Interest	1,726,935
Net appreciation in the fair value of investments	2,355,530
Total investment income	4,082,465
Less investment expenses	(25,211)
Net investment income	4,057,254
Total additions	5,005,093
Deductions:	
Benefit payments	3,083,687
Uplift payments	1,033,098
Administrative and general:	
Insurance and other premiums	124,087
Professional fees	28,383
Total administrative and general	152,470
Total deductions	4,269,255
Net increase	735,838
Net assets held in trust for employee pension benefits:	
Beginning of year, as restated (note 5)	19,532,533
End of year	\$ 20,268,371

See accompanying notes to financial statements.

**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

March 31, 1998

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**(1) Plan Description**

The City of Kirkwood, Missouri Police Officers' and Fire Fighters' Retirement Plan (Plan), which covers active employees, is a single employer defined contribution retirement system which covers all City of Kirkwood, Missouri (City) commissioned police officers and salaried fire fighters. At March 31, 1998, there were 129 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.

The Plan is funded in accordance with City ordinances from taxes levied for such purpose and employee contributions. City contributions to participant accounts are established at an amount equal to the current social security rate for civilian employees plus 4% of employee participant gross wages. Employee contributions are established at an amount equal to the current social security withholding percentages. Retirement benefits are paid either as a lump-sum or as an annuity with optional surviving spouse benefits. Normal retirement age is 65. The Plan also provides for disability and life insurance.

The name of the Plan was changed in the current year from the Policemen and Firemen Retirement Plan to the Police Officers' and Fire Fighters' Retirement Plan.

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

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Contributions made and required:	
City contribution made	\$ 665,800
City contribution required	441,448
Employees' contribution made and required	282,039
Contribution required as a percent of covered payroll:	
City	10.8 %
Employees	6.9 %

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

*(a) Reporting Entity*

The accompanying financial statements include only the City of Kirkwood, Missouri, Police Officers' and Fire Fighters' 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.

**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

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*(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 Police Officers' and Fire Fighters' Retirement Plan Ordinance. The Board of Trustees consists of seven members representing the City's Mayor or Mayor's designee; the City's police chief; the City's fire chief; and two fire fighters and two police officers elected by current employees.

*(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.

**(3) Cash and Investments**

The carrying amount and bank balance of the Plan's cash deposits at March 31, 1998 was \$941,527. Of the bank balance, \$100,000 was covered by federal depository insurance and \$841,527 was covered by collateral held by the pledging bank's agent in the City's name.

The mutual fund investments 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 American Century. The Master Custodian manages the investments of the Plan in accordance with directions from the Board of Trustees.

**(4) Previous Fire and Police Defined Benefit Plan – Change Effective 1987**

Effective April 1, 1987, the City terminated its Policemen and Firemen Retirement Plan (former plan) and established the Fire and Police 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 an 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 \$4,975,844 and are included in the accompanying financial statements.

**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.



**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

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**(5) Adoption of New Accounting Pronouncement**

During 1998, the Plan adopted the provisions of Governmental Accounting Standards Board 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 \$3,799,394 at April 1, 1997, due to the change in the method of accounting for the carrying value of investments from cost to fair value.