

Jackson County, Missouri  
Revised Pension Plan



Jackson County, Missouri  
[www.jacksongov.org](http://www.jacksongov.org)

Comprehensive Annual Financial Report  
A Pension Trust Fund of  
Jackson County, Missouri

For the Year Ended  
June 30, 2003

Jackson County, Missouri  
Revised Pension Plan

Comprehensive Annual Financial Report  
A Pension Trust Fund of  
Jackson County, Missouri



For the Year Ended  
June 30, 2003

Prepared by:

Ken Bover  
Accounting Supervisor

Under the Direction of:

Gloria Fisher  
Director of Finance

Graham H. Morris, CPA  
Chairman, Pension Committee

Joanne Mossie  
Director of Human Resources

**Jackson County, Missouri**  
**Revised Pension Plan**  
**Table of Contents**  
**Year Ended June 30, 2003**

**Introductory Section**

Certificate of Achievement for Excellence in Financial Reporting .....	1
Letter of Transmittal .....	2
Plan Administration .....	7
Administration Committee Members .....	8

**Financial Section**

Independent Auditor's Report on the Financial Statements .....	10
Management's Discussion and Analysis .....	12
Basic Financial Statements	
Statements of Plan Net Assets.....	16
Statements of Changes in Plan Net Assets.....	17
Notes to Financial Statements .....	18
Required Supplementary Information	
Schedule of Funding Progress .....	24
Schedule of Employer Contributions .....	24
Notes to Required Supplementary Information .....	25
Other Supplementary Information, Schedule of Expenses.....	26

**Investment Section**

Asset Consultants' Report on Investment Activity .....	27
Summary of Investment Policies .....	28
Schedule of Investment Results.....	29
Asset Allocation.....	30
List of Largest Assets Held.....	31
Schedule of Brokerage Commissions Paid .....	32
Investment Summary .....	33

**Jackson County, Missouri  
Revised Pension Plan  
Table of Contents  
Year Ended June 30, 2003**

**Actuarial Section**

Actuary's Certification Letter.....	34
Summary of Actuarial Assumptions .....	36
Schedule of Active Member Valuation Data .....	39
Schedule of Retirees and Beneficiaries	
Added to and Removed From Rolls .....	40
Short-Term Solvency Test.....	41
Analysis of Financial Experience.....	42
Summary of Plan Provisions .....	43
Schedule of Active Members by Attained	
Age and Service .....	44

**Statistical Section**

Schedule of Additions by Source and Deductions by Type.....	45
Schedule of Benefit Expenses by Type.....	46
Schedule of Retired Members by Type of Benefit .....	47
Schedule of Average Benefit Payments .....	48
Schedule of Benefits Payable .....	49

Jackson County, Missouri  
Revised Pension Plan

Introductory Section



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Jackson County, Missouri Revised Pension Plan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



## FINANCE DEPARTMENT

JACKSON COUNTY COURTHOUSE  
415 EAST 12TH STREET  
KANSAS CITY, MISSOURI 64106

(816) 881-3851

December 19, 2003

Members of the Jackson County, Missouri  
Pension Plan Administration Committee:

The Comprehensive Annual Financial Report (CAFR) of the Jackson County, Missouri Revised Pension Plan (the Plan), a pension trust fund of Jackson County, Missouri, consists of five sections; an Introductory Section, which contains the Chairman's letter of transmittal, prior year awards and the identification of the administrative organization and consulting services utilized by the Plan; the Financial Section, which contains the Independent Auditor's Report as well as the financial statements of the Plan and Management's Discussion and Analysis; the Investment Section, which contains investment results and the allocation of assets for the Plan; the Actuarial Section, which contains the independent consulting actuary's opinion along with related actuarial data and statements and; the Statistical Section, which consists of tables of significant data pertaining to operation of the Plan.

A Management's Discussion and Analysis (MD&A) is provided for a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

The accuracy and completeness of the data contained in this report is the sole responsibility of the management of the Plan.

The Plan was created and established by ordinance of the Jackson County Legislature in 1967. The purpose of the Plan is to provide for the retirement of employees who become members of the Plan, to provide benefits for totally and permanently disabled member's, and death benefits for spouses and beneficiaries of deceased members, subject to Plan provisions.

At year-end (June 30, 2003), the Plan had 1,562 active members and a total of 592 members or their beneficiaries currently receiving benefits. The Plan covers those employees of Jackson County, Missouri, the Little Blue Valley Sewer District, the Jackson County Board of Election Commissioners, the Kansas City Board of Election Commissioners, the Jackson County Law Library, Inc., the Jackson County Sports Complex Authority, and the Eastern Jackson County Multi-Jurisdictional Anti-Drug Task Force.

## Economic Conditions and Outlook

Jackson County, established in 1826 by the State of Missouri, is located in the state's northwestern quadrant bordered by the Kansas state line and the Missouri River. Its population approximates 660,773 with 17 incorporated municipalities including Kansas City and Independence, the County seat.

Jackson County enjoys a diverse commercial and residential tax base. The commercial base consists largely of manufacturing, utility, retail and service industries, which contribute a great amount of stability to the County's economy. Over 36% of the metro's population, 34% of its labor force, 34% of its employment and 36% of its employers are located within Jackson County. Unemployment has remained between 3.6% and 6.5% of the labor force since 1993.

The economy in the metropolitan area has remained stable in recent years. As the Kansas City downtown area is being redeveloped, it has been attracting business from both the commercial and residential sectors. In addition, the suburban municipalities surrounding Kansas City continue to grow from rural areas of several years earlier to become independent developed cities within the county. Economic conditions are not expected to change dramatically in the future.

## Financial Information

Jackson County is responsible for establishing and maintaining internal control designed to ensure the protection of assets from loss, theft, or misuses, also to ensure the accounting information generated is adequate to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. The design of internal control is to provide reasonable assurance, although not absolute, in achieving these objectives.

As a Pension Trust Fund of Jackson County, Missouri the Revised Pension Plan is subject to this internal control. In addition, the County and the Plan are subject to annual audit.

This report is prepared in accordance with the principles of governmental accounting and reporting pronounced by the Governmental Accounting Standards Board. The accrual basis of accounting is used to record assets, liabilities, revenues and expenses. Revenue recognition occurs when earned without regard to the date of collection. Expense recognition occurs when the corresponding liabilities are incurred, regardless of payment date.

Employer contributions are subject to annual appropriation by Jackson County, Missouri. Annual contributions consist of the normal cost and a payment toward funding past service liability. The County has made significant progress over the last six years in its attempts to reach the actuarial recommended contribution level. Employer contributions during this period have increased from 98.1% to 105.4% of the actuarial recommended contribution level.



## Investments

The investment portfolio of the Plan is a major source of funds to the Plan. Net Investment Income from both long-term and short-term investments amounted to a gain of \$4,209,100, representing 43.9% of total additions. The supporting schedules reflect the changes in the portfolio during the year. The total yield on investments was 4.51% up from the 2002 total yield of (1.34)%. The Plan's investments are held by a bank-administered trust fund.

The Pension Plan Administration Committee has set out the following investment objectives and policy guidelines.

### Investment Objectives:

1. To preserve the principal of funds contributed to the Plan.
2. To provide a total return sufficient to equal an actuarial assumption of 7% and to maintain purchasing power of the principal through growth in value - a total return of at least GNP Deflator plus 4 ½%.
3. To provide an equity investment performance better than the S&P 500 Index and the top one-half of a broadly recognized equity manager universe.
4. To provide a fixed income investment performance better than the Lehman Brothers Govt./Corp. Intermediate Index, and in the top one-half of a broadly recognized fixed income manager universe.

### Policies:

1. The composition of investments of the fund will not exceed 50% in equities and 50% in fixed income securities, any uninvested monies will be in cash or cash equivalents. Up to 10% of the equity portfolio can be invested in small capitalization equity issues. Small capitalization issues are defined as stocks with a market capitalization of less than \$1 billion. Any deviation from these guidelines would be otherwise noted in writing at the next regular Pension Investment Committee meeting.
2. Short term investments (cash equivalents) shall be in obligations of the Federal government, securities with a Federal government guarantee, or issues of prime quality U.S. corporations.
3. Fixed income investments, other than cash equivalents, shall be obligations of the Federal government, securities with a Federal guarantee, G.I.C. contracts of high quality insurance companies, and corporate obligations having a S&P rating of "A" or better. The maximum maturity of any fixed income obligation will not exceed 15 years.
4. No single investment, except securities of the Federal government and securities with government guarantee, shall exceed 5% of the market value of securities in that category.

## Policies (Continued)

5. Other forms of investment strategies may be considered by the Pension Plan Administrative Committee at its regular meetings.
6. The investment manager will report quarterly as to the accomplishment of Investment Objectives and conformance to Policies. The manager will make recommendations quarterly for any changes in the objectives or policies.

## Funding

The bottom line for a retirement plan is the level of funding. The better level of funding, the larger the ration of assets accumulated and investment income potential. A better level of funding gives the participants a higher degree of assurance that their pension benefits are secure. The advantage of a well-funded plan is that the participants can look at assets that are irrevocably committed to the payment of benefits. Although the historical level of funding for the Plan is very good, we continue to make a constant effort of improving that level, thereby assuring the participants of a financially sound retirement plan.

## Professional Services

Professional consultants retained by the Plan, are essential to the effective and efficient operation of the Plan. The firm of Rodwan and Nichols provides actuarial consultation. Various professional managers at United Missouri Bank provide investment counsel relative to the common stock and fixed income investments owned by the Plan. The Plan has retained Demarche Associates, Inc. to monitor the investment performance of the Plan.

## Acknowledgments

The compilation of this report reflects the combined effort of the staff of Jackson County, Missouri, especially that of Ken Bover, Accounting Supervisor, Carmen Hayes, Supervisor of Benefits, Tim Bradley, Assistant to the Director, Terry Warner, Assistant Director of Finance and Joanne Mossie, Director of Personnel. The intent is to provide complete and reliable information as a basis for making management decisions, to present evidence of compliance with legal provisions and demonstrate responsible stewardship for the assets contributed by the members of their employers.

On behalf of the committee, I would like to express our gratitude to the staff, the advisors, and to the many people who have worked so diligently to assure the successful operation of the Plan. I would also like to personally thank the Members of the Jackson County, Missouri Pension Plan Administration Committee, whose work has helped assure the members of the Plan can rely on future benefits.

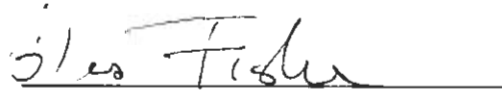
Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Jackson County, Missouri for its comprehensive annual financial report (CAFR) of the Jackson County, Missouri Revised Pension Trust Fund for the fiscal year ended June 30, 2002. This was the 10<sup>th</sup> consecutive year that Jackson County, Missouri has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gloria Fisher", is written over a horizontal line.

Gloria Fisher  
Director of Finance

**Jackson County, Missouri**  
**Revised Pension Plan**  
**Plan Administration**  
**June 30, 2003**

County ordinance provides that the administration of the plan be vested in a nine member Pension Plan Administration Committee, comprised of:

- (i) the Manager of Finance, as Chairman;
- (ii) the Director of Human Resources, as Secretary;
- (iii) an active Member of the Plan who is an employee of the Circuit Court, to be appointed from time to time by the Presiding Judge of the Circuit Court;
- (iv) two (2) active Members of the Plan to be appointed from time to time by the County Legislature, not more than one member from any one department;
- (v) four (4) independent business executives to be appointed from time to time by the County Executive, subject to disapproval of the County Legislature.

**Jackson County, Missouri  
Revised Pension Plan  
Administration Committee Members  
June 30, 2003**

Chairperson:

**Graham H. Morris C.P.A.**

Director of Corrections

Ex-Officio Member

Secretary:

**Joanne R. Mossie**

Dir. of Human Resources

Ex-Officio Member

**Forrest R. Bertsch**

Circuit Court Appointment

**Jerry H. Green**

County Executive Appointed  
Independent Business Executive

**Kelly R. Markham**

Legislative Appointed  
Active Member

**Howie Krueger**

County Executive Appointed  
Independent Business Executive

**Dan Lindsey**

County Executive Appointed  
Little Blue Valley Sewer District

**Joseph F. Weinrich**

County Executive Appointed  
Independent Business Executive

**Robert L. Burnett**

County Executive Appointed  
Jackson County Employee

**Jackson County, Missouri  
Revised Pension Plan  
Consulting Services  
June 30, 2003**

**Actuary**

**Rodwan & Nichols**  
Joe Nichols  
Savannah, Missouri

**Auditors**

**McGladrey & Pullen, LLP**  
Certified Public Accountants  
Jim Krezek  
Kansas City, Missouri

**Legal Counsel**

**Jackson County Counselors Office**  
Jay Haden  
Kansas City, Missouri

**Investment Management Consultant**

**Demarche Associates, Inc.**  
Coleen D. Trimble  
Kansas City, Missouri

**Investment Trustee**

**United Missouri Bank**  
James Moffett  
Kansas City, Missouri

Jackson County, Missouri  
Revised Pension Plan

Financial Section



# McGladrey & Pullen

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Jackson County, Missouri  
Pension Plan Administration Committee of the  
Jackson County, Missouri Revised Pension Plan  
Kansas City, Missouri

We have audited the accompanying basic financial statements of the Jackson County, Missouri Revised Pension Plan (the Plan), a pension trust fund of Jackson County, Missouri, as of and for the years ended June 30, 2003 and 2002, as listed in the table of contents. 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 audits 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 audits provide a reasonable basis for our opinion.

As described in Note 1, the financial statements present only a pension trust fund of Jackson County, Missouri and do not purport to, and do not, present fairly the financial position of Jackson County, Missouri as of June 30, 2003 and 2002, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Jackson County, Missouri Revised Pension Plan, as of June 30, 2003 and 2002, and the changes in plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The supplementary management's discussion and analysis on pages 12 through 15 and the supplementary schedules of funding progress and employer contributions on pages 24 through 25 are not a required part of the basic financial statements of the Jackson County, Missouri Revised Pension Plan, but are required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP is an independent member firm of  
RSM International, an affiliation of independent accounting  
and consulting firms.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, other supplementary information, investment section, actuarial section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Jackson County, Missouri Revised Pension Plan. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, investment section, actuarial section, and statistical section have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

*McGladrey & Pullen, LLP*

Kansas City, Missouri  
October 17, 2003

## Management's Discussion and Analysis

As management of the Jackson County, Missouri Revised Pension Plan, we offer readers of the Plan's financial statements this narrative overview and analysis of the financial activities of the Plan for the fiscal years ended June 30, 2003 and 2002.

### Financial Highlights (In thousands)

- Plan net assets were \$98,048, reflecting an increase of \$6,628. The change in net assets reflect an increase of \$5,381 from the 2002 total of \$1.247. The increase was largely due to the increased investments in Common Stocks and Commercial Paper. (Refer to page #16) The net assets are available to meet Jackson County's ongoing obligations to Plan participants and their beneficiaries.
- Revenues (Additions to Plan Net Assets) for the year were \$9,589 which includes employer contributions of \$5,380 and an investment gain of 4,209 again, due primarily to the continued market value increase in Corporate Stocks... (Refer to page #17).
- Expenses (Deductions in Plan Net Assets) increased \$236 from \$2,724 in 2002 to \$2,961. The primary reason for the increase was in benefit payments which increased \$212. (Refer to page #17).
- Pension benefits paid to retirees, survivors and disability claims was \$2,915, an increase of \$212. (Refer to page #17).
- Employer Contributions to the Plan were \$5,380, an increase of \$211 (Refer to page #17).

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Jackson County, Missouri Revised Pension Plan. The financial section of the Jackson County, Missouri Revised Pension Plan is comprised of four components: (1) Fund Financial Statements, (2) Notes to the Financial Statements, (3) Required Supplementary Information, and (4) Other supplementary schedules.

**Fund financial statements:** (1) The Statements of Plan Net Assets is a snapshot of account balances at fair market value as of the end of the reporting period whereby Net Assets equals Assets less Liabilities at Fiscal Year End. It indicates the assets available for future payments to retirees. (2) Statements of Changes in Plan Net Assets provide a view of current year additions to and deletions from the plan whereby the net change in Net Assets equals additions less deductions. Both statements are in compliance with all Government Accounting Standard Board Statements (GASB) pronouncements for state and local governments.

**Notes to Financial Statements:** Provides additional information not readily evident in the statements themselves. The Notes are an integral part of the financial statements

**Required Supplementary Information:** Consists of a Schedule of Funding Progress and Schedule of Employer Contributions. The Schedules of Administrative Expenses, Investment Expenses and Payments to Vendors are presented immediately following the required supplementary information. These schedules provide historical and additional detailed information considered useful in evaluating the condition of the plan.

## Financial Analysis

### Investments

#### Defined Benefit Pension Trust Fund Changes in Net Assets

The investment policy is set by the Pension Plan Administration Committee. The policy states funds are not to exceed 50% in equities and 50% in fixed income securities. The chart below represents the composition of the Plan Net Assets at June 30, 2003 and 2002, respectively. Total Corporate Stocks were 50.0% of the portfolio while U.S. Government Securities accounted for 36.3%. The remaining funds were in Short Term investments.

#### SUMMARY COMPARATIVE STATEMENTS OF PLAN NET ASSETS

	<b>\$ In Thousands</b>			
	June 30, 2003	June 30, 2002	\$ Amount Change	% Change
US GOVERNMENT SECURITIES	\$ 35,367	34,952	415	1.2%
CORPORATE STOCKS				
COMMON STOCKS	42,548	36,916	5,632	15.3%
REGIONAL STOCKS	6,204	4,989	1,215	24.4%
GROWTH INDEX FUNDS	0	1,403	(1,403)	(100.0)%
CONVERTIBLE PREFERRED STOCKS	0	0		
<b>TOTAL CORPORATE STOCKS</b>	<b>48,752</b>	<b>43,308</b>	<b>5,444</b>	<b>12.6%</b>
CORPORATE BONDS & DEBENTURES	4,640	5,346	(706)	(13.2)%
COMMERCIAL PAPER	4,055	1,752	2,303	131.5%
MONEY MARKET FUND	4,692	5,467	(775)	(14.2)%
<b>TOTAL MANAGEMENT INVESTMENTS</b>	<b>97,506</b>	<b>90,825</b>	<b>6,681</b>	<b>7.4%</b>
ACCRUED INTEREST AND DIVIDENDS	542	595	(53)	(8.9)%
<b>NET ASSETS</b>	<b>\$ 98,048</b>	<b>91,420</b>	<b>6,628</b>	<b>7.3%</b>

(Continued)

**Defined Benefit Pension Trust Fund Changes in Net Assets (Continued)**  
**(In Thousands)**

Net Assets increased in value \$6,628. The most significant increase was in the increase in purchases of Corporate Stocks in the amount of \$5,444. In response to the stock market rebound in 2003, especially in stocks, management revised the Plans investment strategy to focus more funds into Corporate Stocks and Commercial Paper and reduce the amount of investments in Corporate Bonds and Short-Term Money Market funds. The strategy yielded positive results.

**SUMMARY COMPARATIVE STATEMENTS OF CHANGES IN PLAN NET ASSETS**  
**(In Thousands)**

	\$ In Thousands			
	June 30, 2003	2002	\$ Amount Change	% Change
NET APPRECIATION (DEPRECIATION)	\$ 1,346	(4389)	5,735	130.7%
INTEREST AND DIVIDENDS	3,034	3,367	(333)	(9.9)%
INVESTMENT SERVICE	(171)	(176)	5	2.8%
NET INVESTMENT INCOME (LOSS)	4,209	(1,198)	5,407	451.3%
EMPLOYER CONTRIBUTIONS	5,380	5,169	211	4.1%
TOTAL ADDITIONS	9,589	3,971	5,618	141.5%
BENEFITS PAID	2,915	2,703	212	7.8%
ADMINISTRATIVE EXPENSES	46	21	25	119.1%
TOTAL DEDUCTIONS	2,961	2,724	237	8.8%
CHANGE IN NET ASSETS	6,628	1,247	5,381	431.5%
<b>NET ASSETS HELD IN TRUST</b>				
BEGINNING OF YEAR	91,420	90,174	1,246	1.4%
END OF YEAR	98,048	91,420	6,628	7.3%

Net appreciation showed a marked increase of \$5,735 due to the market rebound in fair value of investments, most notably in the Corporate Stock market value which reflected a positive net change of \$5,728 from 2002 to 2003.

The positive change of \$5,407 in Net Investment Income is due primarily to the market rebound in Corporate Stocks and the increased investments in that area by the Investment Portfolio Manager. Changes in Investment strategy resulted in moving funds away from lower yielding U.S. Government Securities, to Stocks and Corporate Bonds and Debentures which posted higher yields. This change in Investment Strategy made up \$5,871 of the change in gains realized.

Contributions to the Plan increased \$211 and 4.1% in an on-going effort to reduce the amount of unfunded actuarial liability.

(Continued)

**SUMMARY COMPARATIVE STATEMENTS OF CHANGES IN PLAN NET ASSETS (Continued)**  
**(In Thousands)**

Benefits paid to retirees, survivors and disabilities increased \$212 and 7.8%. Part of the cost increase was due to a net increase of 4.2% in participants receiving benefits during the reporting period.

Administrative expenses were \$46 for 2003, which is an increase of \$25 from 2002. The increase was primary due to a billing of \$9 which was for the 2002 period.

Investment Service Expense decreased \$5 to \$171. The decrease was due to decreased activity in foreign market stock purchase fees in the amount of \$6.

**Economic Factors**

Employer contributions to the Plan for the 2003-2004 fiscal year has been increased over 4.5% to cover increased payroll cost and support the ongoing efforts to reduce the unfunded liability of the Plan and meet the annual required contribution.

The County recently received an Aa3 rating from Moody's Investors Service. Moodys cited the County's sound financial operations and operating surpluses in 2001 and 2002 despite weak regional and national economic conditions. The financial efficiency of Jackson County enables funding of the Plan to continually increase.

Unrealized appreciation for the 1<sup>st</sup> Quarter of the 2003-2004 Plan year is showing a positive increase in value of \$1.3 million dollars. This increase reflects the continued economic upturn in the Stock Market, especially in Equities.

**Jackson County, Missouri  
Revised Pension Plan  
Statements of Plan Net Assets  
June 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>Assets:</b>		
Investments at Fair Value (cost \$ 93,276,005 for 2003 and \$ 89,248,239 for 2002) (note 3):		
United States Government Securities	\$ 35,366,752	\$ 34,951,593
Corporate Stocks	48,752,040	43,308,312
Corporate Bonds and Debentures	4,639,777	5,346,436
Commercial Paper	4,055,797	1,751,856
Short-term Money Market Fund	<u>4,691,804</u>	<u>5,466,575</u>
Total Investments	97,506,170	90,824,772
Accrued Interest and Dividends	<u>541,959</u>	<u>595,481</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 98,048,129</u>	<u>\$ 91,420,253</u>

(A schedule of funding progress for the plan is presented on page 24)

See Notes to Financial Statements.

**Jackson County, Missouri**  
**Revised Pension Plan**  
**Statements of Changes in Plan Net Assets**  
**Years Ended June 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>Additions:</b>		
Net Investment Income:		
Net appreciation (depreciation) in fair value of investments:		
United States Government Securities	\$ 400,688	\$ 633,665
Corporate Stocks	581,132	(5,146,555)
Corporate Bonds and Debentures	297,382	153,830
Commercial Paper	66,602	(29,737)
	<u>1,345,804</u>	<u>(4,388,797)</u>
Interest and Dividends	3,033,797	3,366,833
Investment Expense	(170,501)	(176,056)
	<u>2,863,296</u>	<u>3,190,777</u>
Net Investment Income (Losses)	4,209,100	(1,198,020)
Employer Contributions (note 4)	5,379,655	5,169,039
Total Additions	<u>9,588,755</u>	<u>3,971,019</u>
<b>Deductions:</b>		
Benefits paid directly to participants	2,914,801	2,702,767
Administrative Expenses	46,078	21,616
Total Deductions	<u>2,960,879</u>	<u>2,724,383</u>
Change in Net Assets	6,627,876	1,246,636
Net Assets Held in Trust for Plan Benefits:		
Beginning of Year	<u>91,420,253</u>	<u>90,173,617</u>
End of Year	<u>\$ 98,048,129</u>	<u>\$ 91,420,253</u>

See Notes to Financial Statements.

**Jackson County, Missouri**  
**Revised Pension Plan**  
**Notes to Financial Statements**  
**June 30, 2003 and 2002**

**(1) Description of the Plan**

The Jackson County, Missouri Revised Pension Plan (the Plan) is considered a single-employer defined benefit plan providing for retirement, disability and death benefits for all eligible employees of Jackson County, the Little Blue Valley Sewer District, the Jackson County Board of Election Commissioners, the Kansas City Board of Election Commissioners, the Jackson County Sports Complex Authority, the Jackson County Law Library, Inc., and the Eastern Jackson County Multi-Jurisdictional Anti-Drug Task Force. The benefit provisions are provided under the authority of Revised Missouri section 50.337. The County, as administrator of this single-employer plan, has agreed to voluntarily contribute such amounts as are necessary to provide assets sufficient to meet benefits to be paid to Plan members. Other political subdivisions also make contributions to the Plan. The Plan is included in the County's financial reports as a Pension Trust Fund, however, these financial statements present only the pension trust fund. The County has the right under the Plan to discontinue such contributions at any time and terminate the Plan. In the event of Plan termination, the Plan's net assets are to be distributed in the following order:

1. To provide for the distribution of non refunded participants contributions.
2. To provide for the continuance of benefits to those receiving such prior to plan termination.
3. To provide benefits for those eligible, but not yet receiving benefits as of plan termination date.
4. To provide benefits to participants at normal retirement date eligible for termination benefits whether or not they have actually terminated, without reference to the order they shall reach normal retirement date.
5. To provide for subsequent normal retirement benefits for members upon reaching normal retirement date.

**Normal Retirement**

The Plan calls for the normal retirement benefit at age sixty-five of 1.5% of the average monthly earnings for each year of credited service (computed average monthly earnings for the highest thirty-six consecutive months, from the previous one-hundred twenty months). Effective December 15, 1997 the plan was amended to also provide a normal retirement benefit to those active employees who have reached the age of fifty-five and whose years of age and credited service total eighty years.

(Continued)



**Jackson County, Missouri  
Revised Pension Plan  
Notes to Financial Statements  
June 30, 2003 and 2002**

(1) Description of the Plan (Continued)

Early Retirement

Early retirement is available at age fifty-five and five years of service, subject to certain reductions from the normal benefit. No benefits are available before age fifty-five, exclusive of disability benefits.

Disability Retirement

The participant shall receive the accrued benefit, if the participant has five years of service and the disability is total and permanent as defined by the Social Security Act.

Pre-retirement Death Benefit

If any active member should die being vested in the plan, a lump sum death benefit equal to the deceased member's current benefit at the time of death shall be payable.

Vesting

The participant is 100% vested after five years of service. No partial vesting is allowed. Employees become eligible for the plan on the January 1<sup>st</sup> after completion of one year of full-time service.

As of June 30, 2003 and 2002, the Jackson County, Missouri Revised Pension Plan membership consisted of:

	2003	2002
Retirees and beneficiaries currently receiving benefits	592	568
Terminated employees entitled to benefits but not yet receiving them	827	711
Current employees:		
Vested	1,023	908
Non Vested	539	670
	2,981	2,857

**Jackson County, Missouri**  
**Revised Pension Plan**  
**Notes to Financial Statements**  
**June 30, 2003 and 2002**

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

Measurement Focus, Basis of Accounting and Basis of Presentation

The Jackson County, Missouri Revised Pension Plan (The Plan) uses a fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The Plan's fund is classified as a Pension Trust Fund of fiduciary fund type. Pension Trust Funds account for assets held by the Plan in a trustee capacity or as an agent on behalf of others and are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Interest and Dividend income are recorded when earned. Expenses are recorded when the corresponding liabilities are incurred. Benefits are recognized when due and payable in accordance with the terms of the Plan.

Investment Valuation and Income Recognition

Investments are recorded at fair value. If available, quoted market prices are used to value investments. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Where marketable securities are not listed on an exchange, quotations are obtained from brokerage firms or national pricing services. Investments that do not have an established market are reported at estimated fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from these estimates.

Concentration of Investments

At June 30, 2003,. All individual investments including Money Market Funds, represent less than 5% of the net assets held in trust for pension benefits at the end of the year.

(Continued)

**Jackson County, Missouri**  
**Revised Pension Plan**  
**Notes to Financial Statements**  
**June 30, 2003 and 2002**

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

Administrative Expense

Actuarial, investment management and bank trustee fees and expenses are included in the Plan's expenses when incurred.

New Accounting Pronouncement

Statement No. 39, "Determining Whether Certain Organizations Are Component Units" issued May 2002 will be effective for the Plan beginning with its year ending June 30, 2004. This Statement amends Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as a component unit based on the nature and significance of their relationship with the primary government.

Statement No. 40, Deposit and Investment Risk Disclosures, issued March 2003, will be effective for the Plan beginning with its year ending June 30, 2005. This Statement establishes and modifies disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency values that are highly sensitive to changes in interest rates. This statement also establishes and modifies disclosure requirements for deposit risks. Management has not yet determined the effect, if any, these Statements will have in the Plan's future financial statements.

**(3) Investments**

The Plan's investments are held by a bank-administered trust fund. The bank has been granted discretionary authority concerning purchases and sales of investments in the trust fund, within the limits of the Plans' objectives and policy guidelines. Short-term investments (cash equivalents) shall be in obligations of the Federal government, securities with a Federal government guarantee or issues of prime quality U.S. corporations. Equity securities are limited to 50% of total investments. Fixed income investments, other than cash equivalents, shall be obligations of the Federal government, securities with a Federal guarantee, G.I.C. contracts of high quality, insurance companies, and corporate obligations, having a Standard & Poor's rating of "A" or better. Investment performance is reviewed quarterly by the Pension Plan Administration Committee and a professional investment performance analyst.

The Plan's investments are categorized below to give an indication of the category risk level assumed by the Plan at June 30, 2003 and 2002, as defined by GASB Statement No. 3. Category 1, the lowest risk, includes investments that are insured or registered or for which the securities are held by the Plan or its agent in the name of the Plan.

(Continued)

**Jackson County, Missouri**  
**Revised Pension Plan**  
**Notes to Financial Statements**  
**June 30, 2003 and 2002**

**(3) Investments (Continued)**

Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the name of the Plan. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the name of the Plan. Short-term investment funds, open-ended mutual funds and securities on loan are not categorized.

At June 30, 2003 and 2002, the Plan's corporate bonds, stock investments, United States government securities and commercial paper are categorized as Category Three, which is uninsured and unregistered investments with the securities held by or through the bank's trust department but not in the Plan's name. The Short-term money market funds are not categorized. The Plan's investments during the years ended June 30, 2003 and 2002 did not differ significantly from these at the respective year-ends in amounts or level of risk.

At June 30, 2003 and 2002, all of the Plan's investments were stated at fair value as determined by quoted market prices, with the exception of certain Notes and Mortgages valued at estimated fair value. These investments are included in United States Government Securities and were valued at \$8,799,324 and \$9,498,382, respectively.

**(4) Contributions Required and Contributions Made**

Employer contributions are subject to annual appropriation by Jackson County, Missouri, and other related political subdivisions. No employee contributions are required or allowed. The Plan receives an annual actuarial valuation for the purpose of determining recommended contribution rates. The actuary provides a range of contribution recommendations depending on how rapidly the past service liability is funded. The actuarially determined minimum contribution recommendation, including amortization of past service liability over 30 years amounted to \$5,104,309 and \$5,107,172 for 2003 and 2002 respectively.

Required contributions (including amortization of the unfunded actuarial liability over thirty years) amounted to \$5,104,309 and \$5,107,172 or 9.23% and 10.62% of covered payroll for the years ended June 30, 2003 and 2002, respectively. The 2003 and 2002 required contributions consisted of \$4,007,938 and \$4,221,181 or 7.25% and 8.77% of covered payroll for normal cost and \$1,096,371 and \$947,858 or 1.98% and 1.97% of covered for payroll for amortization of the unfunded actuarial liability.

(Continued)

**Revised Pension Plan  
Jackson County, Missouri  
Notes to Financial Statements  
June 30, 2003 and 2002**

**(4) Contributions Required and Contributions Made** (Continued)

Contributions totaling \$5,379,655 and \$5,169,039 or 9.73% and 10.74% of covered payroll were made for the years ended June 30, 2003 and 2002 respectively. The 2003 and 2002 contributions consisted of \$4,007,938 and \$4,221,181 or 7.25% and 8.77% of covered payroll for normal cost and \$1,371,717 and \$947,858 respectively or 2.48% and 1.97% of covered payroll for amortization of the unfunded actuarial liability.

Administrative costs of the pension plan are financed through investment earnings when incurred.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates is determined using the Individual Entry Age Normal Method.

Six-year historical trend information is intended to help users assess Jackson County Revised Pension Plan Funding status on a going concern basis, assess progress made in accumulating benefits when due, and make comparisons with other public employment retirement systems.

**Jackson County, Missouri**  
**Revised Pension Plan**  
**Six-Year Historical Trend Information**  
**Required Supplementary Information**

**Schedule of Funding Progress**

	(1)	(2)	(3)	(4)	(5)	(6)
Year Ended June 30	Actuarial Accrued Liabilities	Actuarial Valuation Assets	Unfunded Actuarial Accrued Liabilities (1) - (2)	Valuation Payroll	Funded Ratio Assets As a % of Liabilities (2) / (1)	Unfunded Liabilities as % of Payroll (3) / (4)
1998	\$ 79,184,500	\$ 68,307,657	\$ 10,876,843	\$ 39,218,232	86.3%	27.7%
1999	86,416,912	77,931,152	8,485,760	40,394,626	90.2%	21.0%
2000	96,264,402	87,987,050	8,277,352	43,814,790	91.4%	18.9%
2001	104,075,127	97,697,213	6,377,914	45,747,345	93.9%	13.9%
2002	118,324,957	104,428,896	13,896,061	48,109,513	88.3%	28.9%
2003	135,842,944	107,386,039	28,456,905	55,285,472	79.1%	51.5%

Note: The actuarial present value of accumulated plan benefits is determined by an actuary and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

**Schedule of Employer Contributions**

Year Ended June 30	Employer Contributions	Annual Required Contribution (1)	Percentage Recommended vs. Actuary
1998	\$ 4,219,092	\$ 4,300,251	98.1%
1999	4,277,296	4,394,811	97.3%
2000	4,734,737	4,552,655	104.0%
2001	4,977,921	4,850,925	102.6%
2002	5,169,039	5,107,172	101.2%
2003	5,379,655	5,104,309	105.4%

(1) Includes normal cost and amortization of unfunded past service liability over thirty years

See Notes to Required Supplementary Information.

**Jackson County, Missouri**  
**Revised Pension Plan**  
**Notes to Required Supplementary Information**  
**June 30, 2003 and 2002**

Actuarial Information

The information presented in the above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

Valuation date	June 30, 2003
Actuarial cost method	Individual Entry age normal cost
Amortization method	Level dollar amount, closed period
Remaining amortization period	30 years ending December 31, 2033.
Asset valuation method	Expected assets plus the five-year average Excess of market value over expected value

Actuarial Assumptions

Assumed rate of return on Investment	7% compounded annually, net of investment Expenses.
Salary Increases	Salaries will increase 5% per annum, up to age 64.
Assumed inflation rate	1.5% per annum.
Post Retirement Benefit Increase	1.5% per annum increase for participants who both terminate and retire after July 31, 1990.

**Jackson County, Missouri  
Revised Pension Plan  
Schedule of Expenses  
June 30, 2003 and 2002**

**Schedule of Administrative Expenses**

<u>Administrative Expense</u>	<u>2003</u>	<u>2002</u>
Actuarial Services/Auditing Services	\$ 42,578	\$ 18,116
Investment Performance Review	3,500	3,500
	<u>\$ 46,078</u>	<u>\$ 21,616</u>

**Schedule of Investment Expenses**

<u>Investment Service</u>	<u>2003</u>	<u>2002</u>
Foreign Tax Withheld	\$ 8,866	\$ 7,235
Bank Fees	161,635	168,821
	<u>\$ 170,501</u>	<u>\$ 176,056</u>

**Schedule of Payments to Consultants**

DeMarche & Associates	\$ 3,500	Investment Performance Review
Aon Consulting	3,078	Actuarial Valuation
Rodwan & Nichols	15,000	Actuarial Valuation
McGladrey & Pullen	24,500	Pension Audit
	<u>\$ 46,078</u>	



Jackson County, Missouri  
Revised Pension Plan

Investment Section



**DeMarche**  
ASSOCIATES, INC.

October 28, 2003

To Whom It May Concern,

DeMarche Associates serves as the asset consultant providing performance measurement for the Jackson County Employees' Retirement System. The degree of portfolio success may be in part attributable to the degree by which an investment decision process is implemented and followed within the three major areas of fiduciary responsibility: asset allocation including diversification of assets, prudent delegation of investment management, and ongoing performance measurement.

Current investment objectives of the fund include the preservation of principal, providing total return sufficient to equal the actuarial assumption of 7% and maintain purchasing power, earning a total return of GNP deflator plus 4.5%.

The current asset allocation is based upon the fund's investment objective given its risk/return profile, time horizon and return expectations. The fund has delegated asset allocation and investment management functions to a professional balanced manager. DeMarche provides performance measurement, using quarterly data supplied by the fund's custodian, and in accordance with AIMR's Performance Presentation Standards. Appropriate summaries and comparisons of investment performance are then provided to the Pension Plan Administration Committee.

The Pension Plan Administration Committee is committed to a long-term investment policy whereby maximizing returns within Jackson County's acceptable level of risk.

Regards,

DEMARCHE ASSOCIATES, INC.



Coleen D. Trimble  
Senior Vice President

CDT:jpc

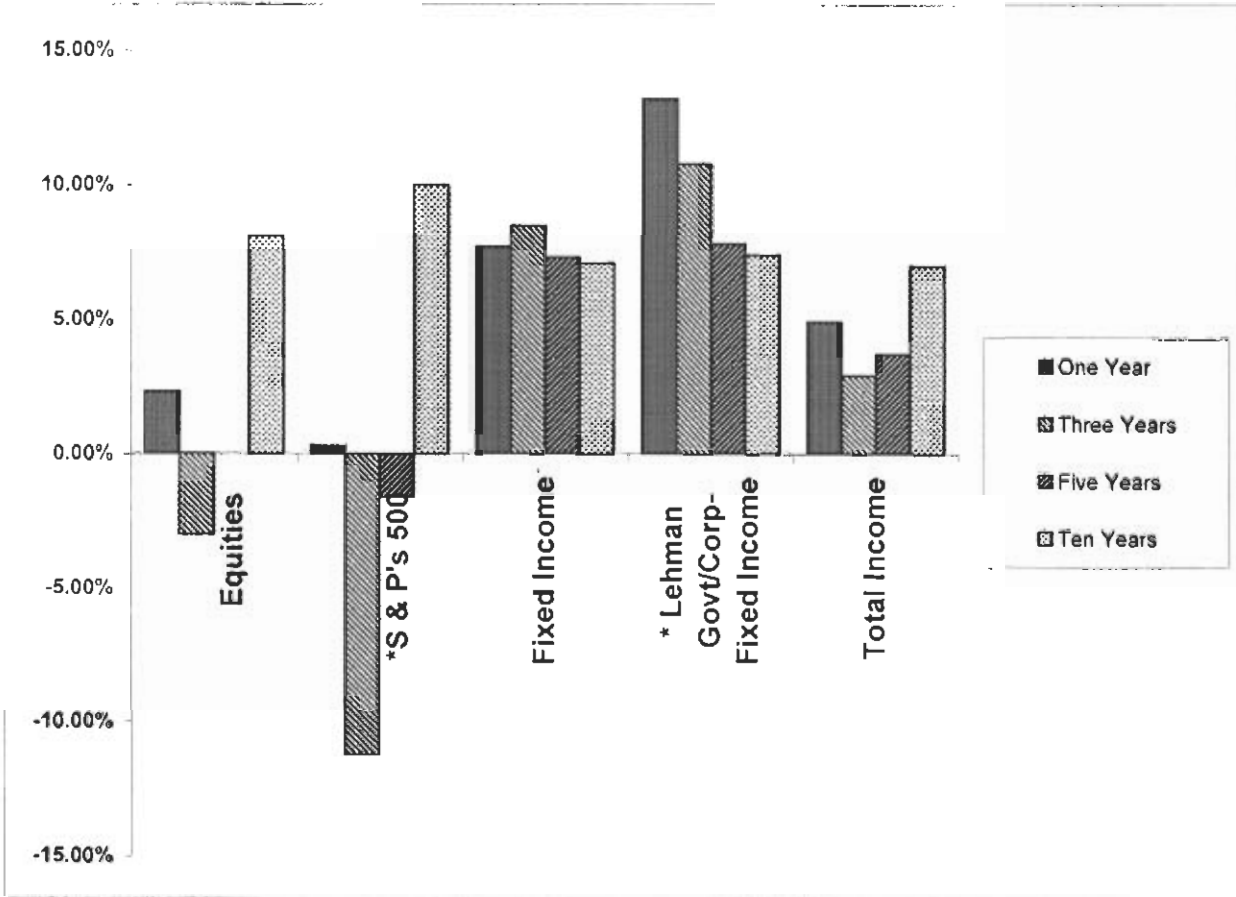
**Jackson County, Missouri**  
**Revised Pension Plan**  
**Summary of Investment Policies**  
**June 30, 2003**

This section of the report presents the investment policies of the Plan. The Pension Plan Administration Committee has set out the following investment policy guidelines.

Investment Policies:

1. The composition of investments of the fund will not exceed 50% in equities and 50% in fixed income securities, any uninvested monies will be in cash or cash equivalents. Up to 10% of the equity portfolio can be invested in small capitalization equity issues. Small capitalization issues are defined as stocks with a market capitalization of less than \$1 billion. Any deviation from these guidelines would be otherwise noted in writing at the next regular Pension Investment Committee meeting.
2. Short term investments (cash equivalents) shall be in obligations of the Federal government, securities with a Federal government guarantee, or issues of prime quality U.S. corporations.
3. Fixed income investments, other than cash equivalents, shall be obligations of the Federal government, securities with a Federal guarantee, G.I.C. contracts of high quality insurance companies, and corporate obligations having a S&P rating of "A" or better. The maximum maturity of any fixed income obligation will not exceed 15 years.
4. No single investment, except securities of the Federal government and securities with government guarantee, shall exceed 5% of the market value of securities in that category.
5. Other forms of investment strategies may be considered by the Pension Plan Administrative Committee at its regular meetings.
6. The investment manager will report quarterly as to the accomplishment of Investment Objectives and conformance to Policies. The manager will make recommendations quarterly for any changes in the objectives or policies.

**Jackson County, Missouri  
Revised Pension Plan  
Schedule of Investment Results  
Year Ended June 30, 2003**



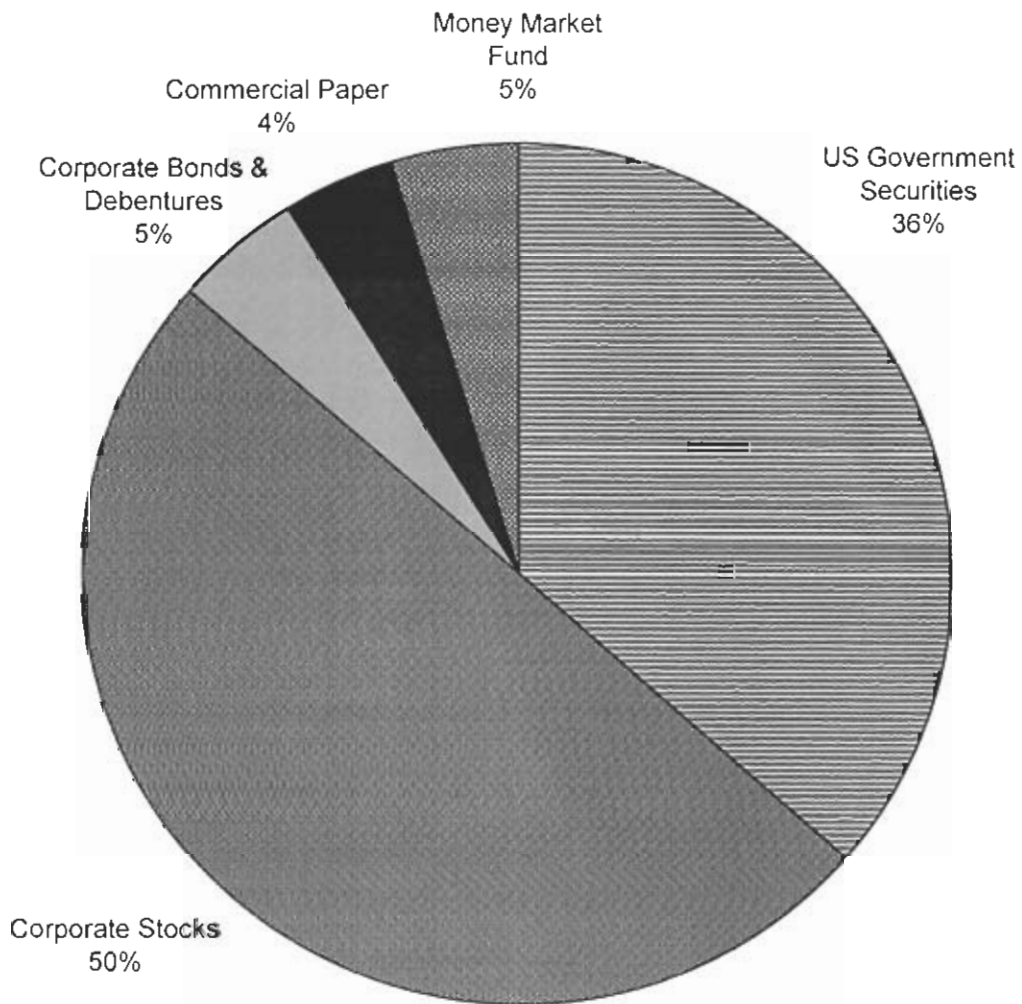
	Annualized Return			
	One Year	Three Years	Five Years	Ten Years
Equities	2.30%	-3.00%	0.00%	8.10%
* S & P's 500	0.30%	-11.20%	-1.60%	10.00%
Fixed Income	7.70%	8.50%	7.30%	7.10%
* Lehman Govt/Corp-Fixed Income	13.20%	10.80%	7.80%	7.40%
Total Income	4.90%	2.90%	3.70%	7.00%

\*Benchmark

Returns provided by the Investment Consultants to Jackson County, Missouri

Note: Calculations were prepared using a time-weighted rate of return based on the market rate of return in accordance with AIMR's Performance Presentation Standard.

**Jackson County, Missouri  
Revised Pension Plan  
Asset Allocation  
Year Ended June 30, 2003**



**Jackson County, Missouri  
Revised Pension Plan  
List of Largest Assets Held  
Year ended June 30, 2003**

**Largest Stock Holdings (By Fair Value)**

	<b>Shares</b>	<b>Stock</b>	<b>Fair Value</b>
1)	25,500	Medtronic Inc	\$1,223,235
2)	19,500	Merck & Co Inc	1,180,725
3)	36,000	Dean Foods	1,134,000
4)	17,000	Fedex Corporation	1,054,510
5)	21,750	Brinker International Inc	783,435
6)	17,750	Best Buy Co Inc	779,580
7)	19,100	State Street Corp	752,400
8)	25,000	Sysco Corporation	751,000
9)	10,000	Genetech Inc	721,200
10)	22,000	SEI Investment	703,780

**Largest Bond Holdings (By Fair Value)**

	<b>Par</b>	<b>Bonds</b>	<b>Fair Value</b>
1)	\$2,522,250	Federal Home Loan Mortgage Corp 4.75% Due 2-21-2013/06 @100	\$2,581,250
2)	2,428,592	Gov't Nat'l Mortgage Assn Series 2002-83 CL-A 3.3126% Due 4-16-2017	2,508,045
3)	1,983,104	Federal National Mortgage Assn 5% Due 1-15-2007	2,201,260
4)	1,474,060	Gov't Nat'l Mortgage Assn Series 2003-16 CL-A 3.1296% Due 4-16-2016	1,512,385
5)	997,850	Federal Home Loan Mortgage Corp 2.375% Due 3-17-2006/04 @100	1,009,060
6)	820,000	Omaha Ne. Parking FACS Corp Series B 4.85% Due 3-1-2015	862,517
7)	747,352	Federal Home Loan Mortgage Corp 5% Due 1-20-2007/04 @100	764,535
8)	673,504	Federal Home Loan Mortgage Corp 5.38% Due 12-7-2011	732,753
9)	495,130	Cooper Industries Inc. 6.375% Med Term NT Due 5-8-2008	571,995
10)	449,305	Norfolk Southern Railway Co 6.15% Due 4-1-2014	567,920

A complete list of portfolio holdings is available upon request.

**Jackson County, Missouri**  
**Revised Pension Plan**  
**Schedule of Brokerage Commissions Paid**  
**Year Ended June 30, 2003**

<b>Brokerage Firms</b>	<u>Number of Transactions</u>	<u>Number of Shares</u>	<u>Commissions Paid</u>	<u>Commissions Per Share</u>
ABN Amro Incorporated	2	1,900	\$ 119.78	\$ 0.063
Boston Institutional Services, Incorporated	1	1,500	105.00	0.070
Capital Institutional Services, Incorporated	72	39,500	2,888.00	0.073
Edwards, A.G. & Sons, Incorporated	25	40,900	2,669.00	0.065
Fahnestock & Co. Inc.	10	53,400	2,318.00	0.043
First Clearing Corp.	5	29,700	1,485.00	0.050
Frank Russell Securities	1	2,300	161.00	0.070
Goldman, Sachs & Company	14	17,700	836.14	0.047
Jefferies & Company	23	13,400	670.00	0.050
Lehman Brothers, Incorporated	23	34,800	1,740.00	0.050
Merrill Lynch, Pierce, Fenner & Smith	41	61,400	3,298.73	0.054
Paribas Corporation	3	3,240	115.10	0.036
Pershing LLC	2	6,900	483.00	0.070
Prudential Securities, Incorporated	11	35,300	1,685.00	0.048
Simmons & Company International	1	1,600	48.00	0.030
Standard & Poors Securities, Incorporated	10	20,400	1,428.00	0.070
UBS Painewebber, Inc.	1	5,300	371.00	0.070
<b>TOTAL</b>	<u>245</u>	<u>369,240</u>	<u>\$ 20,420.75</u>	<u>\$ 0.055</u>

**Jackson County, Missouri  
Revised Pension Plan  
Investment Summary  
Year Ended June 30, 2003**

	June 30, 2002		Purchases	Sales & Redemptions	June 30, 2003		% of Total Fair Value
	Cost	Fair Value (Book)			Cost	Fair Value (Book)	
1. US GOVERNMENT SECURITIES	\$ 33,863,533	\$ 34,951,593	\$ 14,345,979	\$ (14,323,633)	\$ 33,885,879	\$ 35,366,752	36.27%
<b>CORPORATE STOCKS</b>							
2. COMMON STOCKS	37,079,568	36,916,106	12,463,358	(8,328,196)	41,214,731	42,548,334	43.64%
3. REGIONAL STOCKS	4,396,100	4,969,597	3,220,127	(2,188,338)	5,427,889	6,203,706	6.36%
3A. GROWTH INDEX FUNDS	1,637,985	1,402,609	58,680	(1,696,665)	0	0	0.00%
4. CONVERTIBLE PREFERRED STOCKS	0	0	0	0	0	0	
5. CONVERTIBLE DEBENTURES	0	0	0	0	0	0	0.00%
<b>TOTAL CORPORATE STOCKS</b>	<b>43,113,653</b>	<b>43,308,312</b>	<b>15,742,165</b>	<b>(12,213,199)</b>	<b>46,642,620</b>	<b>48,752,040</b>	<b>50.00%</b>
6. CORPORATE BONDS & DEBENTURES	5,101,975	5,346,436	1,181,904	(2,168,018)	4,115,861	4,039,777	4.76%
7. COMMERCIAL PAPER	1,702,503	1,751,855	4,015,287	(1,702,503)	4,015,287	4,055,797	4.16%
8. MONEY MARKET FUND	5,466,575	5,466,576	33,001,291	(33,851,508)	4,616,358	4,691,804	4.81%
	<b>\$ 89,248,239</b>	<b>\$ 90,824,772</b>	<b>\$ 68,286,626</b>	<b>\$ (64,258,860)</b>	<b>\$ 93,276,005</b>	<b>\$ 97,506,170</b>	

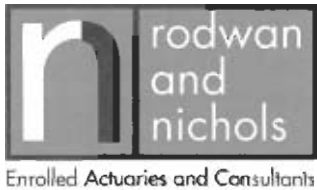
Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report, however, the detailed reports are available for review as an appendix to this report at Jackson County.



Jackson County, Missouri  
Revised Pension Plan

Actuarial Section





November 25, 2003

Pension Plan Administrative Committee  
Jackson County, Missouri Revised Pension Plan  
Jackson County Courthouse  
415 East 12<sup>th</sup> Street  
Kansas City, Missouri 64106

Dear Committee Members:

The primary financing objective of the Jackson County, Missouri Revised Pension Plan is to establish a contribution rate which, expressed as a percent of active member payroll, will tend to decrease until any unfunded accrued liability is eliminated. The annual recommended contribution will provide for a level percent of pay normal cost plus a level dollar amortization of the unfunded accrued liability.

In order to determine the Plan's present financial position, and to determine the contribution rate, annual actuarial valuations are performed. The latest completed actuarial valuation was based upon data and assumptions as of June 30, 2003.

Assumptions made for the actuarial valuation are established by the Committee based on recommendations from the actuary. The assumptions used in the latest valuation were unchanged from last year. The assumptions include an investment return of 7 percent. Amortization of unfunded past service liability is calculated as a level dollar amount. The recommended contribution is based on an amortization period of 30 years. The assumptions and methods employed meet the disclosure requirements as set forth in Statement No. 25 of the Governmental Accounting Standards Board.

The asset data used in the actuarial valuation was provided by United Missouri Bank and the participant data was provided by the staff of the Plan. Neither were audited, but reviewed for reasonableness.

Rodwan and Nichols Consulting Company solely produce the following schedules:

Analysis of Financial Experience  
Schedule of Active Members by Attained Age and Service

The County continues to meet its financing goals. Investment losses have lowered the funded percent to 79.1%, but the Plan has a good funded status.

The actuarial assumptions used in the valuations are reasonably related to the past experience of the Plan and represent reasonable expectations of long-term future experience under the Plan.

**Rodwan & Nichols  
Consulting Company**

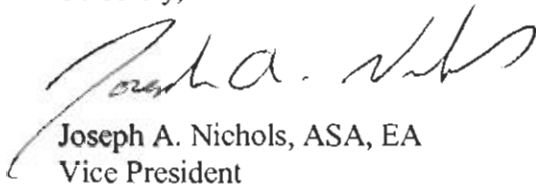
2310 E. Eleven Mile Road  
Royal Oak, Michigan 48067  
(248) 399-8760  
FAX (248) 399-8790

108 S. 5th Street  
P.O. Box 88  
Savannah, Missouri 64485  
(816) 324-5460  
FAX (248) 282-5066

Page 2  
Pension Plan Administrative Committee  
Jackson County, Missouri Revised Pension Plan  
November 25, 2003

The nature of our relationship with Jackson County is to provide actuarial services. Rodwan & Nichols Consulting Co. is entirely independent of the Jackson County, Missouri Pension Plan. The nature of our relationship does not appear to impair the objectivity of our work.

Sincerely,



**Joseph A. Nichols, ASA, EA**  
Vice President

**Jackson County, Missouri**  
**Revised Pension Plan**  
**Summary of Actuarial Assumptions**  
**June 30, 2003**

This section of the report presents the actuarial assumptions and methods used in the valuation, a summary of plan provisions, and participant data upon which the valuation of June 30, 2003 was based.

**Actuarial Assumptions**

<u>Interest</u>	7% per annum for the regular valuation in determining the range of contributions and also purposes of calculating the value of vested benefits and accrued benefits under the ongoing plan approach (as required by the Financial Accounting Standards Board). (Adopted 1994)
<u>Assumed Inflation Rate</u>	1.5% per annum.
<u>Amortization Method and Period</u>	Level dollar amount, closed period ending December 31, 2033.
<u>Mortality</u>	1983 Male Group Annuity Mortality Table for actively employed males (set forward 10 years for disabled males), 1983 Female Group Annuity Mortality Table for actively employed females (set forward 10 years for disabled females). (Adopted 1992)
<u>Retirement Age</u>	Earlier of attaining "80 points" and age 65, but not before age 55. (Adopted 1997)
<u>Turnover</u>	Based on termination rates from Table T-8 of the Actuary's Pension Handbook. (Adopted 1975) Sample rates are as follows:

<u>Age</u>	<u>Rate of Turnover</u>
25	11.6%
30	11.2%
35	10.6%
40	9.4%
45	7.5%
50	4.8%
55	1.7%
60	0.2%

(Continued)

**Jackson County, Missouri**  
**Revised Pension Plan**  
**Summary of Actuarial Assumptions**  
**June 30, 2003**  
(Continued)

**Actuarial Assumptions** (continued)

Rates of Disablement (Adopted 1992) Sample rates of disablement are as follows:

Age	Rate of Disablement
20	0.025%
25	0.025%
30	0.050%
35	0.075%
40	0.100%
45	0.200%
50	0.300%
55	0.400%
60	0.600%

Salary Increases Salaries will increase 5% per annum up to age 64 in the regular valuation. No salary increase assumption was used in the valuation of vested benefits. (Adopted 1994)

Incidence of Retirement Normal Retirement date or valuation date, if later. (Adopted 1975)

Spouse's Benefit For deaths in service, 90% of the males are assumed married, with the spouse three years or younger. 65% of the female employees are assumed married, with the spouse three years or older. (Adopted 1979)

Benefit Expenses Prior year's expenses increased by 5%. (Adopted 1991)

Cost of Living 1.5% per annum increase for participants who both terminate and retire after July 31, 1990. (Adopted 1997)

**Asset Valuation Method** (Adopted 1975)

Expected assets plus the five-year average excess of market value over expected value. Valuation assets will not exceed 120% of market value nor be less than 80% of market value.

Assets at market were used in the comparison of plan assets to the actuarial value of accrued and vested accrued benefits under the ongoing plan approach.

(Continued)

**Jackson County, Missouri**  
**Revised Pension Plan**  
**Summary of Actuarial Assumptions**  
**June 30, 2003**

(Continued)

**Actuarial Cost Method** (Adopted 1975)

The method of valuation is the Individual Entry Age Normal Cost Method. Under this method, the entry age normal cost accrual rate is the entry age value of benefits divided by the entry age present value of salaries. The individual entry age normal cost is the accrual rate times the covered payroll of plan participants.

The present value of future normal costs is the accrual rate times the attained age present value of salaries. The unfunded past service liability is the attained age present value of benefits less the present value of future normal costs less the valuation assets. Actuarial gains (losses), as they occur, reduce (increase) the unfunded actuarial accrued liability.

**Jackson County, Missouri**  
**Revised Pension Plan**  
**Schedule of Active Member Valuation Data**  
**Six Years Ended June 30, 2003**

Valuation Data	Active Members			% Increase (Decrease) in Average Pay
	Number	Annual Payroll	Annual Average Pay	
1998	1,432	39,218,232	27,387	2.3%
1999	1,445	40,394,626	27,955	2.1%
2000	1,493	43,814,790	29,347	5.0%
2001	1,570	45,747,345	29,138	-0.7%
2002	1,578	48,109,513	30,488	4.6%
2003	1,562	55,285,472	35,394	16.1%

\* Active members include regular active members and postponed members.

**Jackson County, Missouri**  
**Revised Pension Plan**  
**Schedule of Retirees and Beneficiaries**  
**Added to and Removed from Rolls**  
**Six Years Ended June 30, 2003**

<u>Year</u>	<u>Added to Rolls</u>		<u>Removed from Rolls</u>		<u>Roll - End of Year</u>		<u>% Increase in Annual Allowances</u>	<u>Average Annual Allowances</u>
	<u>No.</u>	<u>Annual Allowances</u>	<u>No.</u>	<u>Annual Allowances</u>	<u>No.</u>	<u>Annual Allowances</u>		
1998	54	\$ 266,352	32	\$ 66,871	495	\$ 1,802,646	4.0%	\$ 3,642
1999	73	445,372	23	56,817	545	2,153,218	19.4%	3,951
2000	27	123,754	24	49,728	548	2,444,035	13.5%	4,460
2001	33	234,289	22	61,936	559	2,474,530	1.2%	4,427
2002	35	239,089	26	92,994	568	2,744,060	10.9%	4,831
2003	43	267,159	19	51,048	592	2,983,427	8.7%	5,040



**Jackson County, Missouri  
Revised Pension Plan  
Short-Term Solvency Test  
Six Years Ended June 30, 2003**

**Actuarial Accrued Liabilities for:**

<u>Fiscal Year</u>	<u>Current Retirees and Beneficiaries</u> (1)	<u>Active and Inactive Members, Employer Financed Portion</u> (2)	<u>Valuation Assets</u>	<u>Percentage of Actuarial Liabilities Covered by Net Assets Available</u>	
				(1)	(2)
1998	\$ 20,233,073	\$ 58,951,427	\$ 68,307,657	100.0%	81.5%
1999	23,064,368	63,352,544	77,931,152	100.0%	86.6%
2000	24,035,384	72,229,018	87,987,050	100.0%	88.5%
2001	27,485,288	76,589,839	97,697,213	100.0%	91.7%
2002	28,292,140	90,032,817	104,428,896	100.0%	84.6%
2003	30,159,664	105,683,280	107,386,039	100.0%	73.1%

**Jackson County, Missouri**  
**Revised Pension Plan**  
**Analysis of Financial Experience**  
**Five Years Ended June 30, 2003**

Gains and Losses in Accrued Liabilities during years ended 1998-2002  
resulting from differences between assumed experience and actual experience.

<u>Type of Activity</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Age and Service Retirements	\$ 563,179	\$ -	\$ (631,000)	\$ 272,000	\$ 855,000
Disability Retirement	132,738	-	(54,000)	-	-
Death-In-Service Benefits	133,060	-	(400,000)	-	-
Withdrawal from Employment	685,778	-	(1,054,000)	(947,000)	948,000
Pay Increases	(8,195,748)	-	2,856,000	(1,383,000)	(486,000)
Contribution Income	N/A	N/A	N/A	N/A	N/A
Investment Income	(6,899,685)	(2,609,000)	1,142,000	2,391,000	2,468,000
Death After Retirement	(117,687)	-	717,000	(1,754,000)	148,000
Other	<u>(1,540,887)</u>	<u>(1,392,000)</u>	<u>(1,153,000)</u>	<u>1,301,000</u>	<u>159,000</u>
Subtotal	(15,239,252)	(4,001,000)	1,423,000	(120,000)	4,092,000
Non-Recurring Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Composite Gain (Loss) During Year	<u>\$ (15,239,252)</u>	<u>\$ (4,001,000)</u>	<u>\$ 1,423,000</u>	<u>\$ (120,000)</u>	<u>\$ 4,092,000</u>

**Jackson County, Missouri  
Revised Pension Plan  
Summary of Plan Provisions**

<u>Effective Date</u>	Originally effective April 1, 1967; as amended through June 1, 1981, as restated effective August 1, 1985, and as amended April 4, 1994. Most recent amendment adopted is effective December 16, 1997.
<u>Eligibility</u>	On January 1 with 12 months Credited Service.
<u>Employee</u>	For purposes of the plan, an employee is one who has been elected or appointed to a County office, or who is regularly employed full-time by the County or other participating employers. However, certain job classifications are not covered by the plan.
<u>Service and Credited Service</u>	Service is equal to years and months of continuous employment. Credited Service is equal to Service, except that only $\frac{3}{4}$ of the years and months prior to January 1, 1967 are included in Credited Service.
<u>Average Monthly Earnings</u>	Highest 36 consecutive month average of Monthly Earnings. Monthly Earnings are defined as regular monthly cash compensation, including overtime, but excluding fees, commissions, expense reimbursements, and other forms of extraordinary compensation.
<u>Accrued Benefit</u>	The benefit the employee has earned based on average monthly earnings and credited service to date.
<u>Normal Form</u>	The normal form of payment is a lifetime annuity with five years certain. For members terminating and retiring after July 31, 1990, benefits may be adjusted by up to 1.5% per year for cost-of-living changes.
<u>Normal Retirement</u>	Age 65 or age 55 where the participants years of age and credited service total eighty years, The normal retirement benefit is 1.5% of the Average Monthly Earnings for each year of credited service. There is a minimum monthly benefit of \$ 50.00.
<u>Late Retirement</u>	At actual retirement, the employee receives a monthly benefit based on credited service and average monthly earnings at the late retirement date.

**Jackson County, Missouri  
Revised Pension Plan  
Schedule of Active Members by Attained Age and Service  
Valuation as of June 30, 2003**

Completed Years of Service

<u>Age</u>	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30 &gt;</u>	<u>Total</u>
< 20	1	-	-	-	-	-	-	1
20-24	32	3	-	-	-	-	-	35
25-29	93	30	-	-	-	-	-	123
30-34	86	67	10	1	-	-	-	164
35-39	84	47	33	21	-	-	-	185
40-44	65	67	43	50	31	4	-	260
45-49	60	57	26	39	49	19	3	253
50-54	49	40	33	28	31	37	18	236
55-59	40	37	31	18	19	22	16	183
60-64	22	18	10	16	3	7	5	81
>64	7	8	8	6	7	4	1	41
<b>Totals</b>	<b>539</b>	<b>374</b>	<b>194</b>	<b>179</b>	<b>140</b>	<b>93</b>	<b>43</b>	<b>1562</b>

Summary

	<u>Male</u>	<u>Female</u>	<u>All</u>
<b>Average Age</b>	45.7	44.5	45.1
<b>Past Service Years</b>	11.9	9.7	10.8
<b>Number in Group</b>	819	743	1,562

Jackson County, Missouri  
Revised Pension Plan

Statistical Section



**Jackson County, Missouri  
Revised Pension Plan  
Six Years Ended June 30, 2003**

**Schedule of Additions by Source**

<u>Year Ended</u>	<u>Employer Contributions</u>	<u>Employer Contribution as a Percent of Annual Covered Payroll</u>	<u>Investment Income</u>	<u>Total</u>
1998	\$ 4,219,092	10.8%	\$ 8,119,456	\$ 12,338,548
1999	4,277,296	10.6%	7,468,480	11,745,776
2000	4,734,737	10.8%	(117,076)	4,617,661
2001	4,977,921	10.8%	3,442,643	8,420,564
2002	5,169,039	10.7%	(1,198,020)	3,971,019
2003	5,379,655	9.7%	4,209,100	9,588,755

**Schedule of Deductions by Type**

<u>Year Ended</u>	<u>Aggregate Benefit Payments</u>	<u>Administrative Expenses</u>	<u>Total</u>
1998	\$ 1,802,646	\$ 24,475	\$ 1,827,121
1999	2,153,218	26,100	2,179,318
2000	2,444,035	29,600	2,473,635
2001	2,474,530	35,988	2,510,518
2002	2,702,767	21,616	2,724,383
2003	2,914,801	46,078	2,960,879

**Jackson County, Missouri  
Revised Pension Plan  
Schedule of Benefit Expenses by Type  
Six Years Ended June 30, 2003**

<u>Year Ending</u>	<u>Age &amp; Service Benefits</u>		<u>Death in Service Benefits</u>	<u>Disability Benefits</u>		<u>Total</u>
	<u>Retirants</u>	<u>Survivors</u>		<u>Duty</u>	<u></u>	
1998	\$ 1,442,991	202,737	58,553	\$ 98,365	\$	1,802,646
1999	1,726,061	202,610	78,466	146,082		2,153,219
2000	1,966,851	206,690	78,478	192,016		2,444,035
2001	1,987,989	265,927	-	220,614		2,474,530
2002	2,152,560	241,157	71,517	237,533		2,702,767
2003	2,245,725	334,151	94,524	240,401		2,914,801

**Jackson County, Missouri**  
**Revised Pension Plan**  
**Schedule of Retired Members by Type of Benefit**  
**June 30, 2003**

Schedule of Retired Members by Type of Benefit June 30, 2003								
Amount of Monthly Benefit	Number of Retirants	Type of Retirement**						
		1	2	3	4	5	6	7
\$1-250	291	75	52	56	40	3	54	11
251-500	131	49	32	18	2	0	18	12
501-750	71	32	13	9	1	0	10	6
751-1000	41	18	7	3	1	0	7	5
1001-1250	23	9	6	7	0	0	0	1
1251-1500	14	4	2	5	0	0	1	2
1501-1750	11	5	2	2	0	0	0	2
1751-2000	5	2	3	0	0	0	0	0
Over 2000	5	1	0	3	0	0	1	0
<b>Total</b>	<b>592</b>	<b>195</b>	<b>117</b>	<b>103</b>	<b>44</b>	<b>3</b>	<b>91</b>	<b>39</b>

**\*\*Type of Retirement**  
1-Annuity for Life - 5 Year Certain  
2-Annuity for Life - 10 Year Certain  
3-Joint Annuity for Life - 100% Sole Survivor  
4-Annuity for Life  
5-Joint Annuity for Life - 50% Sole Survivor  
6-Survivor  
7-Disability



**Jackson County, Missouri**  
**Revised Pension Plan**  
**Schedule of Average Benefit Payments**  
**Six Years ended June 30, 2003**

<b>Schedule of Average Benefits</b>						
<b>Retirement Effective Dates</b>	<b>Years Credited Service</b>					
<b>July 1, 1997 to June 30, 2003</b>	5-10	10-15	15-20	20-25	25-30	30+
<b>Period 7/1/97 to 6/30/98:</b>						
Average Monthly Benefit	\$ 149.48	172.67	309.81	474.87	609.88	964.11
Average Final Salary	1,908.98	1,399.42	1,644.33	1,851.97	1,936.65	2,461.17
Number of Active Retirants	92	154	125	63	37	24
<b>Period 7/1/98 to 6/30/99:</b>						
Average Monthly Benefit	\$ 146.38	178.54	329.77	555.44	706.45	1089.90
Average Final Salary	1,867.88	1,427.77	1,680.69	2,025.75	2,108.83	2,691.04
Number of Active Retirants	112	154	139	71	42	27
<b>Period 7/1/99 to 6/30/00:</b>						
Average Monthly Benefit	\$ 150.04	186.54	351.22	576.57	743.50	1131.32
Average Final Salary	1,930.96	1,485.95	1,736.10	2,049.33	2,168.57	2,717.65
Number of Active Retirants	118	149	137	73	43	28
<b>Period 7/1/00 to 6/30/01:</b>						
Average Monthly Benefit	\$ 159.75	201.65	372.04	638.52	741.04	1288.62
Average Final Salary	1,977.73	1,573.69	1,785.73	2,189.39	2,146.61	2,984.68
Number of Active Retirants	138	151	128	66	45	31
<b>Period 7/1/01 to 6/30/02:</b>						
Average Monthly Benefit	\$ 161.83	210.85	372.13	659.01	778.05	1278.86
Average Final Salary	1,972.21	1,620.71	1,814.93	2,234.25	2,223.53	2,910.48
Number of Active Retirants	145	145	125	71	47	35
<b>Period 7/1/02 to 6/30/03:</b>						
Average Monthly Benefit	\$ 169.32	217.57	397.67	678.37	835.12	1326.74
Average Final Salary	2,068.78	1,663.74	1,893.66	2,291.02	2,329.48	2,899.28
Number of Active Retirants	155	149	131	73	47	37

**Jackson County, Missouri  
Revised Pension Plan  
Schedule of Benefits Payable  
June 30, 2003**

<u>Type of Benefit</u>	<u>Number</u>	<u>Annual Funded Benefit</u>	<u>Average Annual Benefit</u>
Service Retirement:			
5 year certain life	195	\$ 1,127,059	\$ 5,780
10 year certain life	117	605,607	5,176
100% joint and survivor	103	567,426	5,509
Normal Annuity	44	69,252	1,574
50% joint and survivor	3	5,622	1,874
Survivor beneficiary	91	349,724	3,843
	<u>553</u>	<u>2,724,690</u>	<u>4,927</u>
Total Service Retirement			
Disability Retirement	<u>39</u>	<u>258,737</u>	<u>6,634</u>
Grand Totals	<u>592</u>	<u>2,983,427</u>	<u>5,040</u>