

FIRST DATA CORP
Form 11-K/A
July 15, 2004
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K/A

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED).

For the fiscal year ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED).

For the transition period from _____ to _____

Commission file number 1-11073

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

FIRST DATA CORPORATION INCENTIVE SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

FIRST DATA CORPORATION

6200 S. Quebec Street

Greenwood Village, CO 80111

Explanatory Note

This Form 11-K/A amends and restates the Annual Report on Form 11-K filed June 25, 2004, to revise the report of the independent registered accounting firm to only make reference to their audits having been conducted in accordance with standards of the Public Company Accounting Oversight Board (United States). There were no other changes to the previously filed financial statements of the First Data Corporation Incentive Savings Plan as of December 31, 2003 and 2002 and for the year ended December 31, 2003.

Table of Contents

FIRST DATA CORPORATION INCENTIVE SAVINGS PLAN

Financial Statements and Supplemental Schedule

As of December 31, 2003 and 2002 and for the Year Ended December 31, 2003

Table of Contents

First Data Corporation Incentive Savings Plan

Financial Statements and Supplemental Schedule

As of December 31, 2003 and 2002

and for the Year Ended December 31, 2003

Contents

<u>Report of Independent Registered Public Accounting Firm</u>	1
<u>Report of Independent Registered Public Accounting Firm</u>	2
Financial Statements	
<u>Statements of Net Assets Available for Benefits</u>	3
<u>Statement of Changes in Net Assets Available for Benefits</u>	4
<u>Notes to Financial Statements</u>	5
Supplemental Schedule	
<u>Schedule H, Line 4i Schedule of Assets (Held at End of Year)</u>	15

Table of Contents

Report of Independent Registered Public Accounting Firm

First Data Employee Benefits Committee

We have audited the accompanying statement of net assets available for benefits of the First Data Corporation Incentive Savings Plan (the Plan) as of December 31, 2003, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2003, and the changes in its net assets available for benefits for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2003 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our 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.

/s/ Anton Collins Mitchell LLP

Denver, Colorado

June 24, 2004

Table of Contents

Report of Independent Registered Public Accounting Firm

First Data Employee Benefits Committee

We have audited the accompanying statement of net assets available for benefits of the First Data Corporation Incentive Savings Plan as of December 31, 2002. This financial statement is the responsibility of the Plan's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2002, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Denver, Colorado

June 13, 2003

Table of Contents

First Data Corporation Incentive Savings Plan

Statements of Net Assets Available for Benefits

	December 31,	
	2003	2002
Investments: (see Note 2)		
Cash	\$	\$ 1,111,392
Participant loans	27,817,997	22,996,411
Investment in First Data Corporation Master Trust	842,707,283	663,176,218
Total investments	870,525,280	687,284,021
Receivables:		
Employer contributions	2,103,151	1,148,995
Participant contributions and loan repayments	1,954,441	325,676
Total receivables	4,057,592	1,474,671
Net assets available for benefits	\$ 874,582,872	\$ 688,758,692

See accompanying notes.

Table of Contents

First Data Corporation Incentive Savings Plan

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2003

Additions to net assets attributed to:	
Contributions:	
Employer	\$ 46,260,662
Participant	55,619,342
Rollover	3,042,753
	<hr/>
	104,922,757
Transfers from other plans	1,320,304
Investment income:	
Plan's interest in First Data Corporation Master Trust investment income	129,664,795
Loan interest	1,726,240
	<hr/>
	131,391,035
	<hr/>
Total additions	237,634,096
	<hr/>
Deductions from net assets attributed to:	
Benefit payments	51,809,916
	<hr/>
Total deductions	51,809,916
	<hr/>
Net increase in net assets	185,824,180
Net assets available for benefits at beginning of year	688,758,692
	<hr/>
Net assets available for benefits at end of year	\$ 874,582,872
	<hr/>

See accompanying notes.

Table of Contents

First Data Corporation Incentive Savings Plan

Notes to Financial Statements

December 31, 2003

1. Plan Description

The following description of the First Data Corporation Incentive Savings Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan (as amended and restated) was established effective July 1, 1990 as a defined contribution plan to provide retirement benefits for certain employees of First Data Corporation and its participating subsidiaries (FDC or the Company), the Plan sponsor. Employees of the Company (i) who are not subject to a collective bargaining agreement, (ii) who receive compensation payable in U.S. dollars, and (iii) who are not leased employees or independent contractors are eligible to participate in the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). Benefits of the Plan are not guaranteed by the Pension Benefit Guaranty Corporation.

Eligible employees may participate in the Plan and make salary deferral contributions as soon as administratively possible following the date they became an employee.

Administration

Prior to February 5, 2003, the Plan Administrator was FDC's Employee Benefits Administration and Investment Committee (the EBAIC), which was appointed by the Compensation and Benefits Committee of the Company's Board of Directors. Effective February 5, 2003, the EBAIC was replaced by the First Data Investment Council (FDIC) and the First Data Employee Benefits Committee (FDEBC), which are also appointed by the Compensation and Benefits Committee of the Company's Board of Directors. The FDIC establishes, amends and monitors compliance with investment policies, and selects and monitors trustees, outside advisors, investment managers and consultants of the Plan. The FDEBC administers and operates the Plan, and selects and monitors any recordkeepers or third-party administrators of the Plan.

The Plan, along with the Western Union Financial Services, Inc. Retirement Savings Plan for Bargaining Unit Employees (the RSP Plan), participates in the First Data

Table of Contents

First Data Corporation Incentive Savings Plan

Notes to Financial Statements (continued)

1. Plan Description (continued)

Corporation Master Trust for Defined Contribution Plans (the Master Trust), of which State Street Bank and Trust Company (State Street or Trustee) is the trustee. Hewitt Associates (Hewitt or Recordkeeper) is the recordkeeper of the Plan. Assets in participants self-directed brokerage accounts are held by Harrisdirect.

Administrative expenses of the Plan, to the extent not paid for by the Company, are paid by the Master Trust, which reduces net investment earnings realized by participants.

Contributions and Vesting

Participants may contribute pre-tax dollars to the Plan of not less than 1% or more than 25% (6% for Highly Compensated Employees who are eligible to participate in the Company s Supplemental Incentive Savings Plan) of their eligible compensation, subject to certain limitations imposed by Section 401(k) of the Internal Revenue Code (the Code). Participants may also roll over qualified distributions into the Plan, including personal Individual Retirement Accounts. Participants are always fully vested in their elective and rollover contributions under the Plan.

Participants age 50 or over before the close of the Plan year are eligible to make an additional tax-deferred payroll contribution, subject to certain limitations imposed by the Code. Participants are fully vested in this catch-up contribution.

For participants who have completed at least one year of service, the Company matches 100% of participants pre-tax contributions up to 3% of the participant s eligible compensation. Participants become fully vested in their matching contributions over a four-year service period: 25% after one year, 50% after two years, 75% after three years, and 100% after four years.

Certain employees with five but less than ten years of service, whether or not otherwise enrolled in the Plan, will receive Service-Related Contributions to their Plan accounts equal to 1.5% of their eligible compensation per pay period. For employees with ten or more years of service, the Company will make a Service-Related Contribution of 3% of their eligible compensation per pay period. Employees are always fully vested in any Service-Related Contributions made to their accounts under the Plan.

Employees who opted out of the FDC pension plan or had their FDC pension benefit frozen, or certain employees hired after July 1, 1994 but prior to April 1, 1996, receive additional employer contributions (ISP Plus Contributions) equal to 3.4% of their eligible compensation per pay

period, which becomes fully vested after five years of service.

Table of Contents

First Data Corporation Incentive Savings Plan

Notes to Financial Statements (continued)

1. Plan Description (continued)

The Company may make a special contribution to participants who are eligible employees on the last day of the Plan year or are eligible employees during the Plan year and terminated employment due to death, disability or retirement. Any special contributions will be allocated based on the ratio of a participant's compensation to compensation of all eligible participants and will be made in the form of Company common stock, cash, or any combination thereof. Participants are 100% vested in special contributions. The Company did not make a special contribution in 2003.

Company matching and ISP Plus Contributions become fully vested at the employee's retirement (defined as attaining age 65), death, or disability. All elective and Company contributions are invested in fund options as directed by participants.

Participant Loans

Participants may borrow from their accounts a minimum of \$500 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balances, subject to certain limitations. Loans made under the Plan bear interest at the prime rate plus 1%. The rate is fixed for the term of the loan, which can range from six months to five years or 25 years for primary residential loans, subject to certain exceptions. A maximum of two loans per participant, one short-term and one residential, is allowed to be outstanding at a time.

Participant Accounts

Participants are responsible for directing the investment of assets held in their accounts among the various investment funds available in the Plan. Separate accounts are maintained for each participant, whereby the participant's account is increased for contributions and investment income net of expenses and decreased for withdrawals, forfeitures, and investment losses. Investment increases and decreases are allocated daily to participant accounts based on their investment options.

Payment of Benefits

Upon retirement, termination of employment with the Company, reaching age 59 1/2, becoming permanently and totally disabled, or death, the vested portion of the balance in the participant's account is available to the participant or designated beneficiaries. Upon

Table of Contents

First Data Corporation Incentive Savings Plan

Notes to Financial Statements (continued)

1. Plan Description (continued)

experiencing severe financial hardship, a participant may request a hardship withdrawal if certain criteria are met. Hardship withdrawals will be made in cash. Effective January 1, 2003, all distributions are made in the form of a lump-sum payment.

Investment Options

Upon enrolling in the Plan, participants are responsible for designating how contributions are apportioned among the Plan's investment options. Participants may choose among investment funds, including a self-directed brokerage account, which allows participants to buy and sell almost any mutual fund or other public security available, and a Company Stock Fund. Company stock, however, may not be traded in the self-directed brokerage account. A participant may elect to change their investment options daily.

Forfeitures

Forfeitures of terminated participants' nonvested accounts may be used to reduce future Company contributions or pay administrative expenses of the Plan. During the year ended December 31, 2003, the Company used \$1,000,000 of forfeitures to reduce Company contributions. Approximately \$1,536,000 of forfeitures were used to pay expenses through the Master Trust (Note 3). At December 31, 2003 and 2002, forfeitures of approximately \$924,000 and \$693,000, respectively, were held in an unallocated account in the Master Trust.

Net Transfers from Other Plans

In conjunction with FDC's business acquisition and divestiture activities, plan assets have been transferred into and out of the Plan, respectively. When an acquired company's plan is terminated, those participants are given the option to rollover their accounts into the Plan. Such rollovers are included in the "Rollover" line item of the accompanying Statement of Changes in Net Assets Available for Benefits. Mergers of acquired-company plans, plan assets transferred out of the Plan due to divestitures and plan assets transferred into and out of the Plan from and to other Company-sponsored qualified plans as a result of employee status changes are included in the "Transfers from/to other plans" line item of the accompanying Statement of Changes in Net Assets Available for

Table of Contents

First Data Corporation Incentive Savings Plan

Notes to Financial Statements (continued)

1. Plan Description (continued)

Benefits. The following summarizes such plan transfers for the year ended December 31, 2003:

Transfers from other plans:	
Western Union Financial Services, Inc.	
Retirement Savings Plan for Bargaining	
Unit Employees	\$ 652,987
EOne Global Retirement Plan	664,804
Other	2,513
	<hr/>
	\$ 1,320,304
	<hr/>

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting.

Investment Valuation and Income Recognition

Investments are stated at fair value. Stocks and mutual funds are valued at fair value, based upon quoted market prices. The collective trust funds are reflected at the net asset value of units of participation as established by the Trustee, based upon quoted market prices of the underlying assets. The Stable Value, PIMCO Total Return, Vanguard Institutional Index and FDC Stock funds are valued on a unitized basis. Participant loans are valued at cost, which approximates fair market value.

Interest and dividend income is recorded as earned, with dividend income being recognized at the ex-dividend date. Purchases and sales are recorded on a trade date basis.

Table of Contents

First Data Corporation Incentive Savings Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require estimates to be made that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Payment of Benefits

Benefits are recorded when paid. At December 31, 2003 and 2002, there were approximately \$570,000 and \$10,000, respectively, in benefits approved but not paid.

3. First Data Corporation Master Trust

The Master Trust was established in 2002 for the investment of assets of the Plan and the RSP Plan. The Plan held an ownership interest in the Master Trust of approximately 96% at December 31, 2003 and 2002. The Plan's interest in the net investment income from the Master Trust was approximately 97% for the year ended December 31, 2003.

The Trustee maintains the assets of the Plan. Each participating plan has an individual interest in the Master Trust. Investment income or loss, net of expenses, relating to the Master Trust is allocated to the individual plans based upon the balances invested by each plan based on participant elections.

Table of Contents

First Data Corporation Incentive Savings Plan

Notes to Financial Statements (continued)

3. First Data Corporation Master Trust (continued)

As of December 31, 2003 and 2002, the condensed statements of net assets for the Master Trust are as follows:

	<u>2003</u>	<u>2002</u>
Investments, at fair value:		
Cash	\$ 7,527,537	\$ 5,126,942
Mutual funds	515,409,324	360,257,423
Collective trust fund	184,263,000	180,518,227
FDC common stock	152,817,942	136,021,814
Other common stock	14,254,311	9,356,279
Government obligations	262,398	122,609
Preferred stock	34,688	31,005
Corporate bonds	100,528	
Other	103,102	14
	<u>874,772,830</u>	<u>691,434,313</u>
Dividends and interest receivable	988,025	954,642
	<u>875,760,855</u>	<u>692,388,955</u>

The following investments represent 5 percent or more of the Master Trust's net assets as of December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Invesco Stable Value Fund	\$ 184,263,000	\$ 180,518,227
Vanguard Institutional Index Fund	130,290,421	98,502,234
FDC Common Stock	152,817,942	136,021,814
Fidelity Dividend Growth Fund	80,870,248	66,295,270
Fidelity Freedom 2020 Fund	73,088,389	60,241,784

The investment balance includes 3,719,103 and 3,841,339 shares of FDC common stock having fair value of \$152,817,942 and \$136,021,814 as of December 31, 2003 and 2002, respectively. As of December 31, 2003 and 2002, respectively, the Master Trust had accrued approximately \$75,000 and \$77,000 in dividends from FDC common stock.

Edgar Filing: FIRST DATA CORP - Form 11-K/A

Participants are allowed to vote in their share of the FDC common stock fund if the vote is submitted within a specified time period. For those voting interests that are not received within that time period, the Trustee will vote on the participants' behalf.

Table of Contents

First Data Corporation Incentive Savings Plan

Notes to Financial Statements (continued)

3. First Data Corporation Master Trust (continued)

The net investment income of the Master Trust for the year ending December 31, 2003 is as follows:

	2003
Interest and dividends	\$ 17,681,746
Net appreciation in fair value of investments	117,990,660
Administrative expenses	(2,413,428)
Net investment income	\$ 133,258,978

For the year ending December 31, 2003, the Master Trust's investments (including investments purchased, sold, as well as held during the year) appreciated (depreciated) in fair value as follows:

	2003
Mutual funds	\$ 92,157,319
FDC common stock	21,718,111
Other common stock	4,169,901
Government obligations	1,355
Preferred stock	1,722
Corporate bonds	(1,742)
Other	(56,006)
	\$ 117,990,660

Expenses of the Master Trust and expenses of the plans participating in the Master Trust are paid through the Master Trust by allocations of administrative fees and forfeitures from the participating plans. During the year ended December 31, 2003, the Company used approximately \$1,600,000 of the participating plans' forfeitures to pay administrative expenses (Note 1).

4. Income Tax Status

Edgar Filing: FIRST DATA CORP - Form 11-K/A

The Plan received a determination letter dated April 9, 2003 from the Internal Revenue Service (IRS), stating that the Plan and the related trust are designed in accordance with the applicable sections of the Code. The Plan has been amended and restated since applying for this determination letter, but the Company continues to believe that the Plan currently is designed and being operated in compliance with the applicable requirements

Table of Contents

First Data Corporation Incentive Savings Plan

Notes to Financial Statements (continued)

4. Income Tax Status (continued)

of the Code and that, therefore, the Plan qualifies under Section 401(a) and the related trust is tax-exempt as of December 31, 2003 and 2002.

5. Party-in-Interest Transactions

Certain Plan investments are shares of funds managed by the Trustee and certain Plan investments are in mutual funds managed by Harrisdirect, the custodian of the self-directed brokerage account, therefore, these transactions qualify as party-in-interest transactions.

As further described in Note 3, the Master Trust holds investments in FDC common stock, therefore these transactions also qualify as party-in-interest transactions.

6. Plan Termination

Although it has not expressed any intent to do so, the Company has the right to terminate the Plan and dispose of the net assets in accordance with the provisions of ERISA. In the event of Plan termination, participants will become fully vested in their accounts.

7. Risks and Uncertainties

The Master Trust provides for various investments in mutual funds, a collective trust fund, common stock, FDC common stock, and other investments. Investments in general are subject to various risks, such as interest rates, credit and overall market volatility risks. The Master Trust's exposure to credit loss in the event of nonperformance of investments is limited to the carrying value of such investments.

Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of investments could occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

Table of Contents

First Data Corporation Incentive Savings Plan

Notes to Financial Statements (continued)

8. Differences Between Financial Statements and Form 5500

The following is a reconciliation of net assets available for benefits and benefit payments per the financial statements to the Form 5500:

	December 31,	December 31,
	2003	2002
	<u> </u>	<u> </u>
Net assets available for benefits per the financial statements	\$ 874,582,872	\$ 688,758,692
Amounts allocated to withdrawing participants	(570,410)	(10,080)
	<u> </u>	<u> </u>
Net assets available for benefits per the Form 5500	\$ 874,012,462	\$ 688,748,612
	<u> </u>	<u> </u>
Benefits paid to participants per the financial statements	\$ 51,809,916	
Add: Amounts allocated to withdrawing participants at December 31, 2003	570,410	
Less: Amounts allocated to withdrawing participants at December 31, 2002	(10,080)	
	<u> </u>	
Benefits paid to participants per the Form 5500	\$ 52,370,246	
	<u> </u>	

Amounts allocated to withdrawn participants are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to year-end but not paid.

Table of Contents

Supplemental Schedule

Table of Contents

First Data Corporation Incentive Savings Plan

EIN: 47-0731996 Plan Number: 002

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2003

<u>Identity of Issue, Borrower, Lessor or Similar Party</u>	<u>Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value</u>	<u>Shares/ Units</u>	<u>Current Value</u>
Participant Loans			
* Plan participants	Interest rates ranging from 5.0% to 10.5%, various maturity dates	27,817,997	\$ 27,817,997
Total Investments			\$ 27,817,997

* Denotes a party-in-interest to the Plan (see Note 5).

All other investments are held in the FDC Master Trust and have been excluded from this schedule.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Trustees (or persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST DATA CORPORATION INCENTIVE SAVINGS PLAN

FIRST DATA EMPLOYEE BENEFITS COMMITTEE, as Plan Administrator

Date: July 15, 2004

By: /s/ Gordon Parry

Gordon Parry
SVP, Compensation and Benefits

Table of Contents

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit</u>
23.1	Consent of Anton Collins Mitchell LLP
23.2	Consent of Ernst & Young LLP