

# **City of Sioux Falls, South Dakota Employee's Retirement System**



## **2004 Annual Financial Report**

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**For the Fiscal Year Ended December 31, 2004  
Prepared by the Accounting Division**



# CITY OF SIOUX FALLS

## FISCAL MANAGEMENT

224 West Ninth Street, Sioux Falls, SD 57104-6407  
(605) 367-7039 TTY/Hearing Impaired  
(605) 367-7700 FAX  
Web Site: [www.siouxfalls.org](http://www.siouxfalls.org)

May 18, 2005

Board of Trustees  
City of Sioux Falls  
Employee's Retirement System

The annual financial report of the City of Sioux Falls Employee's Retirement System for the year ended December 31, 2004, is hereby submitted. To the best of our knowledge, the information presented accurately defines the Fund's current financial position and the results from operations.

The finance staff has prepared this report for the Board of Trustees following the guidelines established by City Ordinance, Chapter 35. It is prepared in conjunction with the annual reconciliation of trust and financial statements conducted by the audit firm Eide Bailly LLP.

City Charter Section 2.10 provides for an independent audit to be performed annually on all City accounts, including the Firefighters' Pension Fund. The auditor provides additional testing procedures as agreed upon from time to time and such report is included at the end of these financial statements. No comments or recommendations regarding the Fund for the year-ended December 31, 2004, were brought to our attention within the audit.

Sincerely,

Thomas J. Huber  
Accounting Manager  
City of Sioux Falls

Attachments

# City of Sioux Falls Employee's Retirement System

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# **City of Sioux Falls Employee's Retirement System**

## **Definition of Funds**

### **Annuity Savings Fund (Ordinance Section 35-43)**

The Annuity Savings Fund is the Fund which receives member (employee) contributions and interest. An account is maintained for each employee and is credited with regular interest of 5 percent per annum, compounded quarterly. Added to the beginning balance are interest and member contributions. Subtracted are refunds to separated members and transfers to the Retirement Reserve Fund for retired members.

### **Employer Reserve Fund (Ordinance Section 35-45)**

The Employer Reserve Fund is the Fund which receives the City's contributions. Contributions are made as a percentage of payroll as determined by the actuary and adopted by the Board during the annual actuarial valuation. Added to the beginning balance is the City's contribution and interest earned from the Income Fund. Subtracted from the balance are the transfers to the Expense Fund for plan expenses and transfers to the Retirement Reserve Fund for retirements as determined by the actuary. The interest is calculated based upon the mean balance and the assumed interest rate, currently 8 percent.

### **Retirement Reserve Fund (Ordinance Section 35-44)**

The Retirement Reserve Fund is the Fund from which is paid all annuities, pensions, and retirement allowances. Added to the beginning balance are transfers from the Annuity Savings Fund (employee contribution and interest) and Employer Reserve Fund (employer contributions and interest). Also added is interest from the Income Fund. The interest is calculated by the mean balance at the assumed rate of interest, currently 8 percent.

Upon retirement, a member's balance, including contribution and interest, is transferred from the Annuity Savings Fund to the Retirement Reserve Fund. Transferred from the Employer Reserve Fund to the Retirement Reserve Fund is an amount determined by the actuary to fund the member's lifetime benefit payments. Deducted from the Retirement Reserve Fund are benefit payments.

### **Income Fund (Ordinance Section 35-52)**

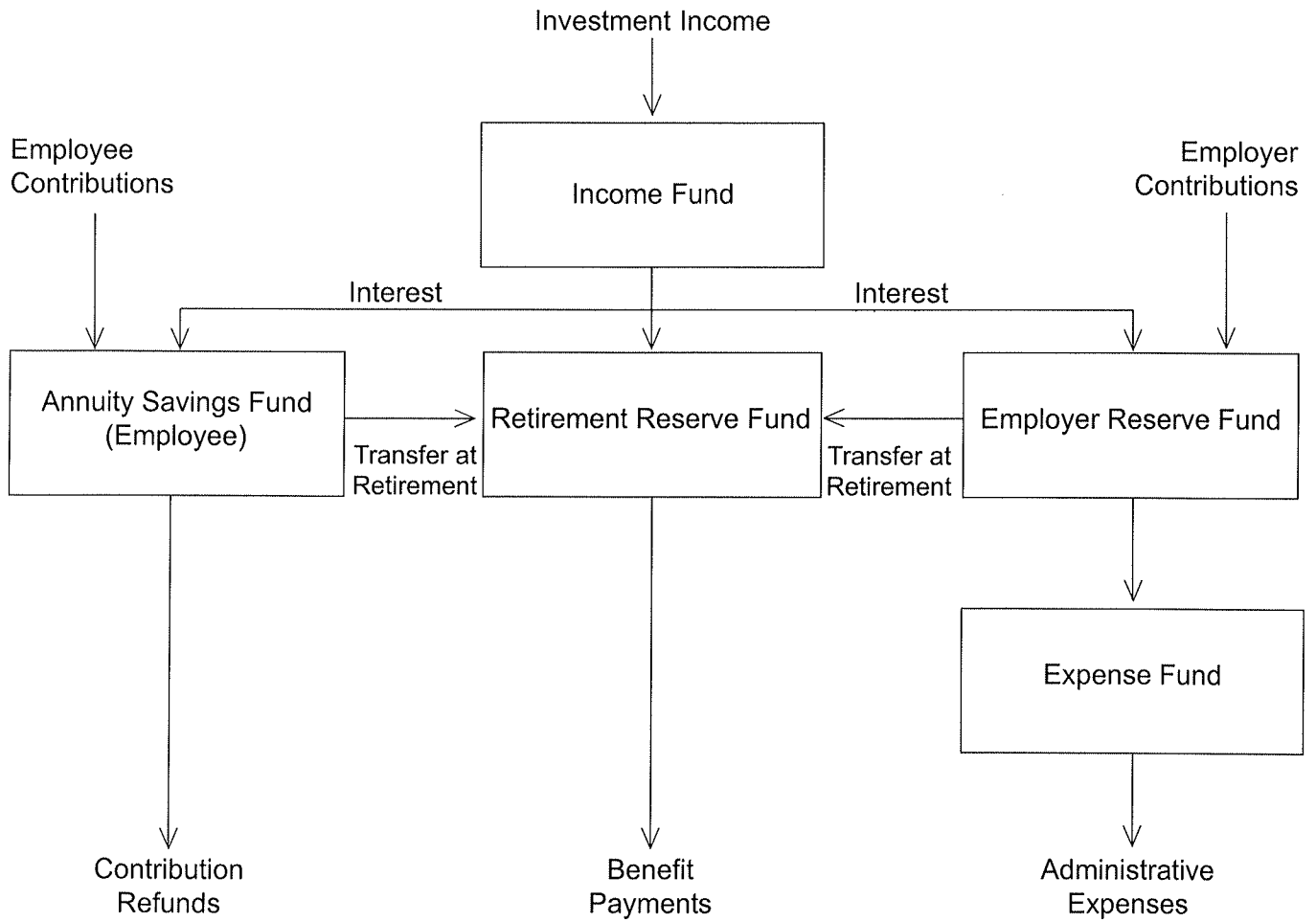
The Income Fund is credited with all revenues earned on investments held by the City and the System's funding agents including increases/decreases in unrealized market values. Subtracted from the Income Fund are transfers to the Annuity Savings, Employer Reserve, and Retirement Reserve Funds as well as funding agent and custodial fees.

Revenue remaining in the Fund after the allocation of interest to the Pension Savings and Retirement Reserve Funds is transferred to the Pension Reserve Fund leaving a zero balance in the Income Fund per Board directive on May 19, 2004.

### **Expense Fund (Ordinance Section 35-49)**

The Expense Fund is the Fund in which is placed all amounts authorized for expenditures by the Board. This amount is transferred from the Employer Reserve Fund each year as authorized by the Board on May 19, 2004. Deducted from this balance are the expenses to administer the system.

**City of Sioux Falls  
Employee's Retirement System  
Flow Chart of Fund Transfers**



**CITY OF SIOUX FALLS  
EMPLOYEE'S RETIREMENT SYSTEM**

**BALANCE SHEET**

**December 31, 2003 and 2004**

**ASSETS**

	<b>2003</b>	<b>2004</b>
Cash in bank	\$ 340,994	\$ 665,483
Prepaid expenses		11,000
Accounts receivable	137,821	185,956
Accrued Interest and dividends	176,984	267,192
Investments held by funding agents (at market value):	171,370,254	194,119,374
<b>Total Assets</b>	<b>\$ 172,026,053</b>	<b>\$ 195,249,005</b>

**LIABILITIES AND EQUITY**

Accounts payable	\$ 58,173	\$ 6,819
Funded reserves:		
Annuity savings fund	24,302,982	25,465,627
Employer reserve fund	(12,387,917)	95,093,306
Retirement reserve fund	67,588,796	74,534,691
Income fund	92,397,543	0
Expense fund	66,476	148,562
<b>Total Liabilities &amp; Equity</b>	<b>\$ 172,026,053</b>	<b>\$ 195,249,005</b>

**CITY OF SIOUX FALLS  
EMPLOYEE'S RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN RESERVE ACCOUNTS**

December 31, 2004

	<u>General Division</u>	<u>Police Division</u>	<u>Total</u>
<b><u>Annuity Savings Fund</u></b>			
Balance 1-1	\$ 16,684,203	\$ 7,618,779	\$ 24,302,982
Interest earned-individual accounts	828,971	378,502	1,207,473
Member contributions	851,875	867,094	1,718,969
Recovery of prior years refunds			
Contribution refunds	(121,074)	(67,020)	(188,094)
Transfer to retirement reserve fund	(1,030,461)	(545,242)	(1,575,703)
Balance 12-31	<u>\$ 17,213,514</u>	<u>\$ 8,252,113</u>	<u>\$ 25,465,627</u>
<b><u>Employer Reserve Fund</u></b>			
Balance 1-1	\$ (2,729,098)	\$ (9,658,819)	\$ (12,387,917)
Unallocated interest	72,431,413	37,429,671	109,861,084
Prior period adjustment			
City contributions	3,119,821	2,141,381	5,261,202
Transfers to:			
Expense fund	(117,558)	(80,690)	(198,248)
Retirement reserve fund	(4,262,705)	(3,180,110)	(7,442,815)
Balance 12-31	<u>\$ 68,441,873</u>	<u>\$ 26,651,433</u>	<u>\$ 95,093,306</u>
<b><u>Retirement Reserve Fund</u></b>			
Balance 1-1	\$ 35,219,101	\$ 32,369,695	\$ 67,588,796
Transfers from:			
Employer reserve fund	4,262,705	3,180,110	7,442,815
Income fund-interest	(369,896) ← 3,202,937	2,619,020	5,821,957
Annuity savings fund	1,030,461	545,242	1,575,703
Pension payments	(4,623,698)	(2,780,226)	(7,403,924)
Group health insurance payment	(281,643)	(209,013)	(490,656)
Balance 12-31	<u>\$ 38,809,863</u>	<u>\$ 35,724,828</u>	<u>\$ 74,534,691</u>

**CITY OF SIOUX FALLS  
EMPLOYEE'S RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN RESERVE ACCOUNTS  
GENERAL EMPLOYEE'S DIVISION**

December 31, 2003 and 2004

	<b>2003</b>	<b>2004</b>
<b><u>Annuity Savings Fund</u></b>		
Balance 1-1	\$ 16,000,027	\$ 16,684,203
Interest earned-individual accounts	799,838	828,971
Member contributions	809,311	851,875
Recovery of prior years refunds		
Contribution refunds	(107,359)	(121,074)
Transfer to retirement reserve fund	(817,614)	(1,030,461)
Balance 12-31	\$ 16,684,203	\$ 17,213,514
 <b><u>Employer Reserve Fund</u></b>		
Balance 1-1	\$ (1,725,569)	\$ (2,729,098)
Unallocated interest		72,431,413
Prior period adjustment		
City contributions	2,646,460	3,119,821
Transfers to:		
Expense fund	(69,024)	(117,558)
Retirement reserve fund	(3,580,965)	(4,262,705)
Balance 12-31	\$ (2,729,098)	\$ 68,441,873
 <b><u>Retirement Reserve Fund</u></b>		
Balance 1-1	\$ 32,766,916	\$ 35,219,101
Transfers from:		
Employer reserve fund	3,580,965	4,262,705
Income fund-interest	2,614,847	3,202,937
Annuity savings fund	817,614	1,030,461
Pension payments	(4,302,486)	(4,623,698)
Group health insurance payment	(258,755)	(281,643)
Balance 12-31	\$ 35,219,101	\$ 38,809,863



**CITY OF SIOUX FALLS  
EMPLOYEE'S RETIREMENT SYSTEM**

**STATEMENT OF CHANGES IN RESERVE ACCOUNTS  
POLICE DIVISION**

**December 31, 2003 and 2004**

	<u>2003</u>	<u>2004</u>
<b><u>Annuity Savings Fund</u></b>		
Balance 1-1	\$ 6,909,437	\$ 7,618,779
Interest earned-individual accounts	343,297	378,502
Member contributions	784,628	867,094
Recovery of prior years refunds		
Contribution refunds	(25,146)	(67,020)
Transfer to retirement reserve fund	(393,437)	(545,242)
Balance 12-31	<u>\$ 7,618,779</u>	<u>\$ 8,252,113</u>
<b><u>Employer Reserve Fund</u></b>		
Balance 1-1	\$ (9,323,123)	\$ (9,658,819)
Unallocated interest (restated)		37,429,671
Prior period adjustments		
City contributions	1,726,887	2,141,381
Transfers to:		
Expense fund	(45,040)	(80,690)
Retirement reserve fund	(2,017,543)	(3,180,110)
Balance 12-31	<u>\$ (9,658,819)</u>	<u>\$ 26,651,433</u>
<b><u>Retirement Reserve Fund</u></b>		
Balance 1-1	\$ 30,351,484	\$ 32,369,695
Transfers from:		
Employer reserve fund	2,017,543	3,180,110
Income fund-interest	2,412,353	2,619,020
Annuity savings fund	393,437	545,242
Pension payments	(2,613,163)	(2,780,226)
Group health insurance payment	(191,959)	(209,013)
Balance 12-31	<u>\$ 32,369,695</u>	<u>\$ 35,724,828</u>

**CITY OF SIOUX FALLS  
EMPLOYEE'S RETIREMENT SYSTEM**

**INCOME AND EXPENSE FUNDS**

**December 31, 2003 and 2004**

<u><b>Income Fund</b></u>	<u><b>2003</b></u>	<u><b>2004</b></u>
Balance 1-1	\$ 62,508,453	\$ 92,397,543
Revenue:		
Interest earned-City	(498)	8,964
Other income		
Investment earnings-funding agents	1,065,485	8,826,128
Increase (decrease) in unrealized market value	<u>35,173,197</u>	<u>15,809,728</u>
Total balance and revenue	<u>98,746,637</u>	<u>117,042,363</u>
Expenditures:		
Transfers to:		
Annuity savings fund-interest	1,143,135	1,207,473
Employer reserve fund-interest	0	109,861,084
Retirement reserve fund-interest	5,027,200	5,821,957
Funding agent, trustee, & consultant fees	<u>178,759</u>	<u>151,849</u>
Total expenditures	<u>6,349,094</u>	<u>117,042,363</u>
Balance 12-31	<u>\$ 92,397,543</u>	<u>\$ 0</u>
 <u><b>Expense Fund</b></u>		
Balance 1-1	\$ 26,443	\$ 66,476
Revenue:		
Transfer from employer reserve fund	<u>114,064</u>	<u>198,248</u>
Funds available	<u>140,507</u>	<u>264,724</u>
Expenditures:		
Actuary fees	17,127	51,429
Audit fees		2,250
Wages & benefits	50,424	56,212
Supplies & materials	91	15
Travel and education	612	1,367
Disability exams	3,960	4,474
Other expenses	<u>1,817</u>	<u>415</u>
Total expenditures	<u>74,031</u>	<u>116,162</u>
Balance 12-31	<u>\$ 66,476</u>	<u>\$ 148,562</u>

**CITY OF SIOUX FALLS  
EMPLOYEE'S RETIREMENT SYSTEM**

**STATEMENT OF REVENUES AND EXPENSES**

**December 31, 2003 and 2004**

	<u>2003</u>	<u>2004</u>
<b>Operating revenues:</b>		
Investment earnings:		
City	\$ (498)	\$ 8,964
Funding agents	1,065,485	8,826,128
Member contributions	1,593,939	1,718,969
City contributions	4,373,347	5,261,202
Other revenue		
Total operating revenues	<u>7,032,273</u>	<u>15,815,263</u>
<b>Operating expenses:</b>		
Benefit payments	6,915,649	7,403,924
Group health insurance payments	450,713	490,656
Contribution refunds	132,505	188,094
Funding agent fees	97,760	91,632
Trustee fees	54,000	34,717
Actuary fees	17,127	51,429
Consultant fees	27,000	25,500
Other operating expenses	56,904	64,733
Total operating expenses	<u>7,751,658</u>	<u>8,350,685</u>
Operating income	(719,385)	7,464,578
<b>Nonoperating revenue:</b>		
Increase (decrease) in unrealized market value	<u>35,173,197</u>	<u>15,809,728</u>
Net income (loss)	34,453,812	23,274,306
<b>Fund balance 1-1</b>	<u>137,514,068</u>	<u>171,967,880</u>
<b>Fund balance 12-31</b>	<u>\$ 171,967,880</u>	<u>\$ 195,242,186</u>

City of Sioux Falls  
 Comprehensive Annual Financial Report  
 December 31, 2004

**Notes to Financial Statements - Fiduciary Funds Statement of Net Assets**

	<u>Employee's Retirement</u>	<u>Firefighters' Pension</u>	<u>Total Pension Trust Funds</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 5,172,539	\$ 2,066,692	\$ 7,239,231
Receivables:			
Accounts	185,957	55,864	241,821
Interest	267,192	103,341	370,533
Total Receivables	<u>453,149</u>	<u>159,205</u>	<u>612,354</u>
Prepaid Items	11,000	9,000	20,000
Investments at Fair Value:			
US Government	22,486,723	8,805,405	31,292,128
State & Local Obligations	4,261,587	1,668,707	5,930,294
Domestic Stocks	-	7,291,533	7,291,533
Foreign Stocks	-	206,475	206,475
Index Funds:			
Equity	54,248,272	13,997,798	68,246,070
Government / Corporate Bonds	17,227,423	6,826,103	24,053,526
Mutual Funds:			
Foreign Equity	43,235,254	16,617,963	59,853,217
Domestic Equity	43,026,328	16,898,184	59,924,512
Real Estate	5,126,730	1,999,568	7,126,298
Total Investments	<u>189,612,317</u>	<u>74,311,736</u>	<u>263,924,053</u>
Total Assets	<u>195,249,005</u>	<u>76,546,633</u>	<u>271,795,638</u>
<b>Liabilities</b>			
Accounts Payable	-	11,522	11,522
Accrued Wages	1,868	828	2,696
Accrued Vacation	4,951	1,534	6,485
Total Liabilities	<u>6,819</u>	<u>13,884</u>	<u>20,703</u>
<b>Net Assets</b>			
Held in Trust for Pension Benefits	<u>\$ 195,242,186</u>	<u>\$ 76,532,749</u>	<u>\$ 271,774,935</u>

City of Sioux Falls  
 Comprehensive Annual Financial Report  
 Year Ended December 31, 2004

**Notes to Financial Statements - Fiduciary Funds Changes in Net Assets**

	<u>Employee's Retirement</u>	<u>Firefighters' Pension</u>	<u>Total Pension Trust Funds</u>
<b>Additions</b>			
Contributions			
Employer	\$ 5,261,202	\$ 1,269,502	\$ 6,530,704
Plan Members	1,718,969	729,784	2,448,753
Total Contributions	<u>6,980,171</u>	<u>1,999,286</u>	<u>8,979,457</u>
Investment Income (Loss)	24,644,820	9,856,321	34,501,141
Less Investment Expense	151,849	102,297	254,146
Net Investment Income (Loss)	<u>24,492,971</u>	<u>9,754,024</u>	<u>34,246,995</u>
Total Additions	<u>31,473,142</u>	<u>11,753,310</u>	<u>43,226,452</u>
<b>Deductions</b>			
Benefit Payments			
Pension	7,403,924	3,130,455	10,534,379
Health Premiums	490,656	205,117	695,773
Total Benefit Payments	<u>7,894,580</u>	<u>3,335,572</u>	<u>11,230,152</u>
Refunds	188,094	27,170	215,264
Administrative Expense	116,162	58,867	175,029
Total Deductions	<u>8,198,836</u>	<u>3,421,609</u>	<u>11,620,445</u>
Net Increase (Decrease)	23,274,306	8,331,701	31,606,007
<b>Net Assets - Beginning</b>	<u>171,967,880</u>	<u>68,201,048</u>	<u>240,168,928</u>
<b>Net Assets - Ending</b>	<u>\$ 195,242,186</u>	<u>\$ 76,532,749</u>	<u>\$ 271,774,935</u>