

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



DPPE11011.indd

**2008 Annual
Financial Report**

**For the Fiscal Year Ended December 31, 2008
Prepared by the Accounting Division**



April 28, 2009

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, 2008, 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 separately stated financials for the Fund have been prepared according to the guidelines established by City Ordinance, Chapter 35. We have also included a copy the annual financial statements contained within the City's Comprehensive Annual Financial Report as an appendix to this report. These statements have been prepared on a basis consistent with Generally Accepted Accounting Principles (GAAP).

City Charter Section 2.10 provides for an independent audit to be performed annually on all City accounts, including the Employee's Retirement System. No conditions, comments or recommendations regarding the Fund for the year-ended December 31, 2008, were brought to our attention within the audit.

Respectfully submitted,

Eugene Rowenhorst
Director of Finance
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)

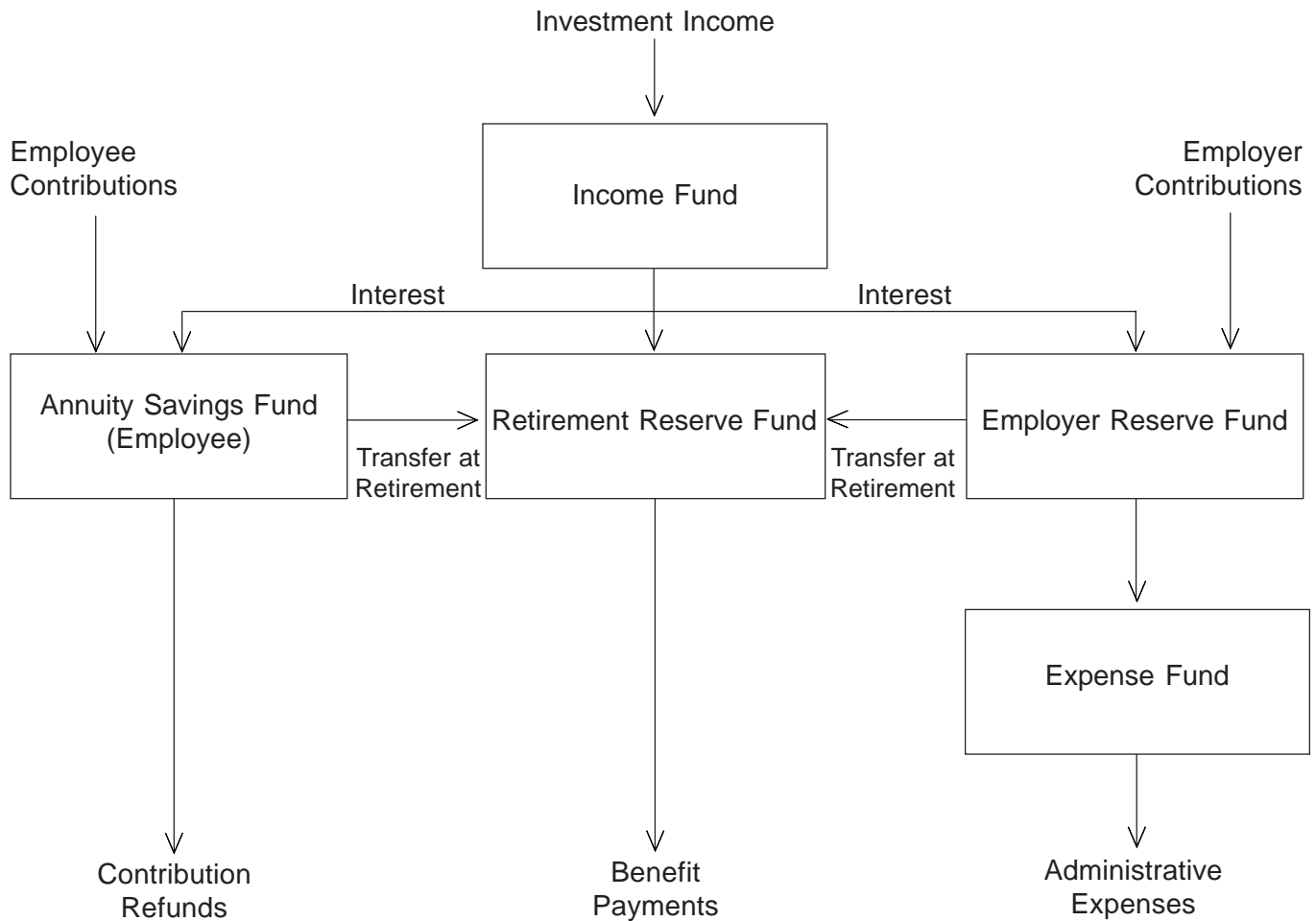
The Income Fund is credited with all revenues earned on investments held by the City and the System's funding agents including increases/decreases in unrealized market values. Subtracted from the Income Fund are transfers to the Annuity Savings, Employer Reserve, and Retirement Reserve Funds as well 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, 2007 and 2008

ASSETS

	<u>2007</u>	<u>2008</u>
Cash in bank	\$ 1,005,046	\$ 187,329
Prepaid expenses	-	-
Accounts receivable	313,193	205,839
Accrued Interest and dividends	565,826	692,512
Investments held by funding agents (at market value):	<u>258,508,313</u>	<u>186,233,410</u>
Total Assets	\$ <u>260,392,377</u>	\$ <u>187,319,091</u>

LIABILITIES AND EQUITY

Accounts payable	\$ 4,248	\$ 2,552
Funded reserves:		
Annuity savings fund	30,724,926	32,087,273
Employer reserve fund	140,287,222	59,259,515
Retirement reserve fund	89,182,535	95,779,161
Income fund	-	-
Expense fund	<u>193,446</u>	<u>190,590</u>
Total Liabilities & Equity	\$ <u>260,392,377</u>	\$ <u>187,319,091</u>

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

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2008

	General Division	Police Division	Total
<u>Annuity Savings Fund</u>			
Balance 1-1	\$ 19,302,694	11,422,232	\$ 30,724,926
Interest earned-individual accounts	945,413	571,728	1,517,141
Member contributions	1,024,385	1,041,230	2,065,615
Recovery of prior years refunds	-	-	-
Contribution refunds	(107,865)	(167,609)	(275,474)
Transfer to retirement reserve fund	(1,459,962)	(484,973)	(1,944,935)
Balance 12-31	\$ <u><u>19,704,665</u></u>	\$ <u><u>12,382,608</u></u>	\$ <u><u>32,087,273</u></u>
<u>Employer Reserve Fund</u>			
Balance 1-1	\$ 97,856,158	42,431,064	\$ 140,287,222
Unallocated interest	(55,985,821)	(24,275,815)	(80,261,636)
Prior period adjustment	-	-	-
City contributions	5,031,582	2,679,204	7,710,786
Transfers to:			
Expense fund	(119,146)	(51,663)	(170,809)
Retirement reserve fund	(5,947,621)	(2,358,427)	(8,306,048)
Balance 12-31	\$ <u><u>40,835,152</u></u>	\$ <u><u>18,424,363</u></u>	\$ <u><u>59,259,515</u></u>
<u>Retirement Reserve Fund</u>			
Balance 1-1	\$ 49,104,048	40,078,487	\$ 89,182,535
Transfers from:			
Employer reserve fund	5,947,621	2,358,427	8,306,048
Income fund-interest	3,946,988	3,166,923	7,113,911
Annuity savings fund	1,459,962	484,972	1,944,934
Pension payments	(6,436,987)	(3,568,019)	(10,005,006)
Group health insurance payment	(503,988)	(259,273)	(763,261)
Balance 12-31	\$ <u><u>53,517,644</u></u>	\$ <u><u>42,261,517</u></u>	\$ <u><u>95,779,161</u></u>

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

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

December 31, 2007 and 2008

	<u>2007</u>	<u>2008</u>
<u>Annuity Savings Fund</u>		
Balance 1-1	\$ 18,239,354	\$ 19,302,694
Interest earned-individual accounts	904,163	945,413
Member contributions	987,731	1,024,385
Recovery of prior years refunds	-	-
Contribution refunds	(139,465)	(107,865)
Transfer to retirement reserve fund	(689,089)	(1,459,962)
Balance 12-31	<u>\$ 19,302,694</u>	<u>\$ 19,704,665</u>
<u>Employer Reserve Fund</u>		
Balance 1-1	\$ 89,258,535	\$ 97,856,158
Unallocated interest	7,922,100	(55,985,821)
Prior period adjustment	-	-
City contributions	5,093,985	5,031,582
Transfers to:		
Expense fund	(137,227)	(119,146)
Retirement reserve fund	(4,281,235)	(5,947,621)
Balance 12-31	<u>\$ 97,856,158</u>	<u>\$ 40,835,152</u>
<u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 46,906,530	\$ 49,104,048
Transfers from:		
Employer reserve fund	4,281,235	5,947,621
Income fund-interest	3,692,715	3,946,988
Annuity savings fund	689,089	1,459,962
Pension payments	(5,977,841)	(6,436,987)
Group health insurance payment	(487,680)	(503,988)
Balance 12-31	<u>\$ 49,104,048</u>	<u>\$ 53,517,644</u>

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

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

December 31, 2007 and 2008

	2007	2008
<u>Annuity Savings Fund</u>		
Balance 1-1	\$ 10,271,773	\$ 11,422,232
Interest earned-individual accounts	526,481	571,728
Member contributions	1,013,559	1,041,230
Recovery of prior years refunds	-	-
Contribution refunds	(60,314)	(167,609)
Transfer to retirement reserve fund	(329,267)	(484,973)
Balance 12-31	\$ 11,422,232	\$ 12,382,608
 <u>Employer Reserve Fund</u>		
Balance 1-1	\$ 37,571,527	\$ 42,431,064
Unallocated interest	3,334,643	(24,275,815)
Prior period adjustments	-	-
City contributions	2,802,504	2,679,204
Transfers to:		
Expense fund	(57,763)	(51,663)
Retirement reserve fund	(1,219,847)	(2,358,427)
Balance 12-31	\$ 42,431,064	\$ 18,424,363
 <u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 39,024,254	\$ 40,078,487
Transfers from:		
Employer reserve fund	1,219,847	2,358,427
Income fund-interest	3,042,413	3,166,923
Annuity savings fund	329,267	484,972
Pension payments	(3,284,950)	(3,568,019)
Group health insurance payment	(252,344)	(259,273)
Balance 12-31	\$ 40,078,487	\$ 42,261,517

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

INCOME AND EXPENSE FUNDS

December 31, 2007 and 2008

<u>Income Fund</u>	<u>2007</u>	<u>2008</u>
Balance 1-1	\$ -	\$ -
Revenue:		
Interest earned-City	42,938	32,232
Other income	981	1,298
Investment earnings-funding agents	17,078,702	2,642,191
Increase (decrease) in unrealized market value	<u>2,814,730</u>	<u>(73,813,812)</u>
Total balance and revenue	<u>19,937,351</u>	<u>(71,138,090)</u>
Expenditures:		
Transfers to:		
Annuity savings fund-interest	1,430,644	1,517,141
Employer reserve fund-interest	11,256,743	(80,261,636)
Retirement reserve fund-interest	6,735,128	7,113,911
Funding agent, trustee, & consultant fees	<u>514,836</u>	<u>492,494</u>
Total expenditures	<u>19,937,351</u>	<u>(71,138,090)</u>
Balance 12-31	<u>\$ -</u>	<u>\$ -</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 159,633	\$ 193,446
Revenue:		
Transfer from employer reserve fund	<u>194,990</u>	<u>170,809</u>
Funds available	<u>354,623</u>	<u>364,255</u>
Expenditures:		
Actuary fees	48,239	41,172
Audit fees	1,150	1,380
Wages & benefits	109,347	117,738
Supplies & materials	489	42
Travel and education	438	537
Disability exams	900	10,207
Other expenses	<u>614</u>	<u>2,589</u>
Total expenditures	<u>161,177</u>	<u>173,665</u>
Balance 12-31	<u>\$ 193,446</u>	<u>\$ 190,590</u>

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

STATEMENT OF REVENUES AND EXPENSES

December 31, 2007 and 2008

	<u>2007</u>	<u>2008</u>
Operating revenues:		
Investment earnings:		
City	\$ 42,938	\$ 32,232
Funding agents	17,078,702	2,642,191
Member contributions	2,001,290	2,065,616
City contributions	7,896,489	7,710,786
Other revenue	981	1,298
Total operating revenues	<u>27,020,400</u>	<u>12,452,124</u>
Operating expenses:		
Benefit payments	9,262,791	10,005,007
Group health insurance payments	740,024	763,262
Contribution refunds	199,779	275,474
Funding agent fees	447,204	416,016
Trustee fees	37,632	35,978
Consultant fees	30,000	40,500
Actuary fees	48,239	41,172
Audit fees	1,150	1,380
Other operating expenses	111,788	131,113
Total operating expenses	<u>10,878,607</u>	<u>11,709,902</u>
Operating income	16,141,793	742,223
Nonoperating revenue:		
Increase (decrease) in unrealized market value	<u>2,814,730</u>	<u>(73,813,812)</u>
Net income (loss)	18,956,523	(73,071,590)
Fund balance 1-1	<u>241,431,606</u>	<u>260,388,129</u>
Fund balance 12-31	<u>\$ 260,388,129</u>	<u>\$ 187,316,539</u>

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

EXPENSE FUND BALANCE

2009 Budget

2009 Approved Expense Fund Budget:

Wages & Benefits	\$ 111,061
Insurance	924
Actuarial Services	47,400
Legal & Audit Services	19,100
Health Services (Disability Exams)	10,000
Supplies & Materials	950
Travel and Education	1,155
Other Expenses	-
Total	<u><u>\$ 190,590</u></u>

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>
Assets			
Cash and Cash Equivalents	\$ 2,234,128	\$ 520,781	\$ 2,754,909
Receivables:			
Accounts	205,839	72,536	278,375
Interest	692,512	262,246	954,758
Total Receivables	<u>898,351</u>	<u>334,782</u>	<u>1,233,133</u>
Investments at Fair Value:			
US Government	2,185,036	769,246	2,954,282
Corporate Obligations	25,012,493	10,924,212	35,936,705
Foreign Obligations	7,912,242	2,289,896	10,202,138
State and Local Obligations	414,107	166,595	580,702
Domestic Stocks	33,807,919	12,916,682	46,724,601
Foreign Stocks	3,093,671	1,173,845	4,267,516
Index Funds:			
Equity	29,744,877	11,246,391	40,991,268
Government / Corporate Bonds	25,370,288	9,883,236	35,253,524
Mutual Funds:			
Foreign Equity	32,144,643	11,878,547	44,023,190
Domestic Equity	15,893,343	5,989,070	21,882,413
Real Estate	8,607,992	3,324,087	11,932,079
Total Investments	<u>184,186,611</u>	<u>70,561,807</u>	<u>254,748,418</u>
Total Assets	<u>187,319,090</u>	<u>71,417,370</u>	<u>258,736,460</u>
Liabilities			
Accrued Wages	<u>2,552</u>	<u>1,547</u>	<u>4,099</u>
Total Liabilities	<u>2,552</u>	<u>1,547</u>	<u>4,099</u>
Net Assets			
Held in Trust for Pension and Health Benefits	<u>\$ 187,316,538</u>	<u>\$ 71,415,823</u>	<u>\$ 258,732,361</u>

**City of Sioux Falls
Comprehensive Annual Financial Report
Year Ended December 31, 2008**

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>
Additions			
Contributions			
Employer	\$ 7,710,786	\$ 2,685,906	\$ 10,396,692
Plan Members	2,065,615	856,843	2,922,458
Total Contributions	<u>9,776,401</u>	<u>3,542,749</u>	<u>13,319,150</u>
Investment Income (Loss)	(71,138,090)	(26,092,662)	(97,230,752)
Less Investment Expense	492,494	209,091	701,585
Net Investment Income (Loss)	<u>(71,630,584)</u>	<u>(26,301,753)</u>	<u>(97,932,337)</u>
Total Additions	<u>(61,854,183)</u>	<u>(22,759,004)</u>	<u>(84,613,187)</u>
Deductions			
Benefit Payments			
Pension	10,005,007	4,440,801	14,445,808
Health Premiums	763,262	329,351	1,092,613
Total Benefit Payments	<u>10,768,269</u>	<u>4,770,152</u>	<u>15,538,421</u>
Refunds	275,474	22,529	298,003
Administrative Expense	<u>173,665</u>	<u>94,707</u>	<u>268,372</u>
Total Deductions	<u>11,217,408</u>	<u>4,887,388</u>	<u>16,104,796</u>
Net Increase (Decrease)	(73,071,591)	(27,646,392)	(100,717,983)
Total Net Assets, January 1	<u>260,388,129</u>	<u>99,062,215</u>	<u>359,450,344</u>
Total Net Assets, December 31	<u>\$ 187,316,538</u>	<u>\$ 71,415,823</u>	<u>\$ 258,732,361</u>