

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



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2009 Annual
Financial Report

For the Fiscal Year Ended December 31, 2009
Prepared by the Accounting Division



March 25, 2010

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, 2009, 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, 2009, were brought to our attention within the audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Eugene Rowenhorst".

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)

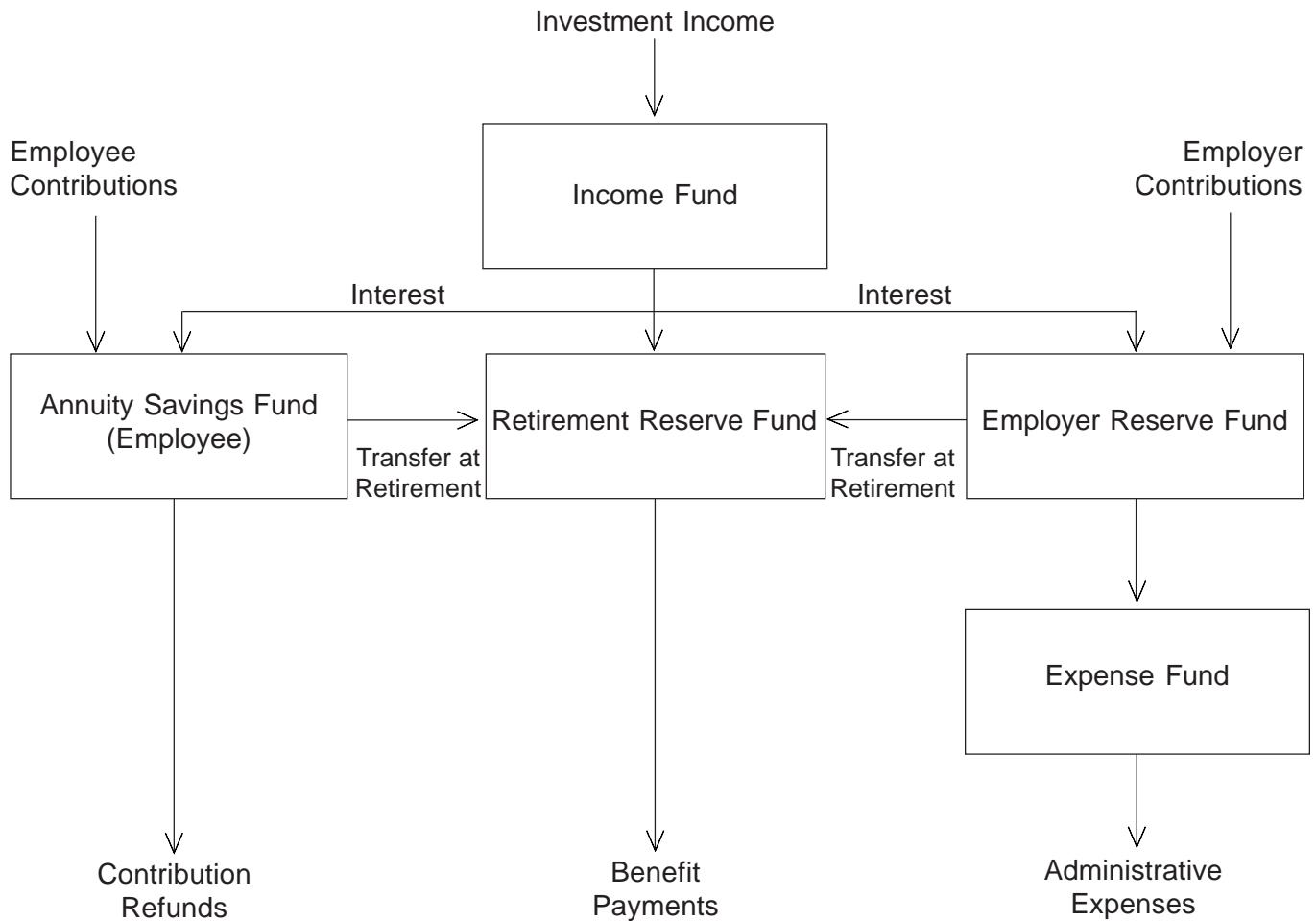
The Income Fund is credited with all revenues earned on investments held by the City and the System's funding agents including increases/decreases in unrealized market values. Subtracted from the Income Fund are transfers to the Annuity Savings, Employer Reserve, and Retirement Reserve Funds as well 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, 2008 and 2009

ASSETS

	<u>2008</u>	<u>2009</u>
Cash in bank	\$ 187,329	\$ 1,129,751
Prepaid expenses	-	-
Accounts receivable	205,839	63,346
Accrued Interest and dividends	692,512	666,404
Investments held by funding agents (at market value):	<u>186,233,410</u>	<u>230,762,369</u>
Total Assets	\$ <u>187,319,091</u>	\$ <u>232,621,870</u>

LIABILITIES AND EQUITY

Accounts payable	\$ 2,552	\$ -
Funded reserves:		
Annuity savings fund	32,087,273	35,044,145
Employer reserve fund	59,259,515	100,837,722
Retirement reserve fund	95,779,161	96,543,110
Income fund	-	-
Expense fund	<u>190,590</u>	<u>196,893</u>
Total Liabilities & Equity	\$ <u>187,319,091</u>	\$ <u>232,621,870</u>

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

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2009

	General Division	Police Division	Total
<u>Annuity Savings Fund</u>			
Balance 1-1	\$ 19,704,665	12,382,608	\$ 32,087,273
Interest earned-individual accounts	1,005,504	643,269	1,648,773
Member contributions	1,127,964	1,144,206	2,272,170
Recovery of prior years refunds	-	-	-
Contribution refunds	(54,747)	(36,029)	(90,776)
Transfer to retirement reserve fund	(733,285)	(140,010)	(873,295)
Balance 12-31	\$ <u><u>21,050,101</u></u>	\$ <u><u>13,994,044</u></u>	\$ <u><u>35,044,145</u></u>
 <u>Employer Reserve Fund</u>			
Balance 1-1	\$ 40,835,152	18,424,364	\$ 59,259,516
Unallocated interest	25,631,845	11,564,801	37,196,646
Prior period adjustment	-	-	-
City contributions	5,362,917	3,071,000	8,433,917
Transfers to:			
Expense fund	(104,771)	(47,272)	(152,043)
Retirement reserve fund	(3,279,413)	(620,901)	(3,900,314)
Balance 12-31	\$ <u><u>68,445,730</u></u>	\$ <u><u>32,391,992</u></u>	\$ <u><u>100,837,722</u></u>
 <u>Retirement Reserve Fund</u>			
Balance 1-1	\$ 53,517,644	42,261,517	\$ 95,779,161
Transfers from:			
Employer reserve fund	3,279,413	620,901	3,900,314
Income fund-interest	4,021,193	3,153,284	7,174,477
Annuity savings fund	733,285	140,010	873,295
Pension payments	(6,809,662)	(3,661,997)	(10,471,659)
Group health insurance payment	(465,609)	(246,869)	(712,478)
Balance 12-31	\$ <u><u>54,276,264</u></u>	\$ <u><u>42,266,846</u></u>	\$ <u><u>96,543,110</u></u>

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

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

December 31, 2008 and 2009

	<u>2008</u>	<u>2009</u>
<u>Annuity Savings Fund</u>		
Balance 1-1	\$ 19,302,694	\$ 19,704,665
Interest earned-individual accounts	945,413	1,005,504
Member contributions	1,024,385	1,127,964
Recovery of prior years refunds	-	-
Contribution refunds	(107,865)	(54,747)
Transfer to retirement reserve fund	(1,459,962)	(733,285)
Balance 12-31	<u>\$ 19,704,665</u>	<u>\$ 21,050,101</u>
 <u>Employer Reserve Fund</u>		
Balance 1-1	\$ 97,856,158	\$ 40,835,152
Unallocated interest	(55,985,821)	25,631,845
Prior period adjustment	-	-
City contributions	5,031,582	5,362,917
Transfers to:		
Expense fund	(119,146)	(104,771)
Retirement reserve fund	(5,947,621)	(3,279,413)
Balance 12-31	<u>\$ 40,835,152</u>	<u>\$ 68,445,730</u>
 <u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 49,104,048	\$ 53,517,644
Transfers from:		
Employer reserve fund	5,947,621	3,279,413
Income fund-interest	3,946,988	4,021,193
Annuity savings fund	1,459,962	733,285
Pension payments	(6,436,987)	(6,809,662)
Group health insurance payment	(503,988)	(465,609)
Balance 12-31	<u>\$ 53,517,644</u>	<u>\$ 54,276,264</u>

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

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

December 31, 2008 and 2009

	<u>2008</u>	<u>2009</u>
<u>Annuity Savings Fund</u>		
Balance 1-1	\$ 11,422,232	\$ 12,382,608
Interest earned-individual accounts	571,728	643,269
Member contributions	1,041,230	1,144,206
Recovery of prior years refunds	-	-
Contribution refunds	(167,609)	(36,029)
Transfer to retirement reserve fund	(484,973)	(140,010)
Balance 12-31	<u>\$ 12,382,608</u>	<u>\$ 13,994,044</u>
 <u>Employer Reserve Fund</u>		
Balance 1-1	\$ 42,431,064	\$ 18,424,364
Unallocated interest	(24,275,815)	11,564,801
Prior period adjustments	-	-
City contributions	2,679,205	3,071,000
Transfers to:		
Expense fund	(51,663)	(47,272)
Retirement reserve fund	(2,358,427)	(620,901)
Balance 12-31	<u>\$ 18,424,364</u>	<u>\$ 32,391,992</u>
 <u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 40,078,487	\$ 42,261,517
Transfers from:		
Employer reserve fund	2,358,427	620,901
Income fund-interest	3,166,923	3,153,284
Annuity savings fund	484,972	140,010
Pension payments	(3,568,019)	(3,661,997)
Group health insurance payment	(259,273)	(246,869)
Balance 12-31	<u>\$ 42,261,517</u>	<u>\$ 42,266,846</u>

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

INCOME AND EXPENSE FUNDS

December 31, 2008 and 2009

<u>Income Fund</u>	<u>2008</u>	<u>2009</u>
Balance 1-1	\$ -	\$ -
Revenue:		
Interest earned-City	32,232	23,204
Other income	1,298	34,107
Investment earnings-funding agents	2,642,191	5,263,483
Increase (decrease) in unrealized market value	<u>(73,813,812)</u>	<u>41,133,096</u>
Total balance and revenue	<u>(71,138,090)</u>	<u>46,453,890</u>
Expenditures:		
Transfers to:		
Annuity savings fund-interest	1,517,141	1,648,773
Employer reserve fund-interest	(80,261,636)	37,196,646
Retirement reserve fund-interest	7,113,911	7,174,477
Funding agent, trustee, & consultant fees	<u>492,494</u>	<u>433,994</u>
Total expenditures	<u>(71,138,090)</u>	<u>46,453,890</u>
Balance 12-31	<u>\$ -</u>	<u>\$ -</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 193,446	\$ 190,590
Revenue:		
Transfer from employer reserve fund	<u>170,809</u>	<u>152,043</u>
Funds available	<u>364,255</u>	<u>342,633</u>
Expenditures:		
Actuary fees	41,172	34,476
Audit fees	1,380	1,450
Wages & benefits	117,738	106,715
Supplies & materials	42	374
Travel and education	537	263
Disability exams	10,207	600
Other expenses	<u>2,589</u>	<u>1,862</u>
Total expenditures	<u>173,665</u>	<u>145,740</u>
Balance 12-31	<u>\$ 190,590</u>	<u>\$ 196,893</u>

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

STATEMENT OF REVENUES AND EXPENSES

December 31, 2008 and 2009

	<u>2008</u>	<u>2009</u>
Operating revenues:		
Investment earnings:		
City	\$ 32,232	\$ 23,204
Funding agents	2,642,191	5,263,484
Member contributions	2,065,616	2,272,170
City contributions	7,710,786	8,433,917
Other revenue	1,298	34,107
Total operating revenues	<u>12,452,124</u>	<u>16,026,882</u>
Operating expenses:		
Benefit payments	10,005,007	10,471,659
Group health insurance payments	763,262	712,478
Contribution refunds	275,474	90,776
Funding agent fees	416,016	374,875
Trustee fees	35,978	29,119
Consultant fees	40,500	30,000
Actuary fees	41,172	34,476
Audit fees	1,380	1,450
Other operating expenses	131,113	109,814
Total operating expenses	<u>11,709,902</u>	<u>11,854,647</u>
Operating income	742,223	4,172,235
Nonoperating revenue:		
Increase (decrease) in unrealized market value	<u>(73,813,812)</u>	<u>41,133,096</u>
Net income (loss)	(73,071,590)	45,305,331
Fund balance 1-1	<u>260,388,129</u>	<u>187,316,539</u>
Fund balance 12-31	<u>\$ 187,316,539</u>	<u>\$ 232,621,870</u>

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

EXPENSE FUND BALANCE

2010 Budget

2010 Approved Expense Fund Budget:	
Wages & Benefits	\$ 117,496
Insurance	852
Actuarial Services	47,300
Legal & Audit Services	19,100
Health Services (Disability Exams)	10,000
Supplies & Materials	950
Travel and Education	1,195
Other Expenses	-
Total	<u><u>\$ 196,893</u></u>

Notes to Financial Statements - Fiduciary Funds Statement of Net Assets

	<u>Employees' Retirement</u>		<u>Firefighters' Pension</u>		<u>Total Pension and Health Care Trust Funds</u>
	<u>Pension</u>	<u>Health Care</u>	<u>Pension</u>	<u>Health Care</u>	
Assets					
Cash and Cash Equivalents	\$ 3,211,586	\$ 172,593	\$ 1,726,184	\$ 75,678	\$ 5,186,041
Receivables:					
Accounts	60,115	3,231	20,598	903	84,847
Interest	632,417	33,987	235,530	10,326	912,260
Total Receivables	<u>692,533</u>	<u>37,217</u>	<u>256,128</u>	<u>11,229</u>	<u>997,107</u>
Investments at Fair Value:					
US Government	678,304	36,453	171,184	7,505	893,446
Corporate Obligations	22,844,839	1,227,699	9,949,959	436,220	34,458,717
Foreign Obligations	10,571,553	568,123	2,239,568	98,186	13,477,430
State and Local Obligations	2,208,648	118,694	874,969	38,360	3,240,671
Domestic Stocks	44,302,769	2,380,865	16,520,223	724,269	63,928,126
Foreign Stocks	5,480,741	294,539	2,046,016	89,700	7,910,996
Index Funds:					
Equity	36,685,867	1,971,527	14,002,893	613,906	53,274,193
Government / Corporate Bonds	18,139,618	974,837	6,983,852	306,181	26,404,488
Mutual Funds:					
Foreign Equity	46,422,539	2,494,783	16,824,960	737,629	66,479,911
Domestic Equity	24,205,476	1,300,821	9,236,456	404,939	35,147,692
Real Estate	5,313,684	285,561	2,071,403	90,813	7,761,461
Total Investments	<u>216,854,035</u>	<u>11,653,905</u>	<u>80,921,485</u>	<u>3,547,706</u>	<u>312,977,131</u>
Total Assets	<u>220,758,154</u>	<u>11,863,715</u>	<u>82,903,797</u>	<u>3,634,613</u>	<u>319,160,279</u>
Liabilities					
Total Liabilities	-	-	-	-	-
Net Assets					
Held in Trust for Pension and Post Employment Health Care Benefits	<u>\$220,758,154</u>	<u>\$11,863,715</u>	<u>\$82,903,797</u>	<u>\$ 3,634,613</u>	<u>\$ 319,160,279</u>

City of Sioux Falls
 Comprehensive Annual Financial Report
 Year Ended December 31, 2009

Notes to Financial Statements - Fiduciary Funds Changes in Net Assets

	Employees' Retirement		Firefighters' Pension		Total Pension and Health Care Trust Funds
	Pension	Health Care	Pension	Health Care	
Additions					
Contributions					
Employer	\$ 5,459,718	\$ 2,974,199	\$ 1,877,096	\$ 975,694	\$ 11,286,707
Plan Members	2,272,170	-	926,257	-	3,198,427
Total Contributions	<u>7,731,888</u>	<u>2,974,199</u>	<u>2,803,353</u>	<u>975,694</u>	<u>14,485,134</u>
Investment Income (Loss)	44,084,742	2,369,148	16,191,005	709,835	63,354,730
Less Investment Expense	411,860	22,134	171,026	7,498	612,518
Net Investment Income (Loss)	<u>43,672,881</u>	<u>2,347,015</u>	<u>16,019,979</u>	<u>702,337</u>	<u>62,742,212</u>
Total Additions	<u>51,404,769</u>	<u>5,321,214</u>	<u>18,823,332</u>	<u>1,678,031</u>	<u>77,227,346</u>
Deductions					
Benefit Payments					
Pension	10,471,659	-	4,930,354	-	15,402,013
Health Premiums	-	712,478	-	327,693	1,040,171
Total Benefit Payments	<u>10,471,659</u>	<u>712,478</u>	<u>4,930,354</u>	<u>327,693</u>	<u>16,442,184</u>
Refunds	90,776	-	43,069	-	133,845
Administrative Expense	<u>138,307</u>	<u>7,433</u>	<u>74,398</u>	<u>3,262</u>	<u>223,400</u>
Total Deductions	<u>10,700,742</u>	<u>719,911</u>	<u>5,047,821</u>	<u>330,955</u>	<u>16,799,429</u>
Net Increase (Decrease)	40,704,027	4,601,303	13,775,510	1,347,077	60,427,917
Total Net Assets, January 1	<u>177,763,396</u>	<u>9,553,143</u>	<u>68,416,358</u>	<u>2,999,465</u>	<u>258,732,362</u>
Total Net Assets, December 31	<u>\$ 218,467,423</u>	<u>\$ 14,154,446</u>	<u>\$ 82,191,869</u>	<u>\$ 4,346,541</u>	<u>\$ 319,160,279</u>