

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



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**20 11 Annual**  
**Financial Report**

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**For the Fiscal Year Ended December 31, 2011**  
**Prepared by the Accounting Division**



April 25, 2012

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, 2011, 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 of 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, 2011, were brought to our attention within the audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Tracy D. Turbak".

Tracy D. Turbak, CPA  
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 Annuity Savings and Retirement Reserve Funds is transferred to the Employer Reserve Fund leaving a zero balance in the Income Fund per Board directive on May 19, 2004.

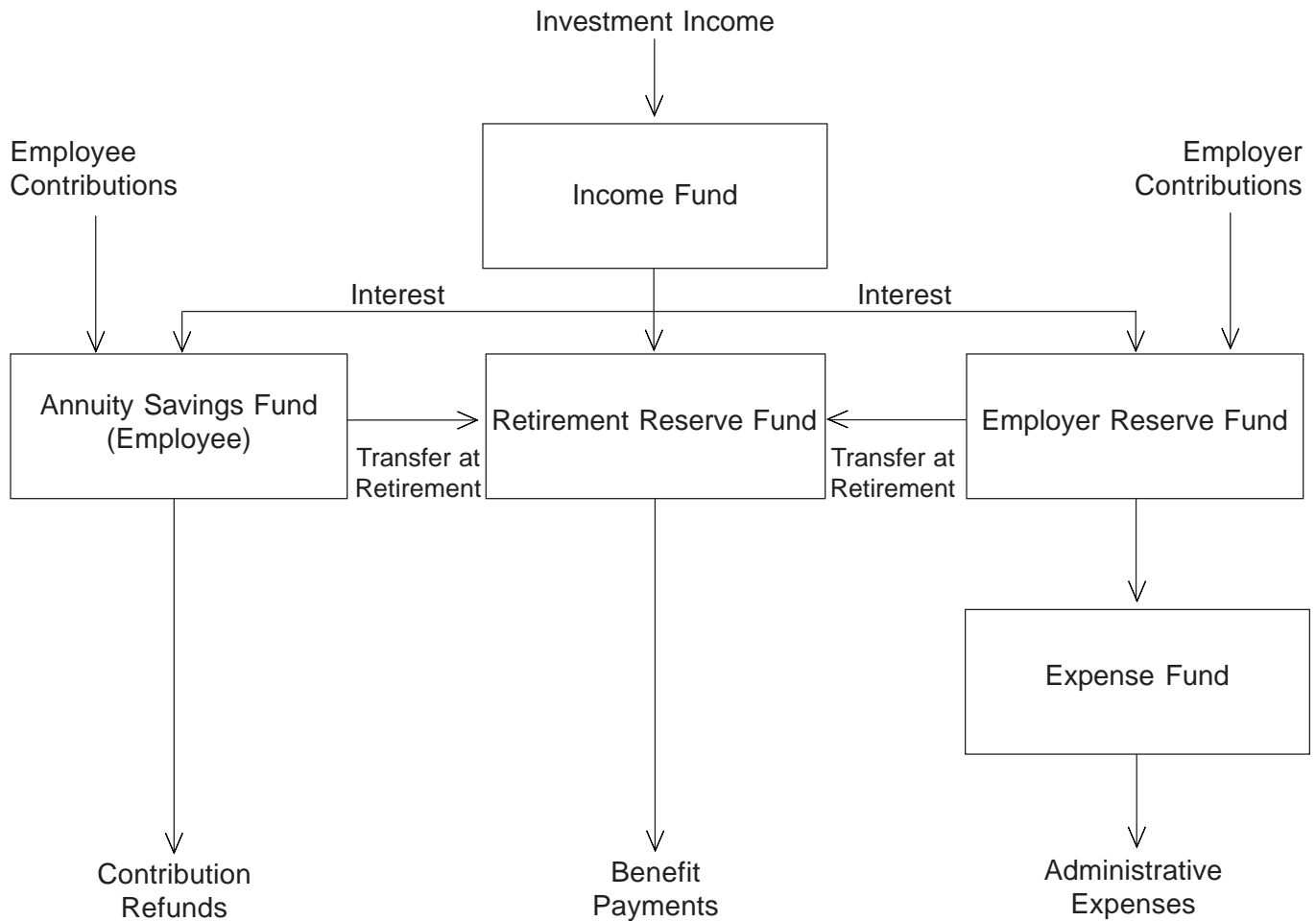
### **Expense Fund (Ordinance Section 35-49)**

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.

### **IRC 401(h) Fund**

The IRC 401(h) Fund is established in accordance with Internal Revenue Code 401(h) to hold employer contributions for retiree health benefits. The Fund pays one-half the premium for retiree health to the City's self-funded Health Life Benefit Fund.

**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, 2010 and 2011**

**ASSETS**

	<u>2010</u>	<u>2011</u>
Cash in bank	\$ 1,032,943	\$ 348,601
Prepaid expenses	-	-
Accounts receivable	153,696	-
Accrued Interest and dividends	610,510	704,250
Investments held by funding agents (at market value):	<u>263,048,839</u>	<u>268,481,248</u>
<b>Total Assets</b>	<b>\$ <u>264,845,988</u></b>	<b>\$ <u>269,534,099</u></b>

**LIABILITIES AND EQUITY**

Accounts payable	\$ -	\$ -
Funded reserves:		
Annuity savings fund	36,396,529	37,885,680
Employer reserve fund	106,571,312	98,362,453
Retirement reserve fund	105,821,745	114,851,812
IRC 401(h) fund	15,863,893	18,179,809
Income fund	-	-
Expense fund	<u>192,509</u>	<u>254,345</u>
<b>Total Liabilities &amp; Equity</b>	<b>\$ <u>264,845,988</u></b>	<b>\$ <u>269,534,099</u></b>

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

**STATEMENT OF CHANGES IN RESERVE ACCOUNTS**

**December 31, 2011**

	<u>General Division</u>	<u>Police Division</u>	<u>Total</u>
<b><u>Annuity Savings Fund</u></b>			
Balance 1-1	\$ 21,824,122	14,572,407	\$ 36,396,529
Interest earned-individual accounts	1,064,826	712,930	1,777,756
Member contributions	1,119,172	1,133,826	2,252,998
Contribution refunds	(85,470)	(29,564)	(115,034)
Transfer to retirement reserve fund	(1,292,628)	(1,133,941)	(2,426,569)
Balance 12-31	<u>\$ 22,630,022</u>	<u>\$ 15,255,658</u>	<u>\$ 37,885,680</u>
<b><u>Employer Reserve Fund</u></b>			
Balance 1-1	\$ 73,140,094	33,431,218	\$ 106,571,312
Unallocated interest	(3,597,770)	(1,646,792)	(5,244,562)
City contributions pension	4,842,054	2,888,932	7,730,986
Transfers to:			
Expense fund	(196,444)	(89,918)	(286,362)
Retirement reserve fund	(5,695,527)	(4,713,394)	(10,408,921)
Balance 12-31	<u>\$ 68,492,407</u>	<u>\$ 29,870,046</u>	<u>\$ 98,362,453</u>
<b><u>Retirement Reserve Fund</u></b>			
Balance 1-1	\$ 58,534,421	47,287,324	\$ 105,821,745
Transfers from:			
Employer reserve fund	5,695,527	4,713,394	10,408,921
Income fund-interest	4,506,013	3,726,094	8,232,107
Annuity savings fund	1,292,628	1,133,941	2,426,569
Pension payments	(7,772,800)	(4,264,730)	(12,037,530)
Balance 12-31	<u>\$ 62,255,789</u>	<u>\$ 52,596,023</u>	<u>\$ 114,851,812</u>
<b><u>IRC 401(h) Fund</u></b>			
Balance 1-1	\$ 10,716,307	5,147,586	\$ 15,863,893
Unallocated interest	223,521	102,311	325,832
City contributions:	1,797,849	1,070,493	2,868,342
Transfers to:			
Expense fund	(13,432)	(6,148)	(19,580)
Group health insurance payment	(533,721)	(324,957)	(858,678)
Balance 12-31	<u>\$ 12,190,524</u>	<u>\$ 5,989,285</u>	<u>\$ 18,179,809</u>

**CITY OF SIOUX FALLS  
EMPLOYEE'S RETIREMENT SYSTEM  
STATEMENT OF CHANGES IN RESERVE ACCOUNTS  
GENERAL EMPLOYEE'S DIVISION**

**December 31, 2010 and 2011**

	<u>2010</u>	<u>2011</u>
<b><u>Annuity Savings Fund</u></b>		
Balance 1-1	\$ 21,050,101	\$ 21,824,122
Interest earned-individual accounts	1,046,729	1,064,826
Member contributions	1,120,545	1,119,172
Contribution refunds	(112,922)	(85,470)
Transfer to retirement reserve fund	<u>(1,280,331)</u>	<u>(1,292,628)</u>
Balance 12-31	<u>\$ 21,824,122</u>	<u>\$ 22,630,022</u>
<b><u>Employer Reserve Fund</u></b>		
Balance 1-1	\$ 60,390,268	\$ 73,140,094
Unallocated interest	14,678,058	(3,597,770)
City contributions pension	4,111,498	4,842,054
Transfers to:		
Expense fund	(94,742)	(196,444)
Retirement reserve fund	<u>(5,944,988)</u>	<u>(5,695,527)</u>
Balance 12-31	<u>\$ 73,140,094</u>	<u>\$ 68,492,407</u>
<b><u>Retirement Reserve Fund</u></b>		
Balance 1-1	\$ 54,276,264	\$ 58,534,421
Transfers from:		
Employer reserve fund	5,944,988	5,695,527
Income fund-interest	4,208,341	4,506,013
Annuity savings fund	1,280,331	1,292,628
Pension payments	(7,175,503)	(7,772,800)
Group health insurance payment	-	-
Balance 12-31	<u>\$ 58,534,421</u>	<u>\$ 62,255,789</u>
<b><u>IRC 401(h) Fund</u></b>		
Balance 1-1	\$ 8,055,463	\$ 10,716,307
Unallocated Interest	1,243,977	223,521
City Contribution health	1,904,036	1,797,849
Transfer to:		
Expense Fund	(5,796)	(13,432)
Group health insurance payment	<u>(481,373)</u>	<u>(533,721)</u>
Balance 12-31	<u>\$ 10,716,307</u>	<u>\$ 12,190,524</u>



**CITY OF SIOUX FALLS  
EMPLOYEE'S RETIREMENT SYSTEM  
STATEMENT OF CHANGES IN RESERVE ACCOUNTS  
POLICE DIVISION**

**December 31, 2010 and 2011**

	<u>2010</u>	<u>2011</u>
<b><u>Annuity Savings Fund</u></b>		
Balance 1-1	\$ 13,994,044	\$ 14,572,407
Interest earned-individual accounts	670,493	712,930
Member contributions	1,120,668	1,133,826
Contribution refunds	(84,692)	(29,564)
Transfer to retirement reserve fund	(1,128,106)	(1,133,941)
Balance 12-31	<u>\$ 14,572,407</u>	<u>\$ 15,255,658</u>
<b><u>Employer Reserve Fund</u></b>		
Balance 1-1	\$ 28,583,740	\$ 33,431,218
Unallocated interest	6,939,111	(1,646,792)
City contributions pension	2,479,757	2,888,932
Transfers to:		
Expense fund	(44,789)	(89,918)
Retirement reserve fund	(4,526,601)	(4,713,394)
Balance 12-31	<u>\$ 33,431,218</u>	<u>\$ 29,870,046</u>
<b><u>Retirement Reserve Fund</u></b>		
Balance 1-1	\$ 42,266,846	\$ 47,287,324
Transfers from:		
Employer reserve fund	4,526,601	4,713,394
Income fund-interest	3,340,769	3,726,094
Annuity savings fund	1,128,106	1,133,941
Pension payments	(3,974,998)	(4,264,730)
Group health insurance payment	-	-
Balance 12-31	<u>\$ 47,287,324</u>	<u>\$ 52,596,023</u>
<b><u>IRC 401(h) Fund</u></b>		
Balance 1-1	\$ 3,808,252	\$ 5,147,586
Unallocated Interest	588,095	102,311
City Contributions	1,058,765	1,070,493
Transfers to:		
Expense fund	(2,741)	(6,148)
Group health insurance payment	(304,785)	(324,957)
Balance 12-31	<u>\$ 5,147,586</u>	<u>\$ 5,989,285</u>

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

**INCOME AND EXPENSE FUNDS**

**December 31, 2010 and 2011**

<b><u>Income Fund</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
Balance 1-1	\$ -	\$ -
Revenue:		
Interest earned-City	12,561	603
Other income	11,412	-
Investment earnings-funding agents	10,272,600	14,048,081
Increase (decrease) in unrealized market value	<u>23,001,460</u>	<u>(8,362,449)</u>
Total balance and revenue	<u>33,298,033</u>	<u>5,686,235</u>
Expenditures:		
Transfers to:		
Annuity savings fund-interest	1,717,222	1,777,756
Employer reserve fund-interest	21,617,170	(5,244,562)
Retirement reserve fund-interest	7,549,110	8,232,106
IRC 401(h) fund-interest	1,832,072	325,833
Funding agent, trustee, & consultant fees	<u>582,459</u>	<u>595,102</u>
Total expenditures	<u>33,298,033</u>	<u>5,686,235</u>
Balance 12-31	<u>\$ -</u>	<u>\$ -</u>
 <b><u>Expense Fund</u></b>		
Balance 1-1	\$ 196,893	\$ 192,509
Revenue:		
Transfer from employer reserve fund	139,531	286,362
Transfer from IRC 401(h) fund	<u>8,537</u>	<u>19,580</u>
Funds available	<u>344,961</u>	<u>498,451</u>
Expenditures:		
Actuary fees	35,094	78,736
Audit fees	1,522	1,575
Wages & benefits	113,252	117,269
Supplies & materials	44	234
Travel and education	75	-
Disability exams	900	600
Other expenses	<u>1,565</u>	<u>45,692</u>
Total expenditures	<u>152,452</u>	<u>244,106</u>
Balance 12-31	<u>\$ 192,509</u>	<u>\$ 254,345</u>

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

**STATEMENT OF REVENUES AND EXPENSES**

**December 31, 2010 and 2011**

	<u>2010</u>	<u>2011</u>
<b>Operating revenues:</b>		
Investment earnings:		
City	\$ 12,561	\$ 603
Funding agents	10,272,600	14,048,081
Member contributions	2,241,213	2,252,998
City contributions:		
Pension	6,591,255	7,730,986
Health	2,962,801	2,868,342
Other revenue	11,412	-
Total operating revenues	<u>22,091,842</u>	<u>26,901,010</u>
<b>Operating expenses:</b>		
Benefit payments	11,150,501	12,037,530
Group health insurance payments	786,158	858,678
Contribution refunds	197,614	115,034
Funding agent fees	517,041	525,040
Trustee fees	35,418	40,062
Investment consultant fees	30,000	30,000
Actuary fees	35,094	78,736
Actuarial studies	-	45,500
Audit fees	1,522	1,575
Other operating expenses	115,836	118,295
Total operating expenses	<u>12,869,184</u>	<u>13,850,450</u>
Operating income	9,222,658	13,050,560
<b>Nonoperating revenue:</b>		
Increase (decrease) in unrealized market value	<u>23,001,460</u>	<u>(8,362,449)</u>
Net income (loss)	32,224,118	4,688,111
<b>Fund balance 1-1</b>	<u>232,621,870</u>	<u>264,845,988</u>
<b>Fund balance 12-31</b>	<u>\$ 264,845,988</u>	<u>\$ 269,534,099</u>

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

**EXPENSE FUND BALANCE**

**2012 Budget**

2012 Approved Expense Fund Budget:

Wages & Benefits	\$ 118,466
Insurance	624
Actuarial Services	108,300
Legal & Audit Services	16,800
Health Services (Disability Exams)	8,000
Supplies & Materials	950
Travel and Education	1,205
Other Expenses	-
Total	<u><u>\$ 254,345</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>	
<b>Assets</b>					
Cash and Cash Equivalents	\$ 1,179,863	\$ 85,356	\$ (22,951)	\$ (1,346)	\$ 1,240,922
Receivables:					
Interest	656,739	47,511	243,867	14,306	962,423
Total Receivables	<u>656,739</u>	<u>47,511</u>	<u>243,867</u>	<u>14,306</u>	<u>962,423</u>
Investments at Fair Value:					
US Government	1,444,724	104,518	361,773	21,222	1,932,237
Corporate Obligations	28,714,436	2,077,326	11,301,121	662,938	42,755,821
Foreign Obligations	10,469,007	757,373	3,280,831	192,458	14,699,669
State and Local Obligations	5,059,278	366,010	1,826,719	107,158	7,359,165
Domestic Stocks	54,963,351	3,976,286	20,304,439	1,191,084	80,435,160
Foreign Stocks	5,802,715	419,793	2,139,494	125,505	8,487,507
Index Funds:					
Equity	46,137,645	3,337,796	17,190,907	1,008,440	67,674,788
Government / Corporate Bonds	18,959,196	1,371,590	6,973,707	409,086	27,713,579
Mutual Funds:					
Foreign Equity	38,589,714	2,791,746	14,044,194	823,850	56,249,504
Domestic Equity	24,430,404	1,767,401	8,998,075	527,838	35,723,718
Real Estate	14,943,261	1,081,060	5,607,229	328,927	21,960,477
Total Investments	<u>249,513,731</u>	<u>18,050,899</u>	<u>92,028,487</u>	<u>5,398,508</u>	<u>364,991,625</u>
Total Assets	<u>251,350,332</u>	<u>18,183,767</u>	<u>92,249,404</u>	<u>5,411,467</u>	<u>367,194,970</u>
<b>Liabilities</b>					
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Assets</b>					
Held in Trust for Pension and Post Employment Health Care Benefits	<u>\$ 251,350,332</u>	<u>\$ 18,183,767</u>	<u>\$ 92,249,404</u>	<u>\$ 5,411,467</u>	<u>\$ 367,194,970</u>

City of Sioux Falls  
 Comprehensive Annual Financial Report  
 Year Ended December 31, 2011

**Notes to Financial Statements - Fiduciary Funds Changes in 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>	
<b>Additions</b>					
Contributions					
Employer	\$ 7,730,986	\$ 2,868,342	\$ 2,773,506	\$ 944,497	\$ 14,317,331
Plan Members	2,252,998	-	916,965	-	3,169,963
Total Contributions	<u>9,983,984</u>	<u>2,868,342</u>	<u>3,690,471</u>	<u>944,497</u>	<u>17,487,294</u>
Investment Income (Loss)	5,322,316	363,919	2,102,878	115,348	7,904,461
Less Investment Expense	557,015	38,087	218,974	12,011	826,087
Net Investment Income (Loss)	<u>4,765,300</u>	<u>325,833</u>	<u>1,883,904</u>	<u>103,337</u>	<u>7,078,374</u>
Total Additions	<u>14,749,284</u>	<u>3,194,175</u>	<u>5,574,375</u>	<u>1,047,834</u>	<u>24,565,668</u>
<b>Deductions</b>					
Benefit Payments					
Pension	12,037,530	-	5,558,803	-	17,596,333
Health Premiums	-	858,678	-	374,010	1,232,688
Total Benefit Payments	<u>12,037,530</u>	<u>858,678</u>	<u>5,558,803</u>	<u>374,010</u>	<u>18,829,021</u>
Refunds	115,034	-	3,589	-	118,623
Administrative Expense	228,483	15,623	158,322	8,684	411,112
Total Deductions	<u>12,381,047</u>	<u>874,301</u>	<u>5,720,714</u>	<u>382,694</u>	<u>19,358,756</u>
Net Increase (Decrease)	2,368,237	2,319,874	(146,338)	665,139	5,206,912
<b>Total Net Assets, January 1</b>	<u>248,982,095</u>	<u>15,863,893</u>	<u>92,395,742</u>	<u>4,746,328</u>	<u>361,988,058</u>
<b>Total Net Assets, December 31</b>	<u>\$ 251,350,332</u>	<u>\$ 18,183,767</u>	<u>\$ 92,249,404</u>	<u>\$ 5,411,467</u>	<u>\$ 367,194,970</u>