

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



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20 13 Annual
Financial Report

For the Fiscal Year Ended December 31, 2013
Prepared by the Accounting Division



May 1, 2014

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, 2013, 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, 2013, 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 7.75 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 7.75 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.

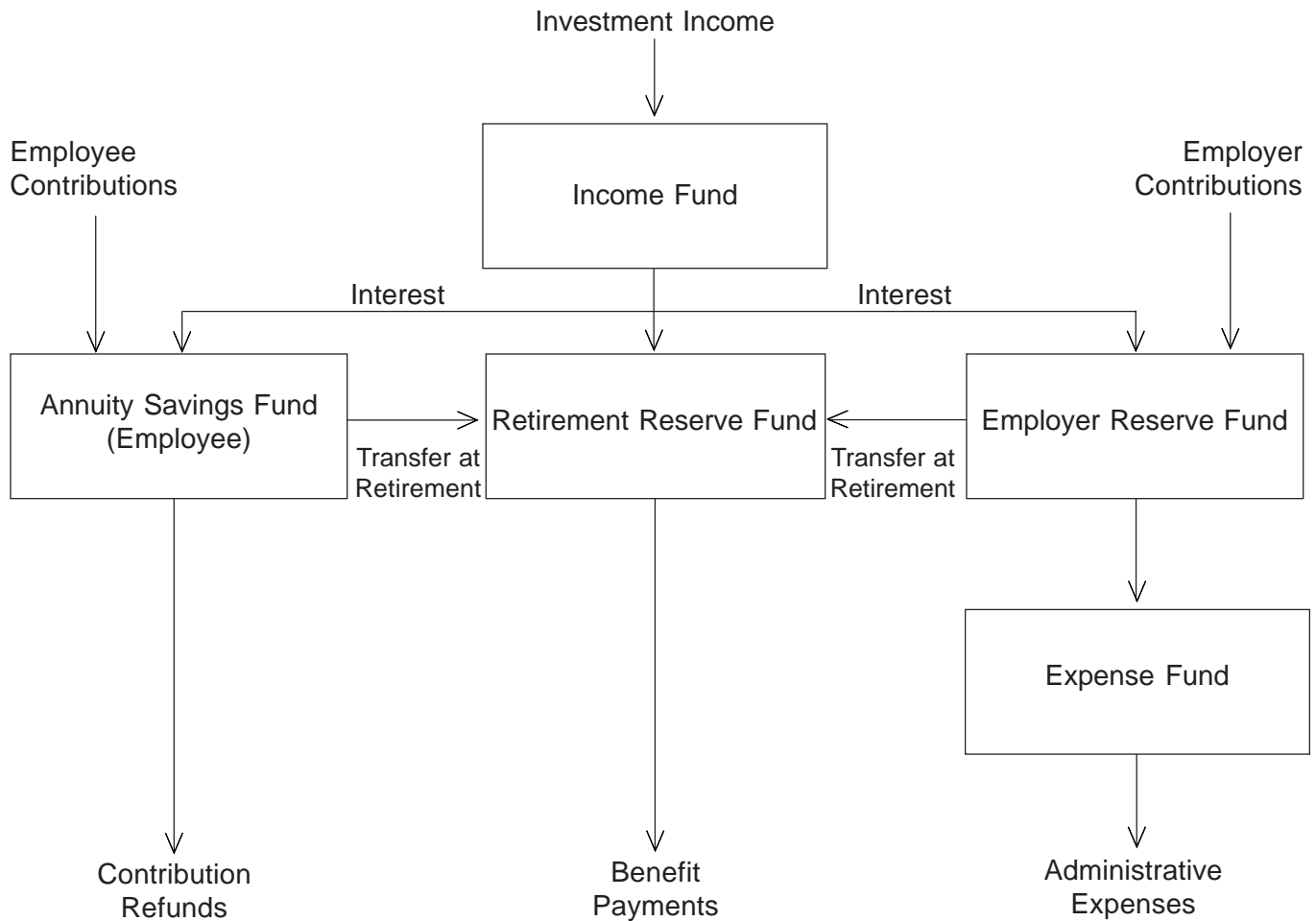
Expense Fund (Ordinance Section 35-49)

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, 2012 and 2013

ASSETS

	<u>2012</u>	<u>2013</u>
Cash in bank	\$ 143,262	\$ -
Prepaid expenses	-	-
Accounts receivable	-	-
Accrued Interest and dividends	639,500	727,710
Investments held by funding agents (at market value):	<u>307,240,359</u>	<u>368,210,802</u>
Total Assets	\$ <u>308,023,121</u>	\$ <u>368,938,512</u>

LIABILITIES AND EQUITY

Accounts payable	\$ -	\$ 3,028
Funded reserves:		
Annuity savings fund	39,524,103	42,611,901
Employer reserve fund	122,890,638	176,720,329
Retirement reserve fund	122,571,337	123,385,541
IRC 401(h) fund	22,807,459	25,969,701
Income fund	-	-
Expense fund	<u>229,584</u>	<u>248,012</u>
Total Liabilities & Equity	\$ <u>308,023,121</u>	\$ <u>368,938,512</u>

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

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2013

	<u>General Division</u>	<u>Police Division</u>	<u>Total</u>
<u>Annuity Savings Fund</u>			
Balance 1-1	\$ 23,039,263	\$ 16,484,840	\$ 39,524,103
Interest earned-individual accounts	1,149,519	845,632	1,995,151
Member contributions	1,199,975	1,228,572	2,428,547
Contribution refunds	(46,515)	(218,439)	(264,954)
Transfer to retirement reserve fund	(894,922)	(176,024)	(1,070,946)
Balance 12-31	<u>\$ 24,447,320</u>	<u>\$ 18,164,581</u>	<u>\$ 42,611,901</u>
<u>Employer Reserve Fund</u>			
Balance 1-1	\$ 84,308,471	38,582,167	\$ 122,890,638
Unallocated interest	32,414,114	14,157,889	46,572,003
City contributions - pension	5,023,890	2,893,464	7,917,354
City contributions - pension reserve	2,371,948	1,489,651	3,861,599
Transfers to:			
Expense fund	(155,234)	(67,803)	(223,037)
Retirement reserve fund	(3,750,067)	(548,161)	(4,298,228)
Balance 12-31	<u>\$ 120,213,122</u>	<u>\$ 56,507,207</u>	<u>\$ 176,720,329</u>
<u>Retirement Reserve Fund</u>			
Balance 1-1	\$ 67,748,049	54,823,288	\$ 122,571,337
Transfers from:			
Employer reserve fund	3,750,067	548,161	4,298,228
Income fund-interest	4,907,003	4,046,775	8,953,778
Annuity savings fund	894,922	176,024	1,070,946
Pension payments	(8,792,225)	(4,716,523)	(13,508,748)
Balance 12-31	<u>\$ 68,507,816</u>	<u>\$ 54,877,725</u>	<u>\$ 123,385,541</u>
<u>IRC 401(h) Fund</u>			
Balance 1-1	\$ 15,873,991	6,933,468	\$ 22,807,459
Unallocated interest	2,780,364	1,214,412	3,994,776
City contributions:			
Expenditures	(13,315)	(5,816)	(19,131)
Group health insurance payment	(515,695)	(297,708)	(813,403)
Balance 12-31	<u>\$ 18,125,345</u>	<u>\$ 7,844,356</u>	<u>\$ 25,969,701</u>

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

December 31, 2012 and 2013

	<u>2012</u>	<u>2013</u>
<u>Annuity Savings Fund</u>		
Balance 1-1	\$ 22,630,022	\$ 23,039,263
Interest earned-individual accounts	1,091,742	1,149,519
Member contributions	1,164,136	1,199,975
Contribution refunds	(124,301)	(46,515)
Transfer to retirement reserve fund	<u>(1,722,336)</u>	<u>(894,922)</u>
Balance 12-31	<u>\$ 23,039,263</u>	<u>\$ 24,447,320</u>
<u>Employer Reserve Fund</u>		
Balance 1-1	\$ 68,492,407	\$ 84,308,471
Unallocated interest	18,302,857	32,414,114
City contributions - pension	4,904,189	5,023,890
City contributions - pension reserve		2,371,948
Transfers to:		
Expense fund	(79,125)	(155,234)
Retirement reserve fund	<u>(7,311,857)</u>	<u>(3,750,067)</u>
Balance 12-31	<u>\$ 84,308,471</u>	<u>\$ 120,213,122</u>
<u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 62,255,789	\$ 67,748,049
Transfers from:		
Employer reserve fund	7,311,857	3,750,067
Income fund-interest	4,849,722	4,907,003
Annuity savings fund	1,722,336	894,922
Pension payments	<u>(8,391,655)</u>	<u>(8,792,225)</u>
Balance 12-31	<u>\$ 67,748,049</u>	<u>\$ 68,507,816</u>
<u>IRC 401(h) Fund</u>		
Balance 1-1	\$ 12,190,524	\$ 15,873,991
Unallocated Interest	1,468,715	2,780,364
City Contribution health	2,108,872	-
Expenditures	657,953	(13,315)
Group health insurance payment	<u>(552,073)</u>	<u>(515,695)</u>
Balance 12-31	<u>\$ 15,873,991</u>	<u>\$ 18,125,345</u>

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

December 31, 2012 and 2013

	<u>2012</u>	<u>2013</u>
<u>Annuity Savings Fund</u>		
Balance 1-1	\$ 15,255,658	\$ 16,484,840
Interest earned-individual accounts	762,801	845,632
Member contributions	1,171,315	1,228,572
Contribution refunds	(175,973)	(218,439)
Transfer to retirement reserve fund	(528,961)	(176,024)
Balance 12-31	<u>\$ 16,484,840</u>	<u>\$ 18,164,581</u>
<u>Employer Reserve Fund</u>		
Balance 1-1	\$ 29,870,046	\$ 38,582,167
Unallocated interest	7,994,352	14,157,889
City contributions pension	3,023,915	2,893,464
City contributions pension reserve		1,489,651
Transfers to:		
Expense fund	(34,560)	(67,803)
Retirement reserve fund	(2,271,586)	(548,161)
Balance 12-31	<u>\$ 38,582,167</u>	<u>\$ 56,507,207</u>
<u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 52,596,023	\$ 54,823,288
Transfers from:		
Employer reserve fund	2,271,586	548,161
Income fund-interest	4,007,219	4,046,775
Annuity savings fund	528,961	176,024
Pension payments	(4,580,501)	(4,716,523)
Balance 12-31	<u>\$ 54,823,288</u>	<u>\$ 54,877,725</u>
<u>IRC 401(h) Fund</u>		
Balance 1-1	\$ 5,989,285	\$ 6,933,468
Unallocated Interest	641,508	1,214,412
City Contributions	1,309,933	-
Expenditures	(700,508)	(5,816)
Group health insurance payment	(306,750)	(297,708)
Balance 12-31	<u>\$ 6,933,468</u>	<u>\$ 7,844,356</u>

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

INCOME AND EXPENSE FUNDS

December 31, 2012 and 2013

<u>Income Fund</u>	<u>2012</u>	<u>2013</u>
Balance 1-1	\$ -	\$ -
Revenue:		
Interest earned-City	1,644	(237)
Other income	-	4,045
Investment earnings-funding agents	13,150,494	21,335,125
Increase (decrease) in unrealized market value	<u>26,663,384</u>	<u>41,112,900</u>
Total balance and revenue	<u>39,815,522</u>	<u>62,451,833</u>
Expenditures:		
Transfers to:		
Annuity savings fund-interest	1,854,543	1,995,151
Employer reserve fund-interest	26,297,211	46,572,003
Retirement reserve fund-interest	8,856,941	8,953,778
IRC 401(h) fund-interest	2,110,223	3,994,775
Funding agent, trustee, & consultant fees	<u>696,604</u>	<u>936,126</u>
Total expenditures	<u>39,815,522</u>	<u>62,451,833</u>
Balance 12-31	<u>\$ -</u>	<u>\$ -</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 254,345	\$ 229,584
Revenue:		
Transfer from employer reserve fund	113,685	223,038
Transfer from IRC 401(h) fund	<u>42,555</u>	<u>19,131</u>
Funds available	<u>410,585</u>	<u>471,753</u>
Expenditures:		
Actuary fees	56,294	91,593
Audit fees	1,864	1,850
Wages & benefits	119,593	128,209
Supplies & materials	1,609	73
Travel and education	12	-
Disability exams	900	1,112
Other expenses	<u>729</u>	<u>904</u>
Total expenditures	<u>181,001</u>	<u>223,741</u>
Balance 12-31	<u>\$ 229,584</u>	<u>\$ 248,012</u>

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

STATEMENT OF REVENUES AND EXPENSES

December 31, 2012 and 2013

	<u>2012</u>	<u>2013</u>
Operating revenues:		
Investment earnings:		
City	\$ 1,644	\$ (237)
Funding agents	13,150,494	21,335,125
Member contributions	2,335,450	2,428,547
City contributions:		
Pension	7,928,103	7,917,354
Pension Reserve		3,861,599
Health	3,418,805	-
Other revenue	-	4,045
Total operating revenues	<u>26,834,496</u>	<u>35,546,433</u>
Operating expenses:		
Benefit payments	12,972,156	13,508,748
Group health insurance payments	858,823	813,403
Contribution refunds	300,274	264,954
Funding agent fees	619,050	836,411
Trustee fees	43,179	49,090
Investment consultant fees	34,375	50,625
Actuary fees	56,294	91,593
Audit fees	1,864	1,850
Other operating expenses	122,843	130,298
Total operating expenses	<u>15,008,858</u>	<u>15,746,972</u>
Operating income	11,825,638	19,799,461
Nonoperating revenue:		
Increase (decrease) in unrealized market value	<u>26,663,384</u>	<u>41,112,900</u>
Net income (loss)	38,489,022	60,912,361
Fund balance 1-1	<u>269,534,099</u>	<u>308,023,121</u>
Fund balance 12-31	<u>\$ 308,023,121</u>	<u>\$ 368,935,482</u>

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

EXPENSE FUND BALANCE

2014 Budget

2013 Approved Expense Fund Budget:

Wages & Benefits	\$ 141,594
Insurance	725
Actuarial Services	73,400
Legal & Audit Services	22,000
Health Services (Disability Exams)	8,000
Supplies & Materials	950
Travel and Education	1,175
Other Expenses	168
Total	<u>\$ 248,012</u>

Notes to Financial Statements - Fiduciary Funds Statement of Net Position

	Employees' Retirement		Firefighters' Pension		Total Pension and Health Care Trust Funds
	Pension	Health Care	Pension	Health Care	
Assets					
Cash and Cash Equivalents	\$ 2,814,075	\$ 213,085	\$ 457,307	\$ 28,443	\$ 3,512,910
Receivables:					
Interest	676,486	51,224	236,233	14,693	978,636
Total Receivables	<u>676,486</u>	<u>51,224</u>	<u>236,233</u>	<u>14,693</u>	<u>978,636</u>
Investments at Fair Value:					
US Government	4,289,029	324,769	2,069,503	128,714	6,812,015
Corporate Obligations	29,006,445	2,196,396	10,938,341	680,317	42,821,499
Foreign Obligations	9,163,593	693,876	2,128,394	132,377	12,118,240
State and Local Obligations	10,826,927	819,825	3,869,870	240,689	15,757,311
Domestic Stocks	79,829,095	6,044,736	28,395,804	1,766,094	116,035,729
Foreign Stocks	6,523,940	493,999	2,296,344	142,822	9,457,105
Index Funds:					
Equity	55,633,151	4,212,596	20,196,863	1,256,156	81,298,766
Government / Corporate Bonds	21,651,934	1,639,505	7,767,231	483,088	31,541,758
Mutual Funds:					
Foreign Equity	68,184,155	5,162,970	24,745,790	1,539,079	99,631,994
Domestic Equity	35,977,689	2,724,266	12,991,027	807,985	52,500,967
Real Estate	18,392,080	1,392,666	6,900,042	429,152	27,113,940
Total Investments	<u>339,478,036</u>	<u>25,705,606</u>	<u>122,299,209</u>	<u>7,606,473</u>	<u>495,089,324</u>
Total Assets	<u>342,968,597</u>	<u>25,969,915</u>	<u>122,992,750</u>	<u>7,649,608</u>	<u>499,580,870</u>
Liabilities					
Total Liabilities	<u>2,817</u>	<u>213</u>	<u>1,617</u>	<u>101</u>	<u>4,748</u>
Net Position					
Held in Trust for Pension and Post Employment Health Care Benefits	<u>\$342,965,781</u>	<u>\$25,969,701</u>	<u>\$122,991,133</u>	<u>\$7,649,507</u>	<u>\$ 499,576,122</u>

City of Sioux Falls
 Comprehensive Annual Financial Report
 Year Ended December 31, 2013

Notes to Financial Statements - Fiduciary Funds Changes in Net Position

	Employees' Retirement		Firefighters' Pension		Total Pension and Health Care Trust Funds
	Pension	Health Care	Pension	Health Care	
Additions					
Contributions					
Employer	\$ 11,778,953	\$ -	\$ 4,016,010	\$ -	\$ 15,794,963
Plan Members	2,428,547	-	926,949	-	3,355,496
Total Contributions	<u>14,207,500</u>	<u>-</u>	<u>4,942,959</u>	<u>-</u>	<u>19,150,459</u>
Investment Income (Loss)	58,384,558	4,067,275	21,251,443	1,032,479	84,735,755
Less Investment Expense	862,172	73,954	345,906	22,079	1,304,111
Net Investment Income (Loss)	<u>57,522,386</u>	<u>3,993,321</u>	<u>20,905,537</u>	<u>1,010,400</u>	<u>83,431,644</u>
Total Additions	<u>71,729,886</u>	<u>3,993,321</u>	<u>25,848,496</u>	<u>1,010,400</u>	<u>102,582,103</u>
Deductions					
Benefit Payments					
Pension	13,508,748	-	5,937,848	-	19,446,596
Health Premiums	-	813,403	-	330,944	1,144,347
Total Benefit Payments	<u>13,508,748</u>	<u>813,403</u>	<u>5,937,848</u>	<u>330,944</u>	<u>20,590,943</u>
Refunds	264,954	-	16,103	-	281,057
Administrative Expense	<u>206,065</u>	<u>17,676</u>	<u>122,372</u>	<u>7,811</u>	<u>353,924</u>
Total Deductions	<u>13,979,767</u>	<u>831,079</u>	<u>6,076,323</u>	<u>338,755</u>	<u>21,225,924</u>
Net Increase (Decrease)	57,750,119	3,162,242	19,772,173	671,645	81,356,179
Total Net Position, January 1	<u>285,215,662</u>	<u>22,807,459</u>	<u>103,218,960</u>	<u>6,977,862</u>	<u>418,219,943</u>
Total Net Position, December 31	<u>\$342,965,781</u>	<u>\$25,969,701</u>	<u>\$ 122,991,133</u>	<u>\$ 7,649,507</u>	<u>\$ 499,576,122</u>