

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



20 14 Annual
Financial Report

For the Fiscal Year Ended December 31, 2014
Prepared by the Finance Department



April 29, 2015

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, 2014, 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, 2014, 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.

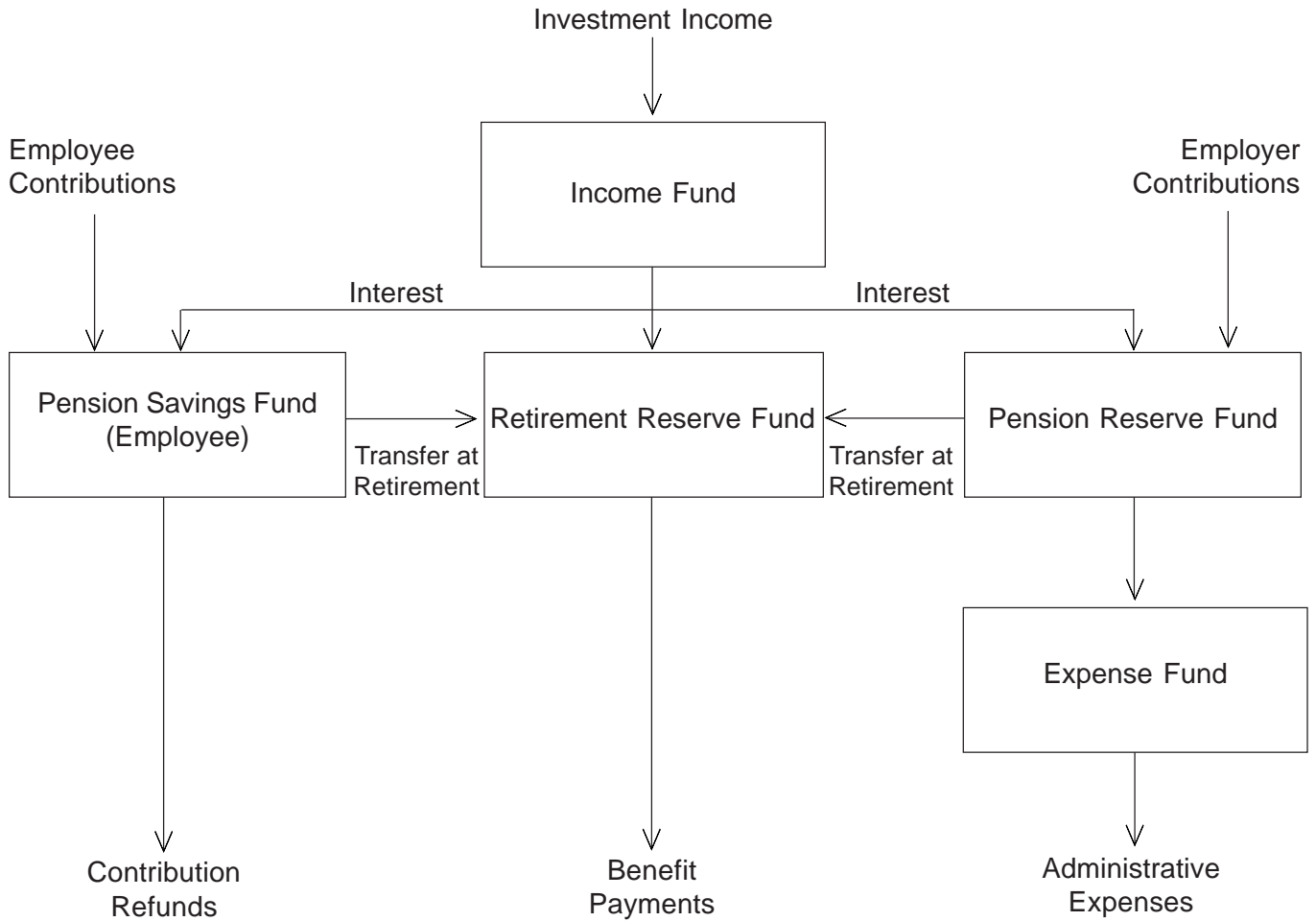
Expense Fund (Ordinance Section 35-49)

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
Firefighters' Pension Fund
Flow Chart of Fund Transfers**



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

BALANCE SHEET

December 31, 2013 and 2014

ASSETS

	<u>2013</u>	<u>2014</u>
Cash in bank	\$ -	\$ 173,914
Prepaid expenses	-	-
Accounts receivable	-	-
Accrued Interest and dividends	727,710	732,928
Investments held by funding agents (at market value):	<u>368,210,802</u>	<u>389,686,260</u>
Total Assets	\$ <u>368,938,512</u>	\$ <u>390,593,102</u>

LIABILITIES AND EQUITY

Accrued expense	\$ 3,028	\$ 3,517
Funded reserves:		
Annuity savings fund	42,611,901	40,490,806
Employer reserve fund	176,720,329	172,466,072
Retirement reserve fund	123,385,541	151,266,618
IRC 401(h) fund	25,969,701	26,129,460
Income fund	-	-
Expense fund	<u>248,012</u>	<u>236,629</u>
Total Liabilities & Equity	\$ <u>368,938,512</u>	\$ <u>390,593,102</u>

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

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2014

	<u>General Division</u>	<u>Police Division</u>	<u>Total</u>
<u>Annuity Savings Fund</u>			
Balance 1-1	\$ 24,447,320	\$ 18,164,581	\$ 42,611,901
Interest earned-individual accounts	1,072,198	790,877	1,863,075
Member contributions	1,593,719	1,372,733	2,966,452
Contribution refunds	(99,345)	(138,438)	(237,783)
Transfer to retirement reserve fund	(3,857,614)	(2,855,225)	(6,712,839)
Balance 12-31	<u>\$ 23,156,278</u>	<u>\$ 17,334,528</u>	<u>\$ 40,490,806</u>
<u>Employer Reserve Fund</u>			
Balance 1-1	\$ 120,213,122	56,507,207	\$ 176,720,329
Unallocated interest	8,365,196	3,936,563	12,301,759
City contributions - pension	7,190,992	3,479,114	10,670,106
City contributions - pension reserve	-	-	-
Transfers to:			
Expense fund	(103,998)	(48,940)	(152,938)
Retirement reserve fund	(16,577,790)	(10,495,394)	(27,073,184)
Balance 12-31	<u>\$ 119,087,522</u>	<u>\$ 53,378,550</u>	<u>\$ 172,466,072</u>
<u>Retirement Reserve Fund</u>			
Balance 1-1	\$ 68,507,816	54,877,725	\$ 123,385,541
Transfers from:			
Employer reserve fund	16,577,790	10,495,394	27,073,184
Income fund-interest	5,696,025	4,544,903	10,240,928
Annuity savings fund	3,857,614	2,855,225	6,712,839
Pension payments	(10,457,800)	(5,688,074)	(16,145,874)
Balance 12-31	<u>\$ 84,181,445</u>	<u>\$ 67,085,173</u>	<u>\$ 151,266,618</u>
<u>IRC 401(h) Fund</u>			
Balance 1-1	\$ 18,125,345	7,844,356	\$ 25,969,701
Unallocated interest	629,638	296,300	925,938
City contributions:	-	-	-
Expenditures	(7,828)	(3,684)	(11,512)
Group health insurance payment	(450,470)	(304,197)	(754,667)
Balance 12-31	<u>\$ 18,296,685</u>	<u>\$ 7,832,775</u>	<u>\$ 26,129,460</u>

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

December 31, 2013 and 2014

	<u>2013</u>	<u>2014</u>
<u>Annuity Savings Fund</u>		
Balance 1-1	\$ 23,039,263	\$ 24,447,320
Interest earned-individual accounts	1,149,519	1,072,198
Member contributions	1,199,975	1,593,719
Contribution refunds	(46,515)	(99,345)
Transfer to retirement reserve fund	(894,922)	(3,857,614)
Balance 12-31	<u>\$ 24,447,320</u>	<u>\$ 23,156,278</u>
<u>Employer Reserve Fund</u>		
Balance 1-1	\$ 84,308,471	\$ 120,213,122
Unallocated interest	32,414,114	8,365,196
City contributions - pension	5,023,890	7,190,992
City contributions - pension reserve	2,371,948	-
Transfers to:		
Expense fund	(155,234)	(103,998)
Retirement reserve fund	(3,750,067)	(16,577,790)
Balance 12-31	<u>\$ 120,213,122</u>	<u>\$ 119,087,522</u>
<u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 67,748,049	\$ 68,507,816
Transfers from:		
Employer reserve fund	3,750,067	16,577,790
Income fund-interest	4,907,003	5,696,025
Annuity savings fund	894,922	3,857,614
Pension payments	(8,792,225)	(10,457,800)
Balance 12-31	<u>\$ 68,507,816</u>	<u>\$ 84,181,445</u>
<u>IRC 401(h) Fund</u>		
Balance 1-1	\$ 15,873,991	\$ 18,125,345
Unallocated Interest	2,780,364	629,638
City Contribution health	-	-
Expenditures	(13,315)	(7,828)
Group health insurance payment	(515,695)	(450,470)
Balance 12-31	<u>\$ 18,125,345</u>	<u>\$ 18,296,685</u>

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

December 31, 2013 and 2014

	<u>2013</u>	<u>2014</u>
<u>Annuity Savings Fund</u>		
Balance 1-1	\$ 16,484,840	\$ 18,164,581
Interest earned-individual accounts	845,632	790,877
Member contributions	1,228,572	1,372,733
Contribution refunds	(218,439)	(138,438)
Transfer to retirement reserve fund	(176,024)	(2,855,225)
Balance 12-31	<u>\$ 18,164,581</u>	<u>\$ 17,334,528</u>
<u>Employer Reserve Fund</u>		
Balance 1-1	\$ 38,582,167	\$ 56,507,207
Unallocated interest	14,157,889	3,936,563
City contributions pension	2,893,464	3,479,114
City contributions pension reserve	1,489,651	-
Transfers to:		
Expense fund	(67,803)	(48,940)
Retirement reserve fund	(548,161)	(10,495,394)
Balance 12-31	<u>\$ 56,507,207</u>	<u>\$ 53,378,550</u>
<u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 54,823,288	\$ 54,877,725
Transfers from:		
Employer reserve fund	548,161	10,495,394
Income fund-interest	4,046,775	4,544,903
Annuity savings fund	176,024	2,855,225
Pension payments	(4,716,523)	(5,688,074)
Balance 12-31	<u>\$ 54,877,725</u>	<u>\$ 67,085,173</u>
<u>IRC 401(h) Fund</u>		
Balance 1-1	\$ 6,933,468	\$ 7,844,356
Unallocated Interest	1,214,412	296,300
City Contributions	-	-
Expenditures	(5,816)	(3,684)
Group health insurance payment	(297,708)	(304,197)
Balance 12-31	<u>\$ 7,844,356</u>	<u>\$ 7,832,775</u>

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

INCOME AND EXPENSE FUNDS

December 31, 2013 and 2014

<u>Income Fund</u>	<u>2013</u>	<u>2014</u>
Balance 1-1	\$ -	\$ -
Revenue:		
Other income	4,045	-
Investment income	21,334,888	34,629,174
Increase (decrease) in unrealized market value	<u>41,112,900</u>	<u>(8,295,164)</u>
Total balance and revenue	<u>62,451,833</u>	<u>26,334,010</u>
Expenditures:		
Transfers to:		
Annuity savings fund-interest	1,995,151	1,863,075
Employer reserve fund-interest	46,572,003	12,301,759
Retirement reserve fund-interest	8,953,778	10,240,928
IRC 401(h) fund-interest	3,994,775	925,939
Funding agent, trustee, & consultant fees	<u>936,126</u>	<u>1,002,309</u>
Total expenditures	<u>62,451,833</u>	<u>26,334,010</u>
Balance 12-31	<u>\$ -</u>	<u>\$ -</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 229,584	\$ 248,012
Revenue:		
Transfer from employer reserve fund	223,038	152,939
Transfer from IRC 401(h) fund	<u>19,131</u>	<u>11,512</u>
Funds available	<u>471,753</u>	<u>412,462</u>
Expenditures:		
Actuary fees	91,593	40,398
Legal & audit fees	1,850	3,485
Wages & benefits	128,209	129,753
Supplies & materials	73	53
Travel and education	-	125
Disability exams	1,112	1,007
Other expenses	<u>904</u>	<u>1,012</u>
Total expenditures	<u>223,741</u>	<u>175,833</u>
Balance 12-31	<u>\$ 248,012</u>	<u>\$ 236,629</u>

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

STATEMENT OF REVENUES AND EXPENSES

December 31, 2013 and 2014

	<u>2013</u>	<u>2014</u>
Operating revenues:		
Investment income	21,334,888	34,629,174
Member contributions	2,428,547	2,966,452
City contributions:		
Pension	7,917,354	10,670,106
Pension Reserve	3,861,599	-
Health	-	-
Other revenue	4,045	-
Total operating revenues	<u>35,546,433</u>	<u>48,265,732</u>
Operating expenses:		
Benefit payments	13,508,748	15,505,515
Benefit payments - stipends		640,359
Group health insurance payments	813,403	754,667
Contribution refunds	264,954	237,783
Funding agent fees	836,411	906,660
Investment consultant fees	50,625	52,500
Trustee fees	49,090	43,149
Actuary fees	91,593	40,398
Legal and audit fees	1,850	3,485
Other operating expenses	130,298	131,949
Total operating expenses	<u>15,746,972</u>	<u>18,316,465</u>
Operating income	19,799,461	29,949,267
Nonoperating revenue:		
Increase (decrease) in unrealized market value	<u>41,112,900</u>	<u>(8,295,164)</u>
Net income (loss)	60,912,361	21,654,103
Fund balance 1-1	<u>308,023,121</u>	<u>368,935,482</u>
Fund balance 12-31	<u>\$ 368,935,482</u>	<u>\$ 390,589,585</u>

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

EXPENSE FUND BALANCE

2015 Budget

2015 Approved Expense Fund Budget:	
Wages & Benefits	\$ 133,830
Insurance	799
Actuarial Services	76,000
Legal & Audit Services	20,000
Health Services (Disability Exams)	4,000
Supplies & Materials	850
Travel and Education	1,150
Other Expenses	-
Total	<u>\$ 236,629</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	\$ 6,229,189	\$ 446,593	\$ 2,208,609	\$ 127,571	\$ 9,011,962
Receivables:					
Interest	683,897	49,031	230,799	13,331	977,058
Total Receivables	<u>683,897</u>	<u>49,031</u>	<u>230,799</u>	<u>13,331</u>	<u>977,058</u>
Investments at Fair Value:					
US Government	16,258,709	1,165,645	6,270,714	362,201	24,057,269
Corporate Obligations	34,814,787	2,495,998	12,356,350	713,712	50,380,847
Foreign Obligations	9,652,092	691,993	2,378,008	137,356	12,859,449
State and Local Obligations	1,054,731	75,618	512,205	29,585	1,672,139
Domestic Stocks	95,499,461	6,846,700	33,876,916	1,956,756	138,179,833
Foreign Stocks	9,337,984	669,474	3,321,941	191,878	13,521,277
Index Funds:					
Equity	61,438,886	4,404,775	21,840,171	1,261,504	88,945,336
Government / Corporate Bonds	24,954,189	1,789,056	8,995,825	519,605	36,258,675
Mutual Funds:					
Foreign Equity	65,696,021	4,709,984	24,058,305	1,389,625	95,853,935
Domestic Equity	18,090,722	1,296,989	6,360,721	367,400	26,115,832
Real Estate	20,752,738	1,487,839	7,789,049	449,901	30,479,527
Total Investments	<u>357,550,320</u>	<u>25,634,071</u>	<u>127,760,204</u>	<u>7,379,524</u>	<u>518,324,119</u>
Total Assets	<u>364,463,406</u>	<u>26,129,695</u>	<u>130,199,612</u>	<u>7,520,426</u>	<u>528,313,139</u>
Liabilities					
Total Liabilities	<u>3,281</u>	<u>235</u>	<u>2,028</u>	<u>117</u>	<u>5,661</u>
Net Position					
Held in Trust for Pension and Post Employment Health Care Benefits	<u>\$364,460,125</u>	<u>\$26,129,460</u>	<u>\$130,197,584</u>	<u>\$7,520,309</u>	<u>\$ 528,307,478</u>

City of Sioux Falls
 Comprehensive Annual Financial Report
 Year Ended December 31, 2014

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	\$ 10,670,106	\$ -	\$ 4,089,313	\$ -	\$ 14,759,419
Plan Members	2,966,452	-	1,056,622	-	4,023,074
Total Contributions	<u>13,636,558</u>	<u>-</u>	<u>5,145,935</u>	<u>-</u>	<u>18,782,493</u>
Investment Income (Loss)	25,337,910	996,100	9,098,920	204,924	35,637,854
Less Investment Expense	932,147	70,162	397,443	20,918	1,420,670
Net Investment Income (Loss)	<u>24,405,763</u>	<u>925,938</u>	<u>8,701,477</u>	<u>184,006</u>	<u>34,217,184</u>
Total Additions	<u>38,042,321</u>	<u>925,938</u>	<u>13,847,412</u>	<u>184,006</u>	<u>52,999,677</u>
Deductions					
Benefit Payments					
Pension	16,145,874	-	6,470,814	-	22,616,688
Health Premiums	-	754,667	-	308,191	1,062,858
Total Benefit Payments	<u>16,145,874</u>	<u>754,667</u>	<u>6,470,814</u>	<u>308,191</u>	<u>23,679,546</u>
Refunds	237,783	-	70,653	-	308,436
Administrative Expense	<u>164,320</u>	<u>11,512</u>	<u>99,494</u>	<u>5,013</u>	<u>280,339</u>
Total Deductions	<u>16,547,977</u>	<u>766,179</u>	<u>6,640,961</u>	<u>313,204</u>	<u>24,268,321</u>
Net Increase (Decrease)	21,494,344	159,759	7,206,451	(129,198)	28,731,356
Total Net Position, January 1	<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>
Total Net Position, December 31	<u>\$364,460,125</u>	<u>\$26,129,460</u>	<u>\$ 130,197,584</u>	<u>\$ 7,520,309</u>	<u>\$ 528,307,478</u>