

**City of Sioux Falls, South Dakota
Firefighters'
Pension Fund**



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**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
Firefighters' Pension Fund

The annual financial report of the City of Sioux Falls Firefighters' Pension Fund 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 Firefighters' Pension Fund. No conditions, comments or recommendations regarding the Fund for the year-ended December 31, 2008, were brought to our attention within the audit.

Sincerely,

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

Eugene Rowenhorst
Director of Finance
City of Sioux Falls

Attachments

**City of Sioux Falls
Firefighters' Pension Fund**

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City of Sioux Falls Firefighters' Pension Fund

Definition of Funds

Pension Savings Fund (Ordinance Section 35-106)

The Pension 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.

Pension Reserve Fund (Ordinance Section 35-107)

The Pension 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 35-108)

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 Pension 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 Pension 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 Employer Reserve Fund are benefit payments.

Income Fund

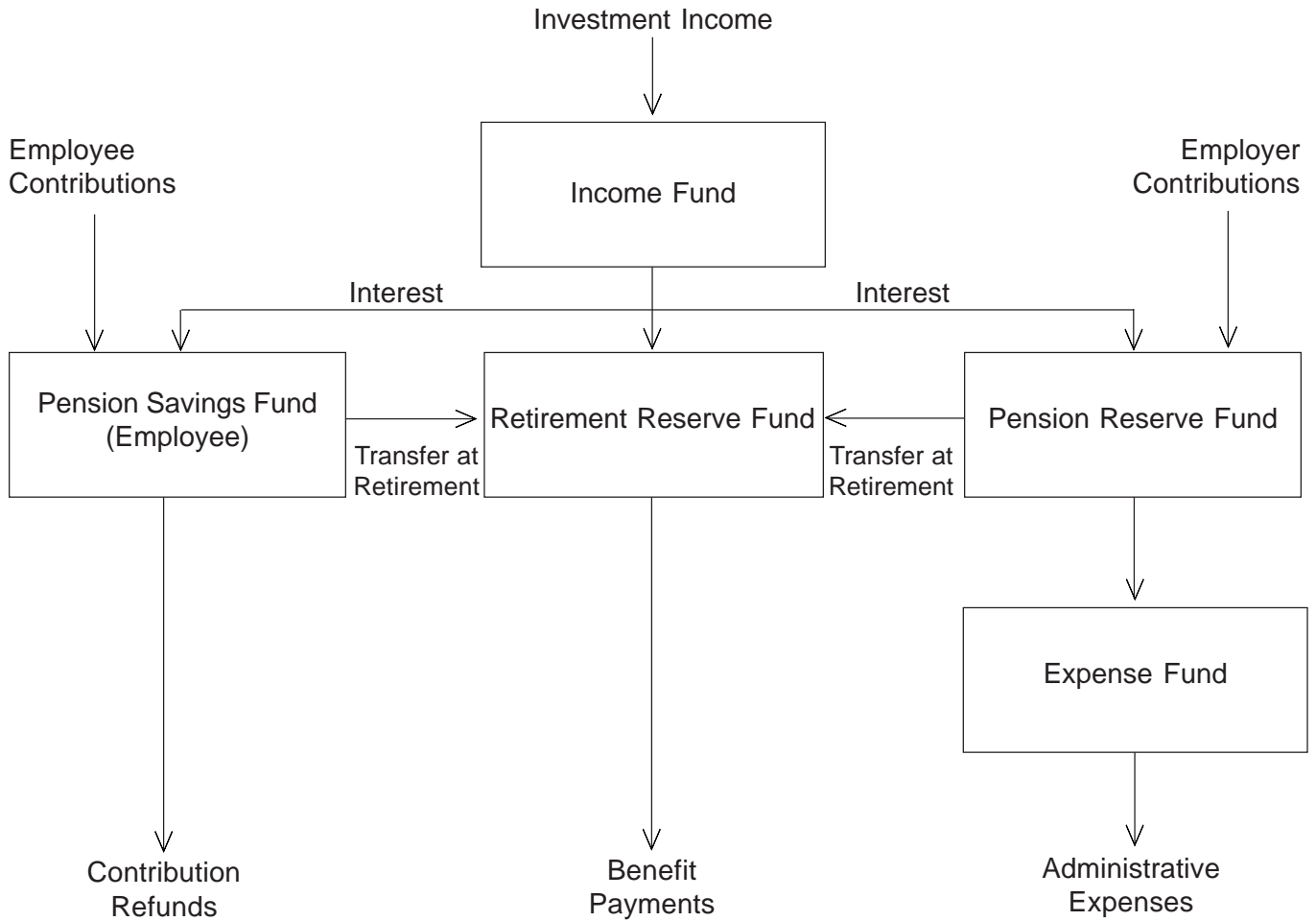
The Income Fund is credited with all revenues earned on investments held by the City and funding agents including increases/decreases in unrealized market values. Subtracted from the Income Fund are transfers to the Pension Savings, Pension Reserve, and Retirement Reserve Funds as well as funding agent 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. The Income Fund maintains a zero balance at year end (Ordinance Section 35-115).

Expense Fund (Ordinance Section 35-112)

The Expense Fund is the Fund in which is placed all amounts authorized for operating expenditures by the Board other than benefit payments and investment fees. This amount is transferred from the Pension Reserve Fund each year as authorized by the Board on May 19, 2004. Deducted from this balance are the expenses to administer the fund.

**City of Sioux Falls
Firefighters' Pension Fund
Flow Chart of Fund Transfers**



**CITY OF SIOUX FALLS
FIREFIGHTERS' PENSION FUND**

BALANCE SHEET

December 31, 2007 and 2008

ASSETS

	<u>2007</u>	<u>2008</u>
Cash in bank	\$ 850,485	\$ 70,892
Prepaid expenses	-	-
Accounts receivable	115,528	72,536
Accrued Interest and dividends	226,787	262,246
Investments held by funding agents (at market value):	<u>97,871,652</u>	<u>71,011,697</u>
Total Assets	\$ <u>99,064,453</u>	\$ <u>71,417,371</u>

LIABILITIES AND EQUITY

Accounts payable	\$ 2,238	\$ 1,548
Funded reserves:		
Pension savings fund	8,827,539	9,037,052
Pension reserve fund	49,221,408	16,012,120
Retirement reserve fund	40,898,479	46,252,738
Expense fund	<u>114,789</u>	<u>113,913</u>
Total Liabilities & Equity	\$ <u>99,064,453</u>	\$ <u>71,417,371</u>

**CITY OF SIOUX FALLS
FIREFIGHTERS' PENSION FUND**

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2007 and 2008

	<u>2007</u>	<u>2008</u>
<u>Pension Savings Fund</u>		
Balance 1-1	\$ 8,506,098	\$ 8,827,539
Interest earned-individual accounts	397,660	425,251
Member contributions	832,892	856,843
Contribution refunds	(42,932)	(22,529)
Transfer to retirement reserve fund	(866,179)	(1,050,052)
Balance 12-31	<u>\$ 8,827,539</u>	<u>\$ 9,037,052</u>
<u>Pension Reserve Fund</u>		
Balance 1-1	\$ 47,289,705	\$ 49,221,408
Unallocated interest	4,005,004	(30,078,973)
City contributions	2,716,461	2,685,905
Transfers to:		
Expense fund	(105,328)	(93,831)
Retirement reserve fund	(4,684,434)	(5,722,389)
Balance 12-31	<u>\$ 49,221,408</u>	<u>\$ 16,012,120</u>
<u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 36,848,324	\$ 40,898,479
Transfers from:		
Pension reserve fund	4,684,434	5,722,389
Income fund-interest	2,990,262	3,351,970
Pension savings fund	866,179	1,050,052
Pension payments	(4,173,282)	(4,440,801)
Group health insurance payment	(317,438)	(329,351)
Balance 12-31	<u>\$ 40,898,479</u>	<u>\$ 46,252,738</u>

**CITY OF SIOUX FALLS
FIREFIGHTERS' PENSION FUND**

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	26,586	11,367
Other income	95	642
Investment earnings-funding agents	6,905,046	944,975
Increase (decrease) in unrealized market value	<u>670,607</u>	<u>(27,049,646)</u>
Total balance and revenue	<u>7,602,334</u>	<u>(26,092,662)</u>
Expenditures:		
Transfers to:		
Pension savings fund-interest	397,660	425,251
Pension reserve fund-interest	4,005,004	(30,078,973)
Retirement reserve fund-interest	2,990,262	3,351,970
Funding agent, trustee, and consultant fees	<u>209,408</u>	<u>209,091</u>
Total expenditures	<u>7,602,334</u>	<u>(26,092,662)</u>
Balance 12-31	<u>\$ -</u>	<u>\$ -</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 93,870	\$ 114,789
Revenue:		
Transfer from pension reserve fund	<u>105,328</u>	<u>93,831</u>
Funds available	<u>199,198</u>	<u>208,620</u>
Expenditures:		
Actuary fees	24,402	24,776
Audit fees	1,150	1,380
Wages and benefits	57,626	65,731
Supplies & materials	490	40
Travel and education	438	562
Disability exams	-	-
Other expenses	<u>303</u>	<u>2,218</u>
Total expenditures	<u>84,409</u>	<u>94,707</u>
Balance 12-31	<u>\$ 114,789</u>	<u>\$ 113,913</u>

**CITY OF SIOUX FALLS
FIREFIGHTERS' PENSION FUND**

STATEMENT OF REVENUES AND EXPENSES

December 31, 2007 and 2008

	<u>2007</u>	<u>2008</u>
Operating revenues:		
Investment earnings:		
City	\$ 26,586	\$ 11,367
Funding agents	6,905,046	944,975
Member contributions	832,892	856,843
City contributions	2,716,461	2,685,905
Other income	95	642
Total operating revenues	<u>10,481,080</u>	<u>4,499,733</u>
 Operating expenses:		
Benefit payments	4,173,282	4,440,801
Group health insurance payments	317,438	329,351
Contribution refunds	42,932	22,530
Funding agent fees	170,012	159,937
Trustee fees	14,397	13,653
Consultant fees	25,000	35,500
Actuary fees	24,402	24,776
Audit Fees	1,150	1,380
Other operating expenses	58,857	68,551
Total operating expenses	<u>4,827,469</u>	<u>5,096,479</u>
Operating income	<u>5,653,611</u>	<u>(596,746)</u>
 Increase (decrease) in unrealized market value	<u>670,607</u>	<u>(27,049,646)</u>
 Net income (loss)	6,324,217	(27,646,393)
 Fund balance 1-1	<u>92,737,998</u>	<u>99,062,215</u>
 Fund balance 12-31	<u>\$ 99,062,215</u>	<u>\$ 71,415,823</u>

**CITY OF SIOUX FALLS
FIREFIGHTERS' PENSION FUND**

EXPENSE FUND BALANCE

2009 Budget

2009 Approved Expense Fund Budget:	
Wages & Benefits	\$ 60,366
Insurance	492
Actuarial Services	30,500
Legal and Audit Services	14,700
Health Services (Disability Exams)	5,000
Professional Training Services	1,000
Supplies & Materials	700
Travel and Education	1,155
Other Expenses	
Total	<u>\$ 113,913</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>