

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



D:\PE\11011.indd

**20 10 Annual  
Financial Report**

---

**For the Fiscal Year Ended December 31, 2010  
Prepared by the Accounting Division**



May 4, 2011

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, 2010, 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, 2010, were brought to our attention within the audit.

Sincerely,

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  
Firefighters' Pension Fund**

**Index**

	<b>Page</b>
Letter of Transmittal	i
Index	ii
Definition of Funds	1
Flow Chart of Fund Transfers	2
Balance Sheet	3
Statement of Changes in Reserve Accounts	4
Income and Expense Funds	5
Statement of Revenue and Expenses	6
Expense Fund Balance (2010 Budget)	7
Appendix – Comprehensive Annual Financial Report (GAAP) Statements	
Statement of Fiduciary Net Assets	A-1
Statement of Changes in Fiduciary Net Assets	A-2

# 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 Pension 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 Pension 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**

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).

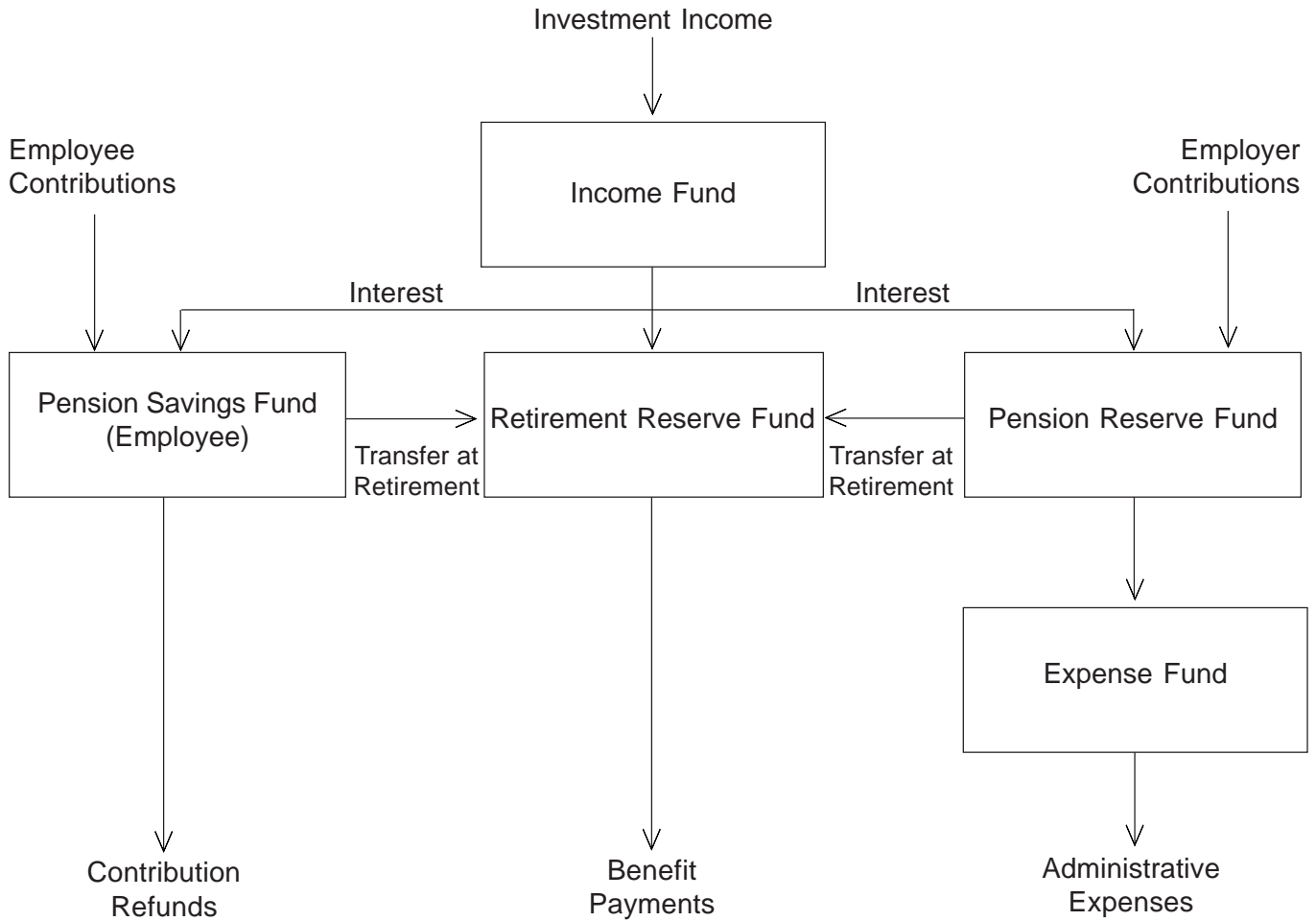
### **Expense Fund (Ordinance Section 35-112)**

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.

### **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  
FIREFIGHTERS' PENSION FUND**

**BALANCE SHEET**

**December 31, 2009 and 2010**

**ASSETS**

	<b>2009</b>	<b>2010</b>
Cash in bank	\$ 948,806	\$ 252,497
Prepaid expenses	-	-
Accounts receivable	21,501	54,436
Accrued Interest and dividends	245,856	214,304
Investments held by funding agents (at market value):	85,322,247	96,620,833
<b>Total Assets</b>	<b>\$ 86,538,410</b>	<b>\$ 97,142,070</b>

**LIABILITIES AND EQUITY**

Accounts payable	\$ -	\$ -
Funded reserves:		
Pension savings fund	9,106,121	9,927,183
Pension reserve fund	25,296,190	28,862,712
Retirement reserve fund	52,009,682	53,482,565
IRC 401(h) fund	-	4,746,328
Expense fund	126,417	123,282
<b>Total Liabilities &amp; Equity</b>	<b>\$ 86,538,410</b>	<b>\$ 97,142,070</b>

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

**STATEMENT OF CHANGES IN RESERVE ACCOUNTS**

**December 31, 2009 and 2010**

	<u>2009</u>	<u>2010</u>
<b><u>Pension Savings Fund</u></b>		
Balance 1-1	\$ 9,037,052	\$ 9,106,121
Interest earned-individual accounts	429,437	452,478
Member contributions	926,257	887,101
Contribution refunds	(43,069)	(34,640)
Transfer to retirement reserve fund	(1,243,556)	(483,877)
Balance 12-31	<u>\$ 9,106,121</u>	<u>\$ 9,927,183</u>
 <b><u>Pension Reserve Fund</u></b>		
Balance 1-1	\$ 16,012,120	\$ 21,661,577
Unallocated interest	12,627,253	7,316,542
City contributions:		
Pension	1,877,096	2,233,372
Health	975,694	-
Transfers to:		
Expense fund	(90,164)	(83,686)
Retirement reserve fund	(6,105,809)	(2,265,093)
Balance 12-31	<u>\$ 25,296,190</u>	<u>\$ 28,862,712</u>
 <b><u>Retirement Reserve Fund</u></b>		
Balance 1-1	\$ 46,252,738	\$ 52,009,682
Transfers from:		
Pension reserve fund	6,105,809	2,265,093
Income fund-interest	3,665,626	3,935,331
Pension savings fund	1,243,556	483,877
Pension payments	(4,930,354)	(5,211,418)
Group health insurance payment	(237,693)	-
Balance 12-31	<u>\$ 52,009,682</u>	<u>\$ 53,482,565</u>
 <b><u>IRC 401(h) Fund</u></b>		
Balance 1-1	\$ -	\$ 3,634,613
City Contributions	-	937,698
Unallocated Interest	-	551,514
Transfer to:		
Expense fund	-	(4,091)
Group health insurance payment	-	(373,406)
Balance 12-31	<u>\$ -</u>	<u>\$ 4,746,328</u>

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

**INCOME AND EXPENSE FUNDS**

**December 31, 2009 and 2010**

<u><b>Income Fund</b></u>	<u><b>2009</b></u>	<u><b>2010</b></u>
Balance 1-1	\$ -	\$ -
Revenue:		
Interest earned-City	17,733	(843)
Other income	13,767	9,651
Investment earnings-funding agents	2,604,458	4,134,109
Increase (decrease) in unrealized market value	<u>14,264,882</u>	<u>8,342,019</u>
Total balance and revenue	<u>16,900,840</u>	<u>12,484,936</u>
Expenditures:		
Transfers to:		
Pension savings fund-interest	429,437	452,478
Pension reserve fund-interest	12,627,253	7,316,542
Retirement reserve fund-interest	3,665,626	3,935,331
IRC 401(h) fund-interest	-	551,514
Funding agent, trustee, and consultant fees	<u>178,524</u>	<u>229,071</u>
Total expenditures	<u>16,900,840</u>	<u>12,484,936</u>
Balance 12-31	<u>\$ -</u>	<u>\$ -</u>
 <u><b>Expense Fund</b></u>		
Balance 1-1	\$ 113,913	\$ 126,417
Revenue:		
Transfer from pension reserve fund	90,164	83,686
Transfer from IRC 401(h) fund	-	4,091
Funds available	<u>204,077</u>	<u>210,103</u>
Expenditures:		
Actuary fees	17,436	17,755
Audit fees	1,450	1,522
Wages and benefits	56,912	70,303
Supplies & materials	169	63
Travel and education	263	75
Disability exams	-	-
Other expenses	<u>1,430</u>	<u>1,194</u>
Total expenditures	<u>77,660</u>	<u>90,912</u>
Balance 12-31	<u>\$ 126,417</u>	<u>\$ 123,282</u>



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

**STATEMENT OF REVENUES AND EXPENSES**

**December 31, 2009 and 2010**

	<u>2009</u>	<u>2010</u>
<b>Operating revenues:</b>		
Investment earnings:		
City	\$ 17,733	\$ (843)
Funding agents	2,604,458	4,134,109
Member contributions	926,257	887,101
City contributions:		
Pension	1,877,096	2,233,372
Health	975,694	937,698
Other income	13,767	9,651
Total operating revenues	<u>6,415,005</u>	<u>8,201,088</u>
<b>Operating expenses:</b>		
Benefit payments	4,930,354	5,211,418
Group health insurance payments	327,693	373,406
Contribution refunds	43,069	34,640
Funding agent fees	142,531	190,981
Trustee fees	10,993	13,090
Consultant fees	25,000	25,000
Actuary fees	17,436	17,755
Audit Fees	1,450	1,522
Other operating expenses	58,774	71,635
Total operating expenses	<u>5,557,300</u>	<u>5,939,447</u>
Operating income	857,705	2,261,641
 Increase (decrease) in unrealized market value	 <u>14,264,882</u>	 <u>8,342,019</u>
 Net income (loss)	 15,122,587	 10,603,660
 <b>Fund balance 1-1</b>	 <u>71,415,823</u>	 <u>86,538,410</u>
 <b>Fund balance 12-31</b>	 <u>\$ 86,538,410</u>	 <u>\$ 97,142,070</u>

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

**EXPENSE FUND BALANCE**

**2011 Budget**

2011 Approved Expense Fund Budget:	
Wages & Benefits	\$ 72,715
Insurance	337
Actuarial Services	31,000
Legal and Audit Services	13,600
Health Services (Disability Exams)	3,000
Professional Training Services	1,000
Supplies & Materials	450
Travel and Education	1,180
Other Expenses	
Total	<u>\$ 123,282</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	\$ 2,611,981	\$ 166,422	\$ 814,870	\$ 41,859	\$ 3,635,132
Receivables:					
Accounts	144,490	9,206	51,776	2,660	208,132
Interest	573,941	36,569	203,833	10,471	824,814
Total Receivables	<u>718,431</u>	<u>45,775</u>	<u>255,609</u>	<u>13,131</u>	<u>1,032,946</u>
Investments at Fair Value:					
US Government	1,382,419	88,081	273,832	14,067	1,758,399
Corporate Obligations	24,799,591	1,580,106	9,895,722	508,339	36,783,758
Foreign Obligations	10,472,191	667,236	2,791,613	143,404	14,074,444
State and Local Obligations	2,190,778	139,585	827,426	42,504	3,200,293
Domestic Stocks	49,853,126	3,176,392	18,651,908	958,140	72,639,566
Foreign Stocks	5,952,831	379,285	2,225,108	114,303	8,671,527
Index Funds:					
Equity	51,164,450	3,259,943	19,392,722	996,195	74,813,310
Government / Corporate Bonds	19,194,921	1,223,004	7,406,683	380,478	28,205,086
Mutual Funds:					
Foreign Equity	42,302,876	2,695,327	15,387,962	790,473	61,176,638
Domestic Equity	26,390,377	1,681,463	10,103,593	519,017	38,694,450
Real Estate	11,948,122	761,275	4,368,694	224,418	17,302,509
Total Investments	<u>245,651,683</u>	<u>15,651,696</u>	<u>91,325,263</u>	<u>4,691,338</u>	<u>357,319,980</u>
Total Assets	<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>Liabilities</b>					
Total Liabilities	-	-	-	-	-
<b>Net Assets</b>					
Held in Trust for Pension and Post Employment Health Care Benefits	<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>

City of Sioux Falls  
 Comprehensive Annual Financial Report  
 Year Ended December 31, 2010

**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	\$ 6,591,255	\$ 2,962,801	\$ 2,233,372	\$ 937,698	\$ 12,725,126
Plan Members	2,241,213	-	887,101	-	3,128,314
Total Contributions	<u>8,832,468</u>	<u>2,962,801</u>	<u>3,120,473</u>	<u>937,698</u>	<u>15,853,440</u>
Investment Income (Loss)	31,433,343	1,864,690	11,923,114	561,822	45,782,969
Less Investment Expense	549,841	32,618	218,763	10,308	811,530
Net Investment Income (Loss)	<u>30,883,502</u>	<u>1,832,072</u>	<u>11,704,351</u>	<u>551,514</u>	<u>44,971,439</u>
Total Additions	<u>39,715,970</u>	<u>4,794,873</u>	<u>14,824,824</u>	<u>1,489,212</u>	<u>60,824,879</u>
<b>Deductions</b>					
Benefit Payments					
Pension	11,150,501	-	5,211,418	-	16,361,919
Health Premiums	-	786,158	-	373,406	1,159,564
Total Benefit Payments	<u>11,150,501</u>	<u>786,158</u>	<u>5,211,418</u>	<u>373,406</u>	<u>17,521,483</u>
Refunds	197,614	-	34,640	-	232,254
Administrative Expense	143,914	8,537	86,821	4,091	243,363
Total Deductions	<u>11,492,029</u>	<u>794,695</u>	<u>5,332,879</u>	<u>377,497</u>	<u>17,997,100</u>
Net Increase (Decrease)	28,223,941	4,000,178	9,491,945	1,111,715	42,827,779
<b>Total Net Assets, January 1</b>	<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>
<b>Total Net Assets, December 31</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>