

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



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**2011 Annual
Financial Report**

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



April 25, 2012

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, 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 Firefighters' Pension Fund. No conditions, comments or recommendations regarding the Fund for the year-ended December 31, 2011, 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**

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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 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).

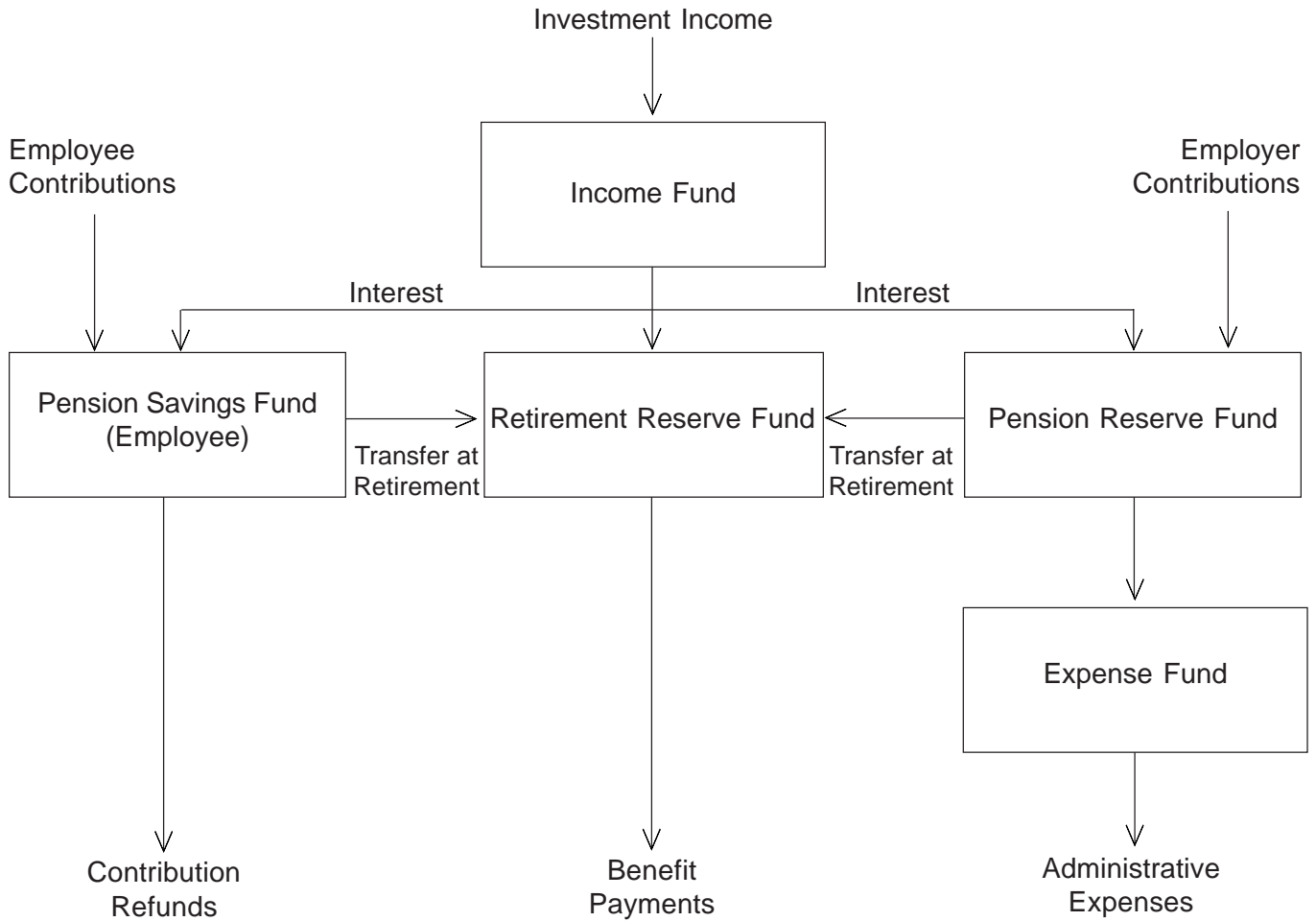
Expense Fund (Ordinance Section 35-112)

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, 2010 and 2011

ASSETS

	<u>2010</u>	<u>2011</u>
Cash in bank	\$ 252,497	\$ -
Prepaid expenses	-	-
Accounts receivable	54,436	-
Accrued Interest and dividends	214,304	258,173
Investments held by funding agents (at market value):	<u>96,620,833</u>	<u>97,402,698</u>
Total Assets	<u>\$ 97,142,070</u>	<u>\$ 97,660,871</u>

LIABILITIES AND EQUITY

Accounts payable	\$ -	\$ -
Funded reserves:		
Pension savings fund	9,927,183	9,965,888
Pension reserve fund	28,862,712	21,710,028
Retirement reserve fund	53,482,565	60,410,695
IRC 401(h) fund	4,746,328	5,409,300
Expense fund	<u>123,282</u>	<u>164,960</u>
Total Liabilities & Equity	<u>\$ 97,142,070</u>	<u>\$ 97,660,871</u>

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

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2010 and 2011

	<u>2010</u>		<u>2011</u>
<u>Pension Savings Fund</u>			
Balance 1-1	\$ 9,106,121	\$	9,927,183
Interest earned-individual accounts	452,478		462,710
Member contributions	887,101		916,965
Contribution refunds	(34,640)		(3,589)
Transfer to retirement reserve fund	(483,877)		(1,337,381)
Balance 12-31	<u>\$ 9,927,183</u>	\$	<u>9,965,888</u>
 <u>Pension Reserve Fund</u>			
Balance 1-1	\$ 21,661,577	\$	28,862,712
Unallocated interest	7,316,542		(2,827,532)
City contributions:			
Pension	2,233,372		2,773,506
Health	-		-
Transfers to:			
Expense fund	(83,686)		(197,832)
Retirement reserve fund	(2,265,093)		(6,900,826)
Balance 12-31	<u>\$ 28,862,712</u>	\$	<u>21,710,028</u>
 <u>Retirement Reserve Fund</u>			
Balance 1-1	\$ 52,009,682	\$	53,482,565
Transfers from:			
Pension reserve fund	2,265,093		6,900,826
Income fund-interest	3,935,331		4,248,726
Pension savings fund	483,877		1,337,381
Pension payments	(5,211,418)		(5,558,803)
Group health insurance payment	-		-
Balance 12-31	<u>\$ 53,482,565</u>	\$	<u>60,410,695</u>
 <u>IRC 401(h) Fund</u>			
Balance 1-1	\$ 3,634,613	\$	4,746,328
City Contributions	937,698		944,497
Unallocated Interest	551,514		103,337
Transfer to:			
Expense fund	(4,091)		(10,852)
Group health insurance payment	(373,406)		(374,010)
Balance 12-31	<u>\$ 4,746,328</u>	\$	<u>5,409,300</u>

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

INCOME AND EXPENSE FUNDS

December 31, 2010 and 2011

<u>Income Fund</u>	<u>2010</u>	<u>2011</u>
Balance 1-1	\$ -	\$ -
Revenue:		
Interest earned-City	(843)	(1,161)
Other income	9,651	-
Investment earnings-funding agents	4,134,109	5,693,831
Increase (decrease) in unrealized market value	<u>8,342,019</u>	<u>(3,474,444)</u>
Total balance and revenue	<u>12,484,936</u>	<u>2,218,226</u>
Expenditures:		
Transfers to:		
Pension savings fund-interest	452,478	462,710
Pension reserve fund-interest	7,316,542	(2,827,532)
Retirement reserve fund-interest	3,935,331	4,248,726
IRC 401(h) fund-interest	551,514	103,337
Funding agent, trustee, and consultant fees	<u>229,071</u>	<u>230,985</u>
Total expenditures	<u>12,484,936</u>	<u>2,218,226</u>
Balance 12-31	<u>\$ -</u>	<u>\$ -</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 126,417	\$ 123,282
Revenue:		
Transfer from pension reserve fund	83,686	197,832
Transfer from IRC 401(h) fund	<u>4,091</u>	<u>10,852</u>
Funds available	<u>210,103</u>	<u>331,966</u>
Expenditures:		
Actuary fees	17,755	46,306
Audit fees	1,522	1,575
Wages and benefits	70,303	73,035
Supplies & materials	63	253
Travel and education	75	-
Disability exams	-	-
Other expenses	<u>1,194</u>	<u>45,837</u>
Total expenditures	<u>90,912</u>	<u>167,006</u>
Balance 12-31	<u>\$ 123,282</u>	<u>\$ 164,960</u>

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

STATEMENT OF REVENUES AND EXPENSES

December 31, 2010 and 2011

	<u>2010</u>	<u>2011</u>
Operating revenues:		
Investment earnings:		
City	\$ (843)	\$ (1,161)
Funding agents	4,134,109	5,693,831
Member contributions	887,101	916,965
City contributions:		
Pension	2,233,372	2,773,506
Health	937,698	944,497
Other income	9,651	-
Total operating revenues	<u>8,201,088</u>	<u>10,327,638</u>
Operating expenses:		
Benefit payments	5,211,418	5,558,803
Group health insurance payments	373,406	374,010
Contribution refunds	34,640	3,589
Funding agent fees	190,981	191,334
Trustee fees	13,090	14,651
Investment consultant fees	25,000	25,000
Actuary fees	17,755	46,306
Actuarial studies	-	45,500
Audit Fees	1,522	1,575
Other operating expenses	71,635	73,625
Total operating expenses	<u>5,939,447</u>	<u>6,334,393</u>
Operating income	2,261,641	3,993,245
 Increase (decrease) in unrealized market value	 <u>8,342,019</u>	 <u>(3,474,444)</u>
 Net income (loss)	 10,603,660	 518,801
 Fund balance 1-1	 <u>86,538,410</u>	 <u>97,142,070</u>
 Fund balance 12-31	 <u>\$ 97,142,070</u>	 <u>\$ 97,660,871</u>

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

EXPENSE FUND BALANCE

2012 Budget

2012 Approved Expense Fund Budget:	
Wages & Benefits	\$ 73,793
Insurance	337
Actuarial Services	71,500
Legal and Audit Services	13,700
Health Services (Disability Exams)	3,000
Professional Training Services	1,000
Supplies & Materials	450
Travel and Education	1,180
Other Expenses	
Total	<u>\$ 164,960</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>	
Assets					
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>
Liabilities					
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets					
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>	
Additions					
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>
Deductions					
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
Total Net Assets, January 1	<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>
Total Net Assets, December 31	<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>