

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



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**20 12 Annual
Financial Report**

**For the Fiscal Year Ended December 31, 2012
Prepared by the Accounting Division**



May 2, 2013

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, 2012, 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, 2012, 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 7.75 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 7.75 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).

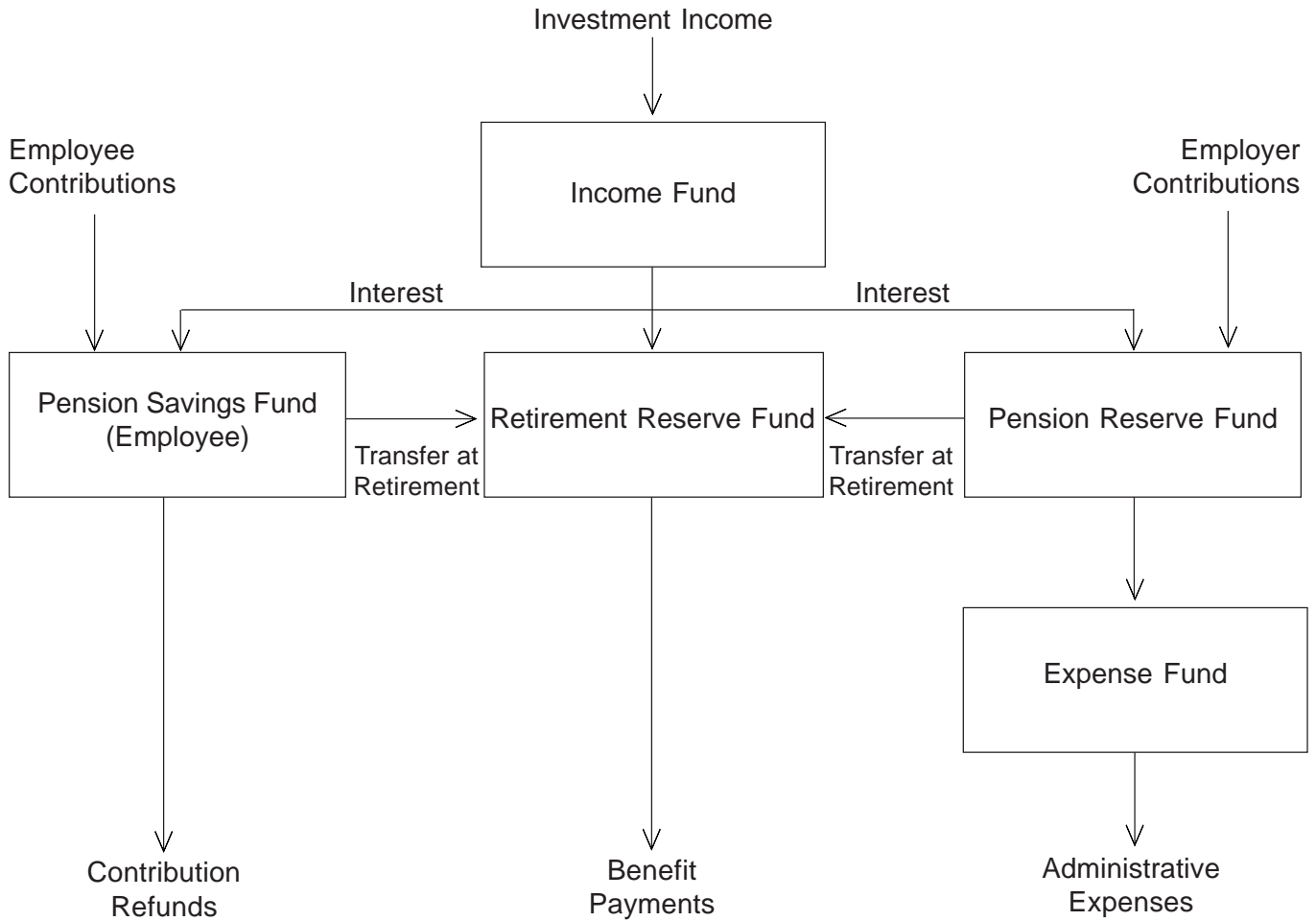
Expense Fund (Ordinance Section 35-112)

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, 2011 and 2012

ASSETS

	<u>2011</u>	<u>2012</u>
Cash in bank	\$ -	\$ -
Prepaid expenses	-	-
Accounts receivable	-	-
Accrued Interest and dividends	258,173	222,977
Investments held by funding agents (at market value):	<u>97,402,698</u>	<u>109,973,845</u>
Total Assets	<u>\$ 97,660,871</u>	<u>\$ 110,196,822</u>

LIABILITIES AND EQUITY

Accounts payable	\$ -	\$ -
Funded reserves:		
Pension savings fund	9,965,888	11,125,877
Pension reserve fund	21,710,028	31,316,935
Retirement reserve fund	60,410,695	60,622,711
IRC 401(h) fund	5,409,300	6,977,862
Expense fund	<u>164,960</u>	<u>153,437</u>
Total Liabilities & Equity	<u>\$ 97,660,871</u>	<u>\$ 110,196,822</u>

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

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2011 and 2012

	<u>2011</u>	<u>2012</u>
<u>Pension Savings Fund</u>		
Balance 1-1	\$ 9,927,183	\$ 9,965,888
Interest earned-individual accounts	462,710	510,809
Member contributions	916,965	911,291
Contribution refunds	(3,589)	-
Transfer to retirement reserve fund	(1,337,381)	(262,111)
Balance 12-31	<u>\$ 9,965,888</u>	<u>\$ 11,125,877</u>
<u>Pension Reserve Fund</u>		
Balance 1-1	\$ 28,862,712	\$ 21,710,028
Unallocated interest	(2,827,532)	8,100,361
City contributions:		
Pension	2,773,506	2,871,209
Health	-	-
Transfers to:		
Expense fund	(197,832)	(81,274)
Retirement reserve fund	(6,900,826)	(1,283,389)
Balance 12-31	<u>\$ 21,710,028</u>	<u>\$ 31,316,935</u>
<u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 53,482,565	\$ 60,410,695
Transfers from:		
Pension reserve fund	6,900,826	1,283,389
Income fund-interest	4,248,726	4,515,085
Pension savings fund	1,337,381	262,111
Pension payments	(5,558,803)	(5,848,569)
Group health insurance payment	-	-
Balance 12-31	<u>\$ 60,410,695</u>	<u>\$ 60,622,711</u>
<u>IRC 401(h) Fund</u>		
Balance 1-1	\$ 4,746,328	\$ 5,409,300
City Contributions	944,497	1,098,951
Unallocated Interest	103,337	855,212
Expenditures	(10,852)	(20,984)
Group health insurance payment	(374,010)	(364,617)
Balance 12-31	<u>\$ 5,409,300</u>	<u>\$ 6,977,862</u>

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

INCOME AND EXPENSE FUNDS

December 31, 2011 and 2012

<u>Income Fund</u>	<u>2011</u>	<u>2012</u>
Balance 1-1	\$ -	\$ -
Revenue:		
Interest earned-City	(1,161)	(1,300)
Other income	-	-
Investment earnings-funding agents	5,693,831	4,823,060
Increase (decrease) in unrealized market value	<u>(3,474,444)</u>	<u>9,431,767</u>
Total balance and revenue	<u>2,218,226</u>	<u>14,253,527</u>
Expenditures:		
Transfers to:		
Pension savings fund-interest	462,710	510,809
Pension reserve fund-interest	(2,827,532)	8,100,361
Retirement reserve fund-interest	4,248,726	4,515,085
IRC 401(h) fund-interest	103,337	855,212
Funding agent, trustee, and consultant fees	<u>230,985</u>	<u>272,060</u>
Total expenditures	<u>2,218,226</u>	<u>14,253,527</u>
Balance 12-31	<u>\$ -</u>	<u>\$ -</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 123,282	\$ 164,960
Revenue:		
Transfer from pension reserve fund	197,832	102,258
Transfer from IRC 401(h) fund	<u>10,852</u>	<u>-</u>
Funds available	<u>331,966</u>	<u>267,218</u>
Expenditures:		
Actuary fees	46,306	23,769
Audit fees	1,575	1,864
Wages and benefits	73,035	74,637
Supplies & materials	253	744
Travel and education	-	8
Disability exams	-	-
Other expenses	<u>45,837</u>	<u>12,759</u>
Total expenditures	<u>167,006</u>	<u>113,781</u>
Balance 12-31	<u>\$ 164,960</u>	<u>\$ 153,437</u>

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

STATEMENT OF REVENUES AND EXPENSES

December 31, 2011 and 2012

	<u>2011</u>	<u>2012</u>
Operating revenues:		
Investment earnings:		
City	\$ (1,161)	\$ (1,300)
Funding agents	5,693,831	4,823,060
Member contributions	916,965	911,291
City contributions:		
Pension	2,773,506	2,871,209
Health	944,497	1,098,951
Other income	-	-
Total operating revenues	<u>10,327,638</u>	<u>9,703,211</u>
 Operating expenses:		
Benefit payments	5,558,803	5,848,569
Group health insurance payments	374,010	364,617
Contribution refunds	3,589	-
Funding agent fees	191,334	225,755
Trustee fees	14,651	15,680
Investment consultant fees	25,000	30,625
Actuary fees	46,306	23,769
Actuarial studies	45,500	12,300
Audit Fees	1,575	1,864
Other operating expenses	73,625	75,848
Total operating expenses	<u>6,334,393</u>	<u>6,599,027</u>
Operating income	3,993,245	3,104,184
 Increase (decrease) in unrealized market value	<u>(3,474,444)</u>	<u>9,431,767</u>
 Net income (loss)	518,801	12,535,951
 Fund balance 1-1	<u>97,142,070</u>	<u>97,660,871</u>
 Fund balance 12-31	<u>\$ 97,660,871</u>	<u>\$ 110,196,822</u>

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

EXPENSE FUND BALANCE

2013 Budget

2013 Approved Expense Fund Budget:	
Wages & Benefits	\$ 77,207
Insurance	430
Actuarial Services	56,500
Legal and Audit Services	13,700
Health Services (Disability Exams)	3,000
Professional Training Services	1,000
Supplies & Materials	450
Travel and Education	1,150
Other Expenses	-
Total	<u>\$ 153,437</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	\$ 2,507,683	\$ 200,528	\$ 581,782	\$ 39,330	\$ 3,329,323
Receivables:					
Interest	592,148	47,352	208,858	14,119	862,477
Total Receivables	<u>592,148</u>	<u>47,352</u>	<u>208,858</u>	<u>14,119</u>	<u>862,477</u>
Investments at Fair Value:					
US Government	3,741,971	299,229	1,340,155	90,598	5,471,953
Corporate Obligations	30,604,839	2,447,336	11,848,440	800,984	45,701,599
Foreign Obligations	10,056,244	804,154	2,395,271	161,926	13,417,595
State and Local Obligations	3,531,495	282,398	1,272,369	86,015	5,172,277
Domestic Stocks	60,330,356	4,824,357	21,970,203	1,485,241	88,610,157
Foreign Stocks	5,349,672	427,790	1,966,688	132,953	7,877,103
Index Funds:					
Equity	54,580,310	4,364,550	19,933,975	1,347,587	80,226,422
Government / Corporate Bonds	19,714,890	1,576,514	7,242,044	489,580	29,023,028
Mutual Funds:					
Foreign Equity	49,503,601	3,958,588	17,905,040	1,210,426	72,577,655
Domestic Equity	28,586,261	2,285,919	10,514,809	710,828	42,097,817
Real Estate	16,116,194	1,288,742	6,039,327	408,274	23,852,537
Total Investments	<u>282,115,831</u>	<u>22,559,579</u>	<u>102,428,320</u>	<u>6,924,413</u>	<u>414,028,143</u>
Total Assets	<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>
Liabilities					
Total Liabilities	-	-	-	-	-
Net Position					
Held in Trust for Pension and Post Employment Health Care Benefits	<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>

City of Sioux Falls
 Comprehensive Annual Financial Report
 Year Ended December 31, 2012

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	\$ 7,928,103	\$ 3,418,805	\$ 2,871,208	\$ 1,098,951	\$ 15,317,067
Plan Members	2,335,450	-	911,291	-	3,246,741
Total Contributions	<u>10,263,553</u>	<u>3,418,805</u>	<u>3,782,499</u>	<u>1,098,951</u>	<u>18,563,808</u>
Investment Income (Loss)	37,705,299	2,110,223	13,398,315	855,212	54,069,049
Less Investment Expense	659,684	36,920	255,736	16,324	968,664
Net Investment Income (Loss)	<u>37,045,615</u>	<u>2,073,303</u>	<u>13,142,579</u>	<u>838,888</u>	<u>53,100,385</u>
Total Additions	<u>47,309,168</u>	<u>5,492,108</u>	<u>16,925,078</u>	<u>1,937,839</u>	<u>71,664,193</u>
Deductions					
Benefit Payments					
Pension	12,972,156	-	5,848,568	-	18,820,724
Health Premiums	-	858,823	-	364,617	1,223,440
Total Benefit Payments	<u>12,972,156</u>	<u>858,823</u>	<u>5,848,568</u>	<u>364,617</u>	<u>20,044,164</u>
Refunds	300,274	-	-	-	300,274
Administrative Expense	<u>171,408</u>	<u>9,593</u>	<u>106,954</u>	<u>6,827</u>	<u>294,782</u>
Total Deductions	<u>13,443,838</u>	<u>868,416</u>	<u>5,955,522</u>	<u>371,444</u>	<u>20,639,220</u>
Net Increase (Decrease)	33,865,330	4,623,692	10,969,556	1,566,395	51,024,973
Total Net Position, January 1	<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>
Total Net Position, December 31	<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>