

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



DTP/EN1011.indd

**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
Firefighters' Pension Fund

The annual financial report of the City of Sioux Falls Firefighters' Pension Fund 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 Firefighters' Pension Fund. No conditions, comments or recommendations regarding the Fund for the year-ended December 31, 2014, 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).

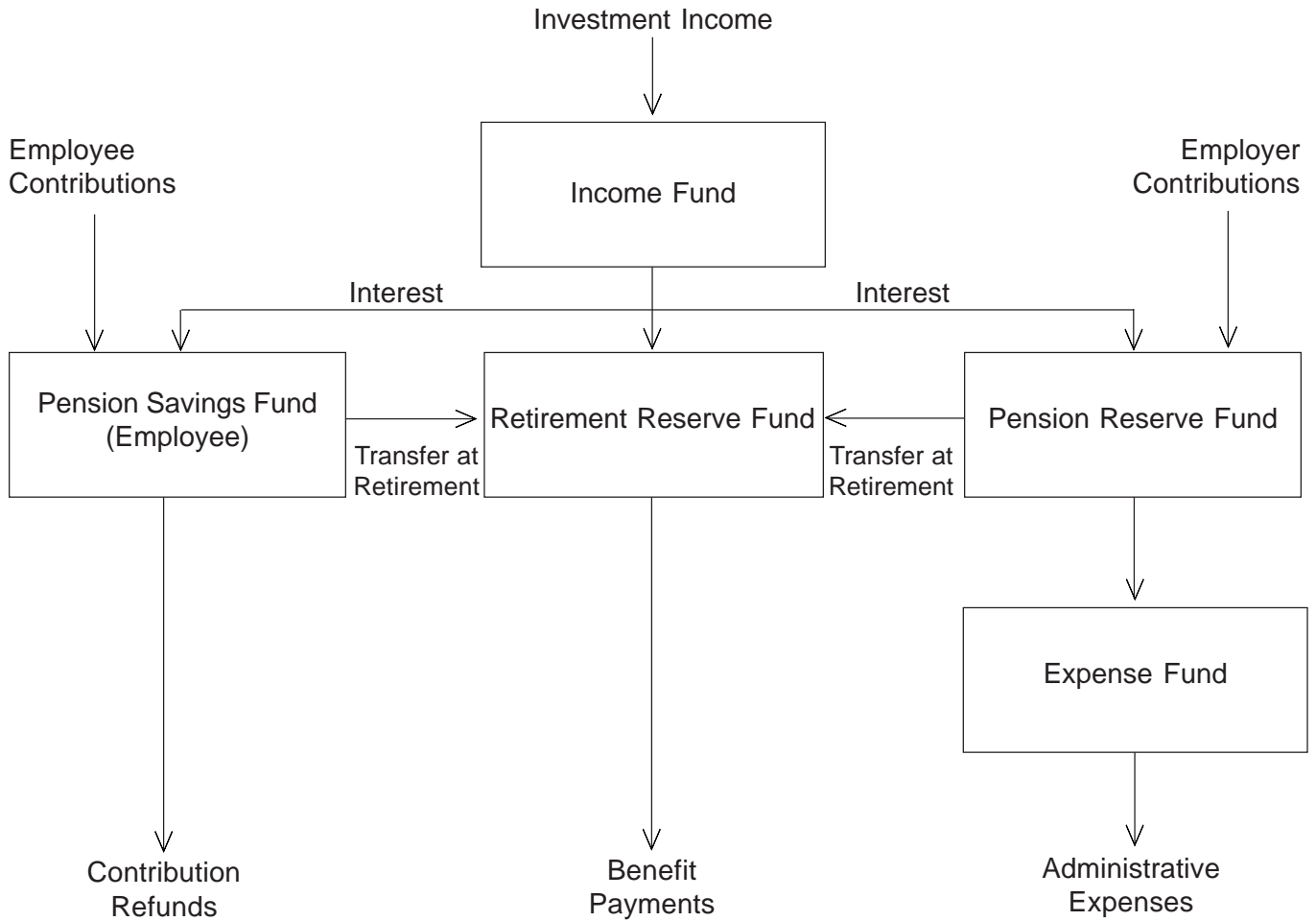
Expense Fund (Ordinance Section 35-112)

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, 2013 and 2014

ASSETS

	<u>2013</u>	<u>2014</u>
Cash in bank	\$ -	\$ 458,780
Prepaid expenses	-	-
Accounts receivable	-	-
Accrued Interest and dividends	250,926	244,130
Investments held by funding agents (at market value):	<u>130,391,432</u>	<u>137,017,127</u>
Total Assets	\$ <u>130,642,358</u>	\$ <u>137,720,037</u>

LIABILITIES AND EQUITY

Accrued Expense	\$ 1,719	\$ 2,144
Funded reserves:		
Pension savings fund	12,532,822	12,728,210
Pension reserve fund	50,624,888	52,852,130
Retirement reserve fund	59,670,800	64,458,872
IRC 401(h) fund	7,649,507	7,520,309
Expense fund	<u>162,622</u>	<u>158,372</u>
Total Liabilities & Equity	\$ <u>130,642,358</u>	\$ <u>137,720,037</u>

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

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2013 and 2014

	<u>2013</u>	<u>2,014</u>
<u>Pension Savings Fund</u>		
Balance 1-1	\$ 11,125,877	\$ 12,532,822
Interest earned-individual accounts	579,796	574,783
Member contributions	926,949	1,056,622
Contribution refunds	(16,103)	(70,653)
Transfer to retirement reserve fund	(83,697)	(1,365,364)
Balance 12-31	<u>\$ 12,532,822</u>	<u>\$ 12,728,210</u>
<u>Pension Reserve Fund</u>		
Balance 1-1	\$ 31,316,935	\$ 50,624,888
Unallocated interest	15,842,596	3,496,106
City contributions:		
Pension	2,816,770	4,089,313
Pension Reserve	1,199,240	-
Transfers to:		
Expense fund	(130,727)	(95,244)
Retirement reserve fund	(419,925)	(5,262,933)
Balance 12-31	<u>\$ 50,624,888</u>	<u>\$ 52,852,130</u>
<u>Retirement Reserve Fund</u>		
Balance 1-1	\$ 60,622,711	\$ 59,670,800
Transfers from:		
Pension reserve fund	419,925	5,262,933
Income fund-interest	4,482,315	4,630,589
Pension savings fund	83,697	1,365,364
Pension payments	(5,937,848)	(6,470,814)
Balance 12-31	<u>\$ 59,670,800</u>	<u>\$ 64,458,872</u>
<u>IRC 401(h) Fund</u>		
Balance 1-1	\$ 6,977,862	\$ 7,649,507
City Contributions	-	-
Unallocated Interest	1,011,230	184,006
Expenditures	(8,641)	(5,013)
Group health insurance payment	(330,944)	(308,191)
Balance 12-31	<u>\$ 7,649,507</u>	<u>\$ 7,520,309</u>

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

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	2,530	-
Investment income	7,756,874	11,032,410
Increase (decrease) in unrealized market value	<u>14,524,517</u>	<u>(1,728,566)</u>
Total balance and revenue	<u>22,283,921</u>	<u>9,303,844</u>
Expenditures:		
Transfers to:		
Pension savings fund-interest	579,796	574,783
Pension reserve fund-interest	15,842,596	3,496,105
Retirement reserve fund-interest	4,482,315	4,630,589
IRC 401(h) fund-interest	1,011,230	184,006
Funding agent, trustee, and consultant fees	<u>367,985</u>	<u>418,361</u>
Total expenditures	<u>22,283,921</u>	<u>9,303,844</u>
Balance 12-31	<u>\$ -</u>	<u>\$ -</u>
 <u>Expense Fund</u>		
Balance 1-1	\$ 153,437	\$ 162,622
Revenue:		
Transfer from pension reserve fund	130,727	95,244
Transfer from IRC 401(h) fund	<u>8,641</u>	<u>5,013</u>
Funds available	<u>292,805</u>	<u>262,879</u>
Expenditures:		
Actuary fees	47,636	21,395
Legal and audit fees	1,850	3,485
Wages and benefits	80,050	78,728
Supplies & materials	73	20
Travel and education	-	125
Disability exams	-	300
Other expenses	<u>574</u>	<u>454</u>
Total expenditures	<u>130,183</u>	<u>104,507</u>
Balance 12-31	<u>\$ 162,622</u>	<u>\$ 158,372</u>

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

STATEMENT OF REVENUES AND EXPENSES

December 31, 2013 and 2014

	<u>2013</u>	<u>2014</u>
Operating revenues:		
Investment income	\$ 7,756,874	\$ 11,032,410
Member contributions	926,949	1,056,622
City contributions:		
Pension	2,816,770	4,089,313
Pension Reserve	1,199,241	-
Health	-	-
Other income	2,530	-
Total operating revenues	<u>12,702,364</u>	<u>16,178,345</u>
Operating expenses:		
Benefit payments	5,937,848	6,372,608
Benefit payments - stipends		98,206
Group health insurance payments	330,944	308,191
Contribution refunds	16,103	70,653
Funding agent fees	299,785	317,113
Investment consultant fees	50,625	67,500
Trustee fees	17,575	33,748
Actuary fees	47,636	21,395
Legal and Audit Fees	1,850	3,485
Other operating expenses	80,697	79,627
Total operating expenses	<u>6,783,063</u>	<u>7,372,526</u>
Operating income	5,919,301	8,805,819
 Increase (decrease) in unrealized market value	 <u>14,524,517</u>	 <u>(1,728,566)</u>
 Net income (loss)	 20,443,818	 7,077,253
 Fund balance 1-1	 <u>110,196,822</u>	 <u>130,640,640</u>
 Fund balance 12-31	 <u>\$ 130,640,640</u>	 <u>\$ 137,717,893</u>

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

EXPENSE FUND BALANCE

2015 Budget

2015 Approved Expense Fund Budget:	
Wages & Benefits	\$ 81,722
Insurance	500
Actuarial Services	58,500
Legal and Audit Services	12,000
Health Services (Disability Exams)	2,000
Professional Training Services	1,000
Supplies & Materials	500
Travel and Education	2,150
Other Expenses	-
Total	<u><u>\$ 158,372</u></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>