

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



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**20 15 Annual
Financial Report**

**For the Fiscal Year Ended December 31, 2015
Prepared by the Finance Department**



May 4, 2016

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, 2015, 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, 2015, 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 7.65 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).

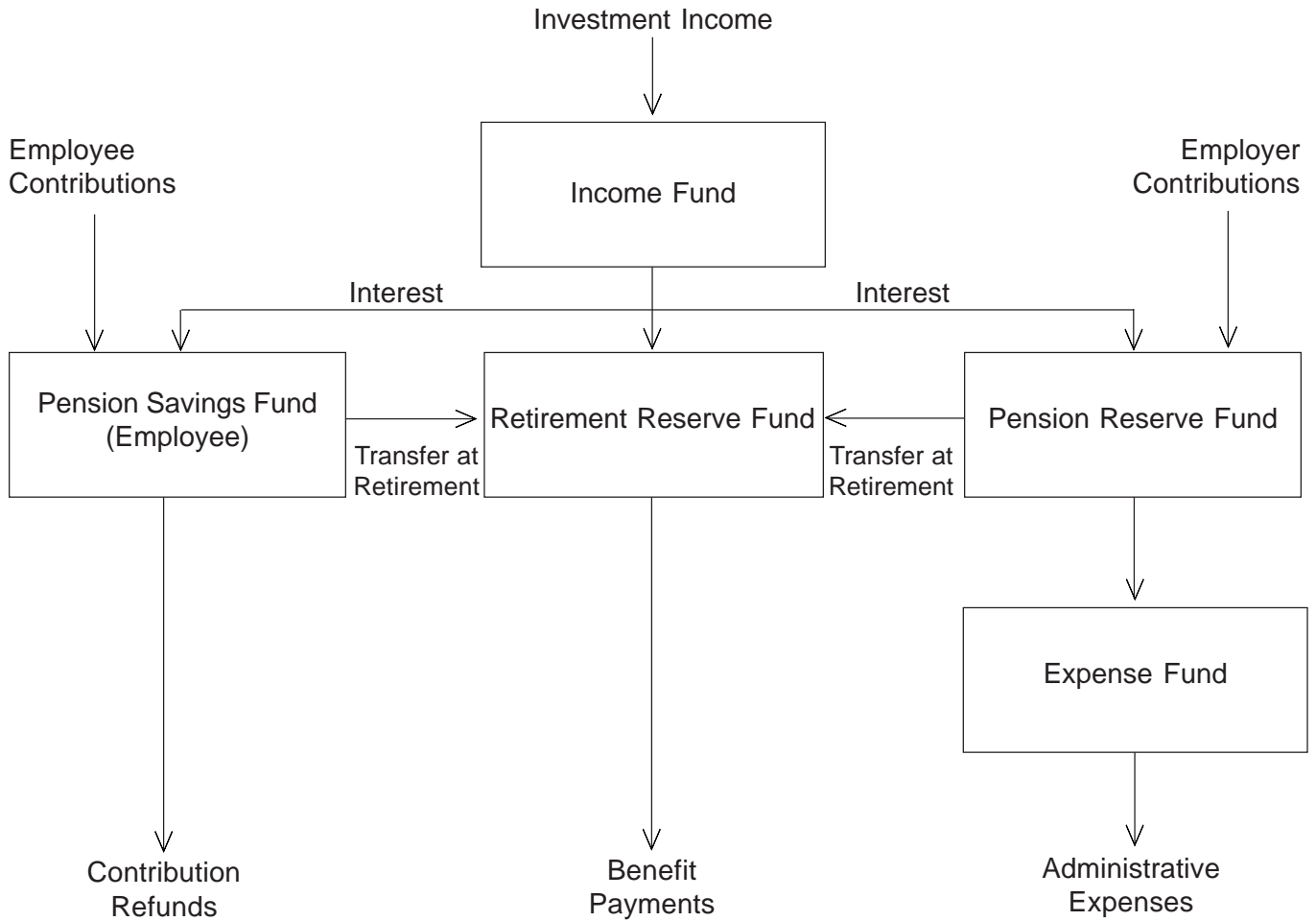
Expense Fund (Ordinance Section 35-112)

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, 2014 and 2015

ASSETS

| | <u>2014</u> | <u>2015</u> |
|--|-----------------------|-----------------------|
| Cash in bank | \$ 458,780 | \$ 299,665 |
| Prepaid expenses | - | - |
| Accounts receivable | - | - |
| Accrued Interest and dividends | 244,130 | 212,146 |
| Investments held by funding agents (at market value): | <u>137,017,127</u> | <u>135,217,527</u> |
| Total Assets | <u>\$ 137,720,037</u> | <u>\$ 135,729,338</u> |

LIABILITIES AND EQUITY

| | | |
|----------------------------|-----------------------|-----------------------|
| Accrued Expense | \$ 2,144 | \$ 2,543 |
| Funded reserves: | | |
| Pension savings fund | 12,728,210 | 12,984,642 |
| Pension reserve fund | 52,852,130 | 46,316,155 |
| Retirement reserve fund | 64,458,872 | 69,327,069 |
| IRC 401(h) fund | 7,520,309 | 6,946,503 |
| Expense fund | <u>158,372</u> | <u>152,426</u> |
| Total Liabilities & Equity | <u>\$ 137,720,037</u> | <u>\$ 135,729,338</u> |

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

STATEMENT OF CHANGES IN RESERVE ACCOUNTS

December 31, 2014 and 2015

| | <u>2014</u> | <u>2015</u> |
|---------------------------------------|----------------------|----------------------|
| <u>Pension Savings Fund</u> | | |
| Balance 1-1 | \$ 12,532,822 | \$ 12,728,210 |
| Interest earned-individual accounts | 574,783 | 603,967 |
| Member contributions | 1,056,622 | 1,150,548 |
| Contribution refunds | (70,653) | (32,636) |
| Transfer to retirement reserve fund | (1,365,364) | (1,465,447) |
| Balance 12-31 | <u>\$ 12,728,210</u> | <u>\$ 12,984,642</u> |
| <u>Pension Reserve Fund</u> | | |
| Balance 1-1 | \$ 50,624,888 | \$ 52,852,130 |
| Unallocated interest | 3,496,106 | (5,358,232) |
| City contributions: | | |
| Pension | 4,089,313 | 4,424,656 |
| Pension Reserve | - | - |
| Transfers to: | | |
| Expense fund | (95,244) | (103,880) |
| Retirement reserve fund | (5,262,933) | (5,498,519) |
| Balance 12-31 | <u>\$ 52,852,130</u> | <u>\$ 46,316,155</u> |
| <u>Retirement Reserve Fund</u> | | |
| Balance 1-1 | \$ 59,670,800 | \$ 64,458,872 |
| Transfers from: | | |
| Pension reserve fund | 5,262,933 | 5,498,519 |
| Income fund-interest | 4,630,589 | 4,785,692 |
| Pension savings fund | 1,365,364 | 1,465,447 |
| Pension payments | (6,470,814) | (6,881,461) |
| Balance 12-31 | <u>\$ 64,458,872</u> | <u>\$ 69,327,069</u> |
| <u>IRC 401(h) Fund</u> | | |
| Balance 1-1 | \$ 7,649,507 | \$ 7,520,309 |
| City Contributions | - | - |
| Unallocated Interest | 184,006 | (282,012) |
| Expenditures | (5,013) | (5,467) |
| Group health insurance payment | (308,191) | (286,327) |
| Balance 12-31 | <u>\$ 7,520,309</u> | <u>\$ 6,946,503</u> |

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

INCOME AND EXPENSE FUNDS

December 31, 2014 and 2015

| <u>Income Fund</u> | <u>2014</u> | <u>2015</u> |
|--|--------------------|--------------------|
| Balance 1-1 | \$ - | \$ - |
| Revenue: | | |
| Other income | - | - |
| Investment income | 11,032,410 | 7,114,090 |
| Increase (decrease) in unrealized market value | <u>(1,728,566)</u> | <u>(6,895,746)</u> |
| Total balance and revenue | <u>9,303,844</u> | <u>218,344</u> |
| Expenditures: | | |
| Transfers to: | | |
| Pension savings fund-interest | 574,783 | 603,967 |
| Pension reserve fund-interest | 3,496,105 | (5,358,232) |
| Retirement reserve fund-interest | 4,630,589 | 4,785,692 |
| IRC 401(h) fund-interest | 184,006 | (282,012) |
| Funding agent, trustee, and consultant fees | <u>418,361</u> | <u>468,929</u> |
| Total expenditures | <u>9,303,844</u> | <u>218,344</u> |
| Balance 12-31 | <u>\$ -</u> | <u>\$ -</u> |
| <u>Expense Fund</u> | | |
| Balance 1-1 | \$ 162,622 | \$ 158,372 |
| Revenue: | | |
| Transfer from pension reserve fund | 95,244 | 103,880 |
| Transfer from IRC 401(h) fund | <u>5,013</u> | <u>5,467</u> |
| Funds available | <u>262,879</u> | <u>267,719</u> |
| Expenditures: | | |
| Actuarial services | 21,395 | 27,652 |
| Legal services | 3,485 | 2,824 |
| Wages and benefits | 78,728 | 82,915 |
| Other operating | <u>899</u> | <u>1,902</u> |
| Total expenditures | <u>104,507</u> | <u>115,293</u> |
| Balance 12-31 | <u>\$ 158,372</u> | <u>\$ 152,426</u> |

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

STATEMENT OF REVENUES AND EXPENSES

December 31, 2014 and 2015

| | <u>2014</u> | <u>2015</u> |
|--|---------------------------|---------------------------|
| Operating revenues: | | |
| Investment income | \$ 11,032,410 | \$ 7,114,090 |
| Member contributions | 1,056,622 | 1,150,548 |
| City contributions: | | - |
| Pension | 4,089,313 | 4,424,656 |
| Pension Reserve | - | - |
| Health | - | - |
| Other income | - | - |
| Total operating revenues | <u>16,178,345</u> | <u>12,689,294</u> |
| Operating expenses: | | |
| Benefit payments | 6,372,608 | 6,685,575 |
| Benefit payments - stipends | 98,206 | 195,886 |
| Group health insurance payments | 308,191 | 286,327 |
| Contribution refunds | 70,653 | 32,636 |
| Funding agent fees | 317,113 | 388,260 |
| Investment consultant fees | 67,500 | 60,000 |
| Trustee fees | 33,748 | 20,669 |
| Actuary fees | 21,395 | 27,652 |
| Legal fees | 3,485 | 2,824 |
| Other operating expenses | 79,627 | 84,817 |
| Total operating expenses | <u>7,372,526</u> | <u>7,784,646</u> |
| Operating income | 8,805,819 | 4,904,648 |
| Increase (decrease) in unrealized market value | <u>(1,728,566)</u> | <u>(6,895,746)</u> |
| Net income (loss) | 7,077,253 | (1,991,098) |
| Fund balance 1-1 | <u>130,640,640</u> | <u>137,717,893</u> |
| Fund balance 12-31 | <u>\$ 137,717,893</u> | <u>\$ 135,726,795</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 | \$ 4,750,990 | \$ 322,985 | \$ 1,662,468 | \$ 89,675 | \$ 6,826,118 |
| Receivables: | | | | | |
| Interest | 611,437 | 41,567 | 201,288 | 10,858 | 865,150 |
| Total Receivables | <u>611,437</u> | <u>41,567</u> | <u>201,288</u> | <u>10,858</u> | <u>865,150</u> |
| Investments at Fair Value: | | | | | |
| US Government | 11,663,287 | 792,902 | 5,004,353 | 269,938 | 17,730,480 |
| Corporate Obligations | 41,330,381 | 2,809,751 | 14,416,413 | 777,632 | 59,334,177 |
| Foreign Obligations | 8,244,779 | 560,502 | 1,965,347 | 106,012 | 10,876,640 |
| State and Local Obligations | 1,046,526 | 71,146 | 377,503 | 20,363 | 1,515,538 |
| Domestic Stocks | 94,589,442 | 6,430,446 | 33,355,323 | 1,799,210 | 136,174,421 |
| Foreign Stocks | 8,311,405 | 565,032 | 2,921,437 | 157,584 | 11,955,458 |
| Index Funds: | | | | | |
| Equity | 60,463,226 | 4,110,453 | 21,603,944 | 1,165,333 | 87,342,956 |
| Government / Corporate Bonds | 25,072,745 | 1,704,513 | 9,039,904 | 487,619 | 36,304,781 |
| Mutual Funds: | | | | | |
| Foreign Equity | 63,709,418 | 4,331,138 | 23,303,625 | 1,257,015 | 92,601,196 |
| Domestic Equity | 17,028,155 | 1,157,620 | 5,986,229 | 322,902 | 24,494,906 |
| Real Estate | 23,828,696 | 1,619,939 | 8,944,870 | 482,493 | 34,875,998 |
| Total Investments | <u>355,288,060</u> | <u>24,153,442</u> | <u>126,918,948</u> | <u>6,846,101</u> | <u>513,206,551</u> |
| Total Assets | <u>360,650,487</u> | <u>24,517,994</u> | <u>128,782,705</u> | <u>6,946,633</u> | <u>520,897,819</u> |
| Liabilities | | | | | |
| Total Liabilities | <u>3,901</u> | <u>265</u> | <u>2,413</u> | <u>130</u> | <u>6,709</u> |
| Net Position | | | | | |
| Restricted for Pension and Post Employment Health Care Benefits | <u>\$360,646,586</u> | <u>\$24,517,729</u> | <u>\$128,780,292</u> | <u>\$6,946,503</u> | <u>\$ 520,891,110</u> |

City of Sioux Falls
 Comprehensive Annual Financial Report
 Year Ended December 31, 2015

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 | \$ 11,417,873 | \$ - | \$ 4,424,656 | \$ - | \$ 15,842,529 |
| Plan Members | 3,331,128 | - | 1,150,548 | - | 4,481,676 |
| Total Contributions | <u>14,749,001</u> | <u>-</u> | <u>5,575,204</u> | <u>-</u> | <u>20,324,205</u> |
| Investment Income (Loss) | 1,188,120 | (897,333) | 476,910 | (258,566) | 509,131 |
| Less Investment Expense | 1,128,133 | 84,913 | 445,483 | 23,446 | 1,681,975 |
| Net Investment Income (Loss) | <u>59,987</u> | <u>(982,246)</u> | <u>31,427</u> | <u>(282,012)</u> | <u>(1,172,844)</u> |
| Total Additions | <u>14,808,988</u> | <u>(982,246)</u> | <u>5,606,631</u> | <u>(282,012)</u> | <u>19,151,361</u> |
| Deductions | | | | | |
| Benefit Payments | | | | | |
| Pension | 18,173,306 | - | 6,881,461 | - | 25,054,767 |
| Health Premiums | - | 615,920 | - | 286,327 | 902,247 |
| Total Benefit Payments | <u>18,173,306</u> | <u>615,920</u> | <u>6,881,461</u> | <u>286,327</u> | <u>25,957,014</u> |
| Refunds | 267,342 | - | 32,636 | - | 299,978 |
| Administrative Expense | 181,879 | 13,565 | 109,826 | 5,467 | 310,737 |
| Total Deductions | <u>18,622,527</u> | <u>629,485</u> | <u>7,023,923</u> | <u>291,794</u> | <u>26,567,729</u> |
| Net Increase (Decrease) | (3,813,539) | (1,611,731) | (1,417,292) | (573,806) | (7,416,368) |
| Total Net Position, January 1 | <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> |
| Total Net Position, December 31 | <u>\$360,646,586</u> | <u>\$24,517,729</u> | <u>\$ 128,780,292</u> | <u>\$ 6,946,503</u> | <u>\$ 520,891,110</u> |