

Notes to Financial Statements

facility. The City has determined that there are no incidences where the City would qualify as such an operator.

Event Complex and Orpheum Theater

On November 2, 2012, the City entered into a five-year agreement with SMG, to provide professional management of the City's event complex consisting of an events center, arena, and convention center, and the Orpheum Theater. This contract was renewed for another five years starting with 2018 and ending in 2022 which now includes the City's baseball stadium. As compensation for managing the event complex, SMG receives a base fee with annual increases and may earn additional performance incentives.

The City holds an asset for this management agreement in the amount of \$2,933,542 as well as unearned revenue of \$500,000 related to the capital contribution by SMG that will be amortized over the five-year term of agreement.

Municipal Golf Courses

On December 1, 2014, the City entered into a three-year agreement with Dakota Golf under which Dakota Golf provides professional golf services for the City's golf courses. This agreement concluded on December 31, 2017.

Subsequent to year-end, the City has entered into a five-year agreement with Landscapes Management Company for these services. The Company will be compensated by a base fee with annual increases and may earn additional performance incentives.

The City holds an asset for this management agreement in the amount of \$459,992 as well as liabilities in the amount of \$143,718.

Transit

On January 1, 2017, the City entered into a five-year agreement with First Transit Inc., under which First Transit provides professional management services for the City's public transit and paratransit system. First Transit is compensated by a base fee with annual increases.

The City holds an asset for this management agreement in the amount of \$755,501.

Note 13—Defined Benefit Pension and Other Post-Employment Benefit Plans

A. Defined Benefit Pension Plans

Plan Description

The City of Sioux Falls administers two separate single-employer defined benefit pension plans established to provide retirement, disability, and survivor benefits for all of its eligible employees hired prior to July 1, 2013. The City Employee's Retirement System (CERS) and the City Firefighters' Pension Fund (CFPF) are considered to be part of the City of Sioux Falls' financial reporting entity and are included in the City's financial reports as Pension Trust funds; therefore, they do not issue stand-alone financial reports nor are they included in the report of another entity.

Each plan's assets may be used only for the payment of benefits to the members of that plan or for payment of administrative expenses, in accordance with the terms of the plan as established or amended by City ordinance.

Management of the CERS and the CFPF is vested in the Board of Trustees. The Board of Trustees of the CERS consists of seven members including the Mayor or his designee, two members who may or may not be members of the Council appointed by the Mayor with advice and consent of the Council to represent the Council; three members selected by the membership, two of whom shall be general members elected by the general division members and one of whom shall be a police member elected by the police division members; one resident and legal voter of the city who is not an official or employee of the city and whose membership on the Board of Trustees creates no conflict of interest.

The Board of Trustees of the CFPF consists of five members including the Mayor or his designee, one member who may or may not be a member of the Council appointed by the Mayor with advice and consent of the Council to represent the Council; two members selected by the membership, one resident and legal voter of the city who is not an official or employee of the city and whose membership on the Board of Trustees creates no conflict of interest.

Plan Membership

The CERS membership includes all uniformed and non-uniformed officers and employees who have certified civil service status and are not members or retirees of the CFPF, all officers and employees who are appointed by the Mayor and/or Council, and the Mayor. The CERS has two divisions, general and police. The police division covers all uniformed non-civilian police officers and the general division includes all members not included in the police division. The CFPF membership includes all non-civilian full-time officers and firefighters of the City.

Membership of the plans consisted of the following at December 31, 2017, the date of the last actuarial valuation:

	CERS	CFPF
Retirees and beneficiaries receiving benefits	651	171
Vested former members not yet receiving benefits	75	3
Active plan members	<u>673</u>	<u>148</u>
Total	<u>1,399</u>	<u>322</u>

CERS general member employees are vested upon five years of service. CERS police and CFPF member employees become vested upon 15 years of service. All members of the CERS and CFPF are eligible for an actuarially reduced benefit upon completion of 20 years of service.

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Benefits Provided

The City provides a defined benefit based upon years of service and final average pay. In addition, a stipend is provided based upon years of service.

All CERS and CFPF members are eligible for a cost of living adjustment equal to the increase in the Consumer Price Index for All Urban Consumers, not to exceed 3 percent. Members become eligible on the first of the month following the thirty-sixth full month of retirement and each January 1 thereafter.

Contributions

During FY 2017, the CERS general division member employees contributed 5 percent of their gross earnings and police division member employees contributed 10 percent of their gross earnings. CFPF member employees contributed 10 percent of their gross earnings. The employee contribution rates are established by City ordinance. Employer contributions are made throughout the year in order to aggregate the total established by actuarial valuations determined necessary to cover: 1) all administrative costs; 2) the actuarially determined cost of future benefits accruing to members during the year; and 3) an amount sufficient to amortize any unfunded liability of the system through year 2039.

CERS			
	Computed Annual Required Contributions	Actual Contributions	Percentage Contributed
2014	\$ 11,563,007	\$ 11,563,007	100%
2015	11,397,261	11,417,873	100%
2016	11,417,873	11,417,873	100%
2017	11,610,968	11,623,730	100%

CFPF			
	Computed Annual Required Contributions	Actual Contributions	Percentage Contributed
2014	\$ 4,484,256	\$ 4,484,256	100%
2015	4,424,656	4,424,656	100%
2016	4,407,249	4,407,249	100%
2017	4,663,612	4,663,612	100%

Computed dollar contributions (actual contributions) are based on contribution rates and actuarially projected valuation payroll information available on the valuation date. Actual contributions are based on actuarially computed contribution rates and actual payroll. Deviations are attributable to the differences between the projected and actual payroll; however, the City did contribute 100 percent of the actuarially determined contribution.

Investments

The pension trust funds are governed by the prudent pension rule, that is, the Board of Trustees should use the same degree of skill, care, prudence, and diligence, under the circumstances then prevailing, of a prudent person, familiar with such matters and acting in a similar capacity as set forth by state law (SDCL 9-16-5.10) and City ordinance

(Section 35). Under this standard, the Board of Trustees has an established investment policy which outlines the distinction of responsibilities, prohibitions, diversification, and performance measurement standards.

The policy prohibits the use of any securities whose effect would be to leverage the portfolio or whose expected returns are significantly unlike those expected from their appropriate asset classes. The following was a Board's adopted asset allocation policy as of December 31, 2017:

December 31, 2017	
Asset Class	Target Allocation
Domestic Equity	46%
International Equity	22%
Equity Real Estate	7%
Domestic Bonds	25%
Total	100%

Rate of return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.80 percent for the CERS and 16.68 percent for the CFPF. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability (Asset)

The components of the net pension liability (asset) at December 31, 2017, were as follows:

	CERS	CFPF
Total Pension Liability	\$ 466,915,452	\$ 168,734,146
Plan Fiduciary Net Position	(469,402,007)	(164,875,271)
Net Pension Liability (Asset)	\$ (2,486,555)	\$ 3,858,875
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	100.53%	97.71%
Net Pension Liability (Asset) as a percentage of Covered Payroll	(5.37%)	33.83%

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Changes in the Net Pension Liability (Asset) at December 31, 2017, are as follows:

Total Pension Liability (TPL)	CERS	CFPF
Service Cost	\$ 8,142	\$ 3,205
Interest on the Total Pension Liability (TPL)	33,140	12,083
Actual versus expected TPL #	(7,243)	(2,091)
Assumption Changes	5,546	(237)
Benefit Payments and Refunds	(20,923)	(7,460)
Net Change in Total Pension Liability	18,662	5,500
Total Pension Liability - Beginning	\$ 448,253	\$ 163,234
Total Pension Liability - Ending (a)	\$ 466,915	\$ 168,734
Plan Fiduciary Net Position		
Employer Contributions	\$ 11,624	\$ 4,664
Employee Contributions	3,113	1,188
Pension Plan Net Investment Income	68,398	23,857
Benefit Payments and Refunds	(20,923)	(7,460)
Pension Plan Administrative Expense	(232)	(143)
Other	21,965	4,947
Net Change in Plan Fiduciary Net Position	83,945	27,053
Plan Fiduciary Net Position - Beginning	385,457	137,822
Plan Fiduciary Net Position - Ending (b)	\$ 469,402	\$ 164,875
Net Pension Liability (Asset) - Ending (a) - (b)	\$ (2,487)	\$ 3,859

Experience gain made negative to facilitate addition
 Dollar amounts above are in thousands

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CERS		CFPF	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 8,136,803	\$ -	\$ 3,319,197
Changes of Assumptions	8,839,104	-	1,404,284	191,610
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	22,737,266	-	7,612,306
Total	\$ 8,839,104	\$ 30,874,069	\$ 1,404,284	\$ 11,123,113

Amounts reported as deferred outflows of resources and deferred inflows of resources related to these pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended	CERS	CFPF
December 31:		
2018	(2,722,499)	(1,418,976)
2019	(2,722,499)	(1,418,976)
2020	(8,257,109)	(3,398,070)
2021	(7,990,524)	(3,388,108)
2021	(342,334)	(94,699)
Thereafter	-	-
Total	\$ (22,034,965)	\$ (9,718,829)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	4.25 percent to 9.25 percent (CERS) 8.75 percent (CFPF) including inflation.
Investment rate of return	7.3 percent net of expenses
Post-Retirement Cost-of-Living Adjustments	Annual increase equal to 100 percent of the June CPI of each year with a cap of 3 percent applied to the member's current benefit. The first increase will be granted after 36 months of retirement.

The RP-2000 Combined Healthy Annuitant Mortality tables projected to 2020 using Projection Scale BB, with 100 percent of the table rates used for both men and women.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2017, these best estimates of geometric returns are summarized in the following table:

2017	
Asset Class	Long-Term Expected Real Rate of Return*
Domestic Stocks	7.50%
International Stocks	8.50%
Real Estate Equity	4.50%
Domestic Bonds	2.50%
International Bonds	3.50%

* Real rate of return is net of administrative and investment expenses.

Discount Rate

A single discount rate of 7.30 percent was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments.

The table below presents the plan's net pension liability/(asset), calculated using a single discount rate of 7.30 percent, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1 percent lower or 1 percent higher.

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	6.30%	7.30%	8.30%
CERS			
Total Pension Liability	\$ 522,621,441	\$ 466,915,452	\$ 411,404,787
Plan Fiduciary Net Position	(469,402,007)	(469,402,007)	(469,402,007)
Net Pension Liability (Asset)	\$ 53,219,434	\$ (2,486,555)	\$ (57,997,220)
CFPF			
Total Pension Liability	\$ 190,855,271	\$ 168,734,146	\$ 150,361,880
Plan Fiduciary Net Position	(164,875,271)	(164,875,271)	(164,875,271)
Net Pension Liability (Asset)	\$ 25,980,000	\$ 3,858,875	\$ (14,513,391)

Plan Closure – Membership in the South Dakota Retirement System

Effective July 1, 2013, the CERS and CFPF were closed to new members. All full-time employees hired after this date will become members in the statewide South Dakota Retirement System (SDRS). SDRS is a multiple-employer, cost sharing qualified defined benefit pension plan under section 401(a) of the Internal Revenue Code and is administered by the South Dakota Retirement System Board of Trustees. It was established to provide retirement benefits for employees of the state of South Dakota and its political subdivisions. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in South Dakota Codified Laws 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098, or by calling (605) 773-3731.

Members and employers make matching pre-tax contributions, which are defined by state statute. Contributions are deposited in trust fund and invested for the exclusive benefit of members and beneficiaries. Interest is deposited once yearly on June 30.

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0 percent of salary; Class B Judicial Members, 9.0 percent of salary; and Class B Public Safety Members, 8.0 percent of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to contribute in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. During the years ended December 31, 2017, 2016, and 2015, the cost to the City was \$1,275,856, \$1,038,645, and \$686,864, respectively.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to SDRS

At June 30, 2017, SDRS is 100.1 percent funded and accordingly has a net pension asset. The proportionate share of the components of the net pension liability of the

South Dakota Retirement System for the City as of the measurement period ending June 30, 2017, and reported by the City as of December 31, 2017, are as follows:

Proportionate Share of Net Pension Liability	\$ 109,638,286
Less Proportionate Share of Net Pension Restricted for Pension Benefits	(109,723,802)
Proportionate Share of Net Pension Liability (Asset)	\$ (85,516)

On December 31, 2017, the City reported an asset of \$85,516 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. On June 30, 2017, the City's proportion was 0.94231740 percent, which was an increase of 0.1869119 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized a reduction of pension expense of \$2,720,511. On December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 1,370,206	\$ -
Changes of Assumptions	6,639,807	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	1,644,135
Changes in proportion and difference between City contributions and proportionate share of contributions	-	1,764,637
City contributions subsequent to the measurement date	710,691	-
Total	\$ 8,720,704	\$ 3,408,772

There is \$710,691 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended	
December 31:	
2018	936,881
2019	2,273,799
2020	1,850,023
2021	(459,462)
Total	\$ 4,601,241

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Actuarial Assumptions

The total pension asset in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded by years of service, from 6.50 percent at entry to 3.00 percent
Investment rate of return	6.50 percent net of plan investment expense

Mortality rates were based on 97 percent of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white-collar rates for females and total dataset for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table using geometric means:

2017		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension asset was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at equal rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was

projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of (Asset)/Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of SDRS, calculated using the discount rate of 6.50 percent, as well as what SDRS net pension asset would be if it were calculated using a discount rate that is 1 percent point lower (5.50 percent) or 1 percent point higher (7.50 percent) than the current rate:

SDRS	5.50%	6.50%	7.50%
The City's proportionate Share of the Net Pension Liability/(Asset)	\$ 15,285,364	\$ (85,516)	\$ (12,909,353)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

B. Post-Employment Health Care Benefits (OPEB)

Plan Description and Administration

On December 20, 2016, the City approved the establishment of an irrevocable retiree health care 115 Trust as of January 1, 2017, and the concurrent termination of the City Employee's Retirement System and the City Firefighters' Pension Fund 401(h) retiree health trusts as of December 31, 2016. The 115 Trust is established under and conforms to all applicable sections of the Internal Revenue Code and received a final favorable determination from the Internal Revenue Service on July 13, 2017. The benefit and eligibility structure did not change because of this action.

The City transferred 401(h) assets to the 115 Trust in amount sufficient to cover 100 percent of the actuarially determined liability for the remaining retirees and beneficiaries eligible to receive benefits. As the retiree health provisions of the 401(h) Trust and subsequently the 115 Trust were closed to new members as of December 31, 2013, the value of assets remaining in excess of those needed to fund 100 percent of the outstanding liability were transferred to the City's internal service Health/Life Benefit Fund with a subsequent transfer of the excess assets to the City Employee's Retirement System and City Firefighters' Pension Fund.

The 115 Trust and the investment of 115 Trust assets are overseen by the City with the authority and guidance of City Council, with whom investments and benefit terms are established and can be amended.

Benefits Provided

The 115 (OPEB) Trust provides for the payment of 50 percent of the premium for eligible retirees and their beneficiaries for their continued participation in the City's

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self-insured Health/Life Benefit Fund. The retiree/beneficiary pays the remaining 50 percent. The benefit levels are the same as those afforded to active employees for both health and dental coverage. As the Fund is self-insured, premium rates are established to recover the cost of benefits being provided. Rates for retirees/beneficiaries are established separately from those of active employees. Thus, there is no implicit rate subsidies for the 115 Trust. Participation in the City's health benefit is terminated upon the eligible retiree/beneficiary reaching the age of 65.

The self-insured Health Life Benefit Fund is an internal service fund of the City and is included within the scope of this report; therefore, it does not issue a stand-alone financial report nor is it included in the report of another entity. The benefit levels and contribution rates of the Fund are governed by the City.

Plan Membership

Membership of the plans consisted of the following at December 31, 2017, the date of the last actuarial valuation:

	CERS	CFPF
Retirees and beneficiaries receiving benefits	49	24
Active plan members	<u>0</u>	<u>0</u>
Total	<u>49</u>	<u>24</u>

Change in Plan Design – OPEB

Effective January 1, 2014, access to the City's health plan is no longer available to retiring employees. In its place, the City's pension plan provides a flat dollar stipend to retirees to purchase their own health insurance. The stipend is a benefit to the employee/retiree only (no survivorship to spouse) and is given until the retiree reaches the Medicare eligible age (i.e., 65). In 2017 the amount of the stipend was \$43.71 per month per year of service, an inflationary adjustment of 3 percent is applied each year.

Funding Policy & Contributions

The City's 115 Trust is closed to new members and the liability is fully funded, requiring no further contributions.

OPEB Plan Investments

The 115 Trust assets have a segregated interest within the City's short-term pooled cash portfolio and are governed by the City's Pooled Cash Investment Policy, with the latest amendments adopted on May 13, 2014. The investment policy conforms to all applicable laws of the state of South Dakota, which serves as the guide for proper diversification, maturity constraints, internal controls, and performance measurement. The objectives of the City's investment program as set forth by the investment policy are in order of importance: safety of principal, sufficient liquidity, and attaining a competitive rate of return throughout budgetary and economic cycles. These objectives guide the City's short-term investments with terms of five years or less,

which, except under limited circumstances, are held to maturity.

The City's Retiree Health 115 trust allocation is as follows:

Asset Class	Target Allocation
U.S. Treasury Notes & Bills	74.00%
Money Market Funds	9.00%
Certificates of Deposit	12.00%
Cash	5.00%

Rate of Return

For the year ended December 31, 2017, the annual money weighted rate of return on investments, net of investment expense, was .50 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The City reports OPEB expense based on funding requirements, as directed by GASB Statement No. 45. Beginning in the subsequent year, the City will adopt GASB Statement No. 75 which will require the measurement of OPEB expense as it is earned, rather than as it is funded. The net OPEB asset of the City has been measured as of December 31, 2017, and is composed of the following.

The components of the net OPEB asset at December 31, 2017, were as follows:

Total OPEB Liability	\$ 4,788,540
Plan Fiduciary Net Position	<u>(5,479,013)</u>
Net OPEB Liability (Asset)	<u>\$ (690,473)</u>
Plan Fiduciary Net Position as a % of Total OPEB Liability	114%

Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to December 31, 2017. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified

Healthcare cost trend rate	9.00 percent graded down to 4.25 percent in 10 years
Investment Rate of Return	3.31 percent, established by 20-year municipal bond rate

The RP-2000 Combined Health Table projected using Projection Scale BB was used for both men and women.

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Projected Cash Flows

Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine total OPEB liability.

Sensitivity of Net OPEB (Asset)/Liability to Changes in the Discount Rate

The following presents the net OPEB (asset) liability, calculated using the discount rate of 3.31 percent, as well as what the net OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (2.31 percent) or one percentage point higher (4.31 percent) than the current rate:

	2.31%	3.31%	4.31%
Net OPEB liability (asset)	\$ (562,399)	\$ (690,473)	\$ (812,046)

Sensitivity of Net OPEB (Asset) Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB (asset) liability, calculated using the healthcare cost trend rate of 9.0 percent, as well as what the net OPEB (asset) liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (8.0 percent, decreasing to 2.5 percent) or one percentage point higher (10.0 percent, decreasing to 4.5 percent) than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Net OPEB liability (asset)	\$ (831,346)	\$ (690,473)	\$ (544,823)

Component Units

Housing Commission Retirement Plan

All eligible employees of the Housing Commission participate in the Housing Renewal and Local Agency Retirement Plan, a cost sharing, multiple-employer public employee retirement system to provide retirement benefits for employees of local or regional housing authorities and commissions, urban renewal agencies, and other organizations that are eligible to participate in this plan subject to the approval of the agreement. Eligible employees are defined as staff scheduled to work 20 or more hours per week after attaining age 18 and completing one year of continuous and uninterrupted employment. The right to receive retirement benefits is 20 percent vested after one year credited service up to 100 percent vested after five years credited service. Authority for establishing, administering, and amending plan provisions is found in Internal Revenue Code Section 401(a). The Automated Data Processing (ADP) Retirement Services issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ADP Retirement Services, 462 South 4th Avenue, Suite 900, Louisville, KY 40202, or by calling (502) 561-4550. On June 24, 2002, the

Housing Commission adopted Resolution No. 268-06-02 effective July 1, 2002, which implemented a mandatory after-tax employee contribution to the plan of 1 percent of basic compensation and a corresponding employer contribution of 4 percent of basic compensation addition. The resolution permitted employees to voluntarily contribute additional after-tax amounts in excess of the 1 percent mandatory amount, which would be treated as voluntary contributions, and for which the employer would contribute additional corresponding amounts up to a maximum of 7 percent. Beginning July 1, 2002, the full amount of the employer’s contributions will be subject to the plan’s vesting schedule of 20 percent for each year of the employee’s participation in the plan. During the years ended September 30, 2017, 2016, and 2015, the cost to the Commission was \$48,042, \$53,558, and \$50,998, respectively.

Metro Communications Agency Retirement Plan

All full-time employees participate in the South Dakota Retirement System (SDRS). SDRS is a multiple-employer, cost sharing qualified defined benefit pension plan under Section 401(a) of the Internal Revenue Code and is administered by the South Dakota Retirement System Board of Trustees. It was established to provide retirement benefits for employees of the state of South Dakota and its political subdivisions.

Metro identified its implicit subsidy for post-employment health care benefits other than pensions as of December 31, 2017, using the GASB-developed Alternative Measurement Method (AMM) for cities and other government employers with under 100 members.

Plan Description—Retirees with 15 years continuous service with the agency and participation for at least five years immediately preceding retirement in the health, dental, and/or vision plans to continue coverage until become entitled to Medicare coverage. The retiree is responsible for the total premium cost, plus an administrative fee of 2.0 percent.

Annual OPEB Cost and Net OPEB Obligation—Metro’s annual OPEB cost (expense) is an “implicit subsidy” which is the difference between the actual and the apparent cost for health insurance coverage. This amount has been determined using the AMM in accordance with the parameters of GASB Statement 45. The following table shows the components of the Metro’s annual OPEB implicit cost for 2017:

Annual required contribution	\$ 40,569
Interest on net OPEB obligation	406
Annual OPEB cost	40,975
Contributions made	-
Change in net OPEB obligation	40,975
Net OPEB obligation, beginning of year	251,973
Net OPEB obligation, end of year	<u>\$ 292,948</u>

Notes to Financial Statements

Metro's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the previous years (2016, 2015, 2014, 2013, 2012, and the year of implementation, 2011) were as follows:

	Annual OPEB Cost	Actual Employer Contribution	Annual OPEB Cost Contributed	Net Ending OPEB Obligation
2011	\$ 44,071	\$ -	0%	\$ (44,071)
2012	44,071	-	0%	(88,142)
2013	44,071	-	0%	(132,213)
2014	39,920	-	0%	(172,133)
2015	39,920	-	0%	(212,053)
2016	39,920	-	0%	(251,973)
2017	40,975	-	0%	(292,948)

Funded Status and Funding Progress

As of December 31, 2017, the plan was unfunded. The AMM accrued liability for benefits was \$269,573 and the AMM value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$269,573. The covered payroll (annual payroll of active employees covered by the plan) was \$2,785,593, and the ratio of the UAAL to the covered payroll was 9.7 percent. The changes resulted in a \$1,055 increase in the calculated Estimated Required Contribution (ARC).

AMM valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents a single year's information, as the standard was first implemented in fiscal year 2011 and recalculated in 2014 and 2017, when it becomes available, multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AMM accrued liabilities for benefits will be displayed.

AMM and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

In the December 31, 2017, valuation, the AMM cost method was used. The assumptions included a 1.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation.

The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098, or by calling (605) 773-3731.

Members and employers make matching pre-tax contributions, which are defined by state statute. Contributions are deposited in trust fund and invested for the exclusive benefit of members and beneficiaries. Interest is deposited once yearly on June 30.

As General Member, benefits and administrative expenses are funded by member and employer contributions of 6 percent each of employee compensation and investment income. State statute also requires the employer to contribute in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for General Employees only.

During the years ended December 31, 2017, 2016, and 2015, the cost to the Agency was \$165,742, \$153,960, and \$144,888, respectively.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At June 30, 2017, SDRS is 100.01 percent funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Agency as of this measurement period and reported by the Agency as of December 31, 2017, are as follows:

Proportionate share of net position restricted for pension benefits	\$ 15,334,184
Less proportionate share of total pension liability	<u>(15,346,144)</u>
Proportionate share of net pension liability (asset)	<u>\$ 11,960</u>

At December 31, 2017, the Agency reported an asset of \$11,960 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was based on a projection of the Agency's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2017, the Agency's proportion was .13179400 percent, which is an increase of .0010198 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Agency recognized a reduction of pension expense of \$274,600. At December 31, 2017, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 191,639	\$ -
Changes of Assumptions	928,654	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	229,951
Changes in proportion and difference between Agency contributions and proportionate share of contributions	-	10,880
Agency contributions subsequent to the measurement date	83,271	-
Total	\$ 1,203,564	\$ 240,831

\$83,271 reported as deferred outflow of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended December 31:	
2017	\$ 236,883
2018	401,368
2019	296,201
2020	(54,990)
2021	-
Thereafter	-
Total	\$ 879,462

Actuarial Assumptions—The total pension asset in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded by years of service, from 6.50 percent at entry to 3.00 percent
Investment rate of return	6.50 percent net of plan investment expense

Mortality rates were based on 97 percent of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white-collar rates for females and total dataset for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method

in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table using geometric means:

2017		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension asset was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at equal rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of (Asset)/Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of SDRS, calculated using the discount rate of 6.50 percent, as well as what SDRS net pension asset would be if it were calculated using a discount rate that is 1 percent point lower (5.50 percent) or 1 percent point higher (7.50 percent) than the current rate:

	5.50%	6.50%	7.50%
The City's proportionate Share of the Net Pension (Asset)/Liability	\$ 2,190,553	\$ (11,960)	\$ (1,805,522)

Pension Plan Fiduciary Net Position—Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

Notes to Financial Statements - Fiduciary Funds Statement of Net Position

	<u>Employee's Retirement System</u>	<u>Firefighters' Pension Fund</u>	<u>City of Sioux Falls 115 Trust</u>	<u>Total</u>
Assets				
Cash and Cash Equivalents	\$ 12,758,655	\$ 4,797,185	\$5,463,908	\$ 23,019,748
Receivables:				
Interest	667,057	233,598	15,105	915,760
Total Receivables	<u>667,057</u>	<u>233,598</u>	<u>15,105</u>	<u>915,760</u>
Investments at Fair Value:				
US Government	18,030,007	9,742,648	-	27,772,655
Corporate Obligations	48,379,773	14,479,681	-	62,859,454
Foreign Obligations	6,489,788	1,462,957	-	7,952,745
State and Local Obligations	663,435	229,891	-	893,326
Domestic Stocks	110,833,891	39,205,309	-	150,039,200
Foreign Stocks	17,738,733	6,207,139	-	23,945,872
Index Funds:				
Equity	73,850,996	25,654,805	-	99,505,801
Government / Corporate Bonds	28,685,221	10,206,388	-	38,891,609
Mutual Funds:				
Foreign Equity	99,539,566	34,009,534	-	133,549,100
Domestic Equity	22,552,181	7,825,772	-	30,377,953
Real Estate	29,218,489	10,823,892	-	40,042,381
Total Investments	<u>455,982,080</u>	<u>159,848,016</u>	<u>-</u>	<u>615,830,096</u>
Total Assets	<u>469,407,792</u>	<u>164,878,799</u>	<u>5,479,013</u>	<u>639,765,604</u>
Liabilities				
Total Liabilities	<u>5,786</u>	<u>3,527</u>	<u>-</u>	<u>9,313</u>
Net Position				
Restricted for Pension and Post Employment Health Care Benefits	<u>\$ 469,402,006</u>	<u>\$ 164,875,272</u>	<u>\$5,479,013</u>	<u>\$ 639,756,291</u>

City of Sioux Falls
Comprehensive Annual Financial Report
Year Ended December 31, 2017

Notes to Financial Statements - Fiduciary Funds Changes in Net Position

	Employees' Retirement		Firefighters' Pension		City of Sioux Falls 115 Trust	Total Pension and Health Care Trust Funds
	Pension	Health Care	Pension	Health Care		
Additions						
Contributions						
Employer	\$ 11,623,730	\$ -	\$ 4,663,612	\$ -	\$ -	\$ 16,287,342
Plan Members	3,112,561	-	1,188,155	-	-	4,300,716
Total Contributions	<u>14,736,291</u>	<u>-</u>	<u>5,851,767</u>	<u>-</u>	<u>-</u>	<u>20,588,058</u>
Investment Income (Loss)	69,777,675	-	24,385,365	-	13,111	94,176,151
Less Investment Expense	1,379,973	-	527,899	-	-	1,907,872
Net Investment Income (Loss)	<u>68,397,702</u>	<u>-</u>	<u>23,857,466</u>	<u>-</u>	<u>13,111</u>	<u>92,268,279</u>
Total Additions	<u>83,133,993</u>	<u>-</u>	<u>29,709,233</u>	<u>-</u>	<u>13,111</u>	<u>112,856,337</u>
Deductions						
Benefit Payments						
Pension	20,797,339	-	7,460,482	-	-	28,257,821
Health Premiums	-	-	-	-	754,590	754,590
Total Benefit Payments	<u>20,797,339</u>	<u>-</u>	<u>7,460,482</u>	<u>-</u>	<u>754,590</u>	<u>29,012,411</u>
Refunds	125,183	-	-	-	-	125,183
Administrative Expense	231,813	-	143,447	-	-	375,260
Total Deductions	<u>21,154,335</u>	<u>-</u>	<u>7,603,929</u>	<u>-</u>	<u>754,590</u>	<u>29,512,854</u>
Net Increase (Decrease)	61,979,658	-	22,105,304	-	(741,479)	83,343,483
Transfers In	21,965,095	-	4,947,396	-	6,220,492	33,132,983
Transfers Out	-	(25,896,056)	-	(7,236,927)	-	(33,132,983)
Change in Net Position	83,944,753	(25,896,056)	27,052,700	(7,236,927)	5,479,013	83,343,483
Total Net Position, January 1	<u>385,457,253</u>	<u>25,896,056</u>	<u>137,822,572</u>	<u>7,236,927</u>	<u>-</u>	<u>556,412,808</u>
Total Net Position, December 31	<u>\$ 469,402,006</u>	<u>\$ -</u>	<u>\$ 164,875,272</u>	<u>\$ -</u>	<u>\$ 5,479,013</u>	<u>\$ 639,756,291</u>

Required Supplementary Information - Fiduciary Funds (Pension Trust)

Schedules of Changes in the Net Pension Liability and Related Ratios (\$Thousand)								
Fiscal Year Ending December 31,	City Employee's Retirement System (CERS)				City Firefighters' Pension Fund (CFPF)			
	2017	2016	2015	2014	2017	2016	2015	2014
Total Pension Liability (TPL)								
Service Cost	\$ 8,142	\$ 8,510	\$ 8,300	\$ 8,593	\$ 3,205	\$ 3,223	\$ 3,051	\$ 2,891
Interest on the total Pension Liability	33,140	31,878	30,431	28,266	12,083	11,662	11,177	10,499
Actual versus expected TPL#	(7,243)	(2,996)	(192)	6,785	(2,091)	(1,965)	(723)	(73)
Assumption Changes	5,546	-	7,740	2,210	(237)	-	2,814	2,188
Benefit Payments and Refunds	(20,923)	(19,834)	(18,441)	(16,384)	(7,460)	(7,123)	(6,914)	(6,542)
Net Change in Total Pension Liability	18,662	17,558	27,838	29,470	5,500	5,797	9,405	8,963
Total Pension Liability - Beginning	448,253	430,695	402,857	373,387	163,234	157,437	148,032	139,069
Total Pension Liability - Ending (a)	\$ 466,915	\$ 448,253	\$ 430,695	\$ 402,857	\$ 168,734	\$ 163,234	\$ 157,437	\$ 148,032
Plan Fiduciary Net Position								
Employer Contributions	\$ 11,624	\$ 11,418	\$ 11,418	\$ 10,670	\$ 4,664	\$ 4,407	\$ 4,425	\$ 4,089
Employee Contributions	3,113	3,237	3,331	2,966	1,188	1,169	1,150	1,057
Pension Plan Net Investment Income	68,398	30,218	60	24,406	23,857	10,749	31	8,701
Benefit Payments and Refunds	(20,923)	(19,834)	(18,441)	(16,384)	(7,460)	(7,123)	(6,914)	(6,541)
Pension Plan Administrative Expense	(232)	(228)	(182)	(164)	(143)	(160)	(110)	(99)
Other	21,965	-	-	-	4,947	-	-	-
Net Change in Plan Fiduciary Net Position	83,945	24,811	(3,814)	21,494	27,053	9,042	(1,418)	7,207
Plan Fiduciary Net Position - Beginning	385,457	360,646	364,460	342,966	137,822	128,780	130,198	122,991
Plan Fiduciary Net Position - Ending (b)	\$ 469,402	\$ 385,457	\$ 360,646	\$ 364,460	\$ 164,875	\$ 137,822	\$ 128,780	\$ 130,198
Net Pension Liability - Ending (a) - (b)	\$ (2,487)	\$ 62,796	\$ 70,049	\$ 38,397	\$ 3,859	\$ 25,412	\$ 28,657	\$ 17,834
Plan Fiduciary Net Position as a Percentage of Total Pension Liability								
	100.53%	85.99%	83.74%	90.47%	97.71%	84.43%	81.80%	87.95%
Covered Employee Payroll *	\$ 46,306	\$ 48,755	\$ 49,318	\$ 51,347	\$ 11,407	\$ 11,479	\$ 11,230	\$ 10,910
Net Pension Liability as a Percentage of Covered Employee Payroll								
	-5.37%	128.80%	142.04%	74.78%	33.83%	221.38%	255.18%	163.46%
* Payroll is pay provided in connection with the valuation as of December 31, of the applicable year								
# Experience gain made negative to facilitate addition								

Required Supplementary Information - Fiduciary Funds (Pension Trust)

Schedules of Employer's Net Pension Liability (\$Thousands)						
Year Ended December 31	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)	Plan Net Position as a % of Total Pension Liability (Asset)	Covered Payroll *	Net Pension Liability (Asset) as a % of Covered Payroll
City Employee's Retirement System (CERS)						
2014	\$ 402,857	\$ 364,460	\$ 38,397	90.47%	\$ 51,347	74.78%
2015	430,695	360,647	70,048	83.74%	49,318	142.03%
2016	448,253	385,457	62,796	85.99%	48,755	128.80%
2017	466,915	469,402	(2,487)	100.53%	46,306	-5.37%
City Firefighters' Pension Fund (CFPF)						
2014	\$ 148,032	\$ 130,198	\$ 17,834	87.95%	\$ 10,910	163.46%
2015	157,437	128,780	28,657	81.80%	11,230	255.18%
2016	163,235	137,823	25,412	84.43%	11,479	221.38%
2017	168,734	164,875	3,859	97.71%	11,407	33.83%
* Payroll is pay provided in connection with the valuation as of December 31, of the applicable year.						
Notes to Schedule						
Methods and Assumptions Used to Determine Total Pension Liability (Asset) for the Fiscal Year Ending December 31, 2017						
Inflation	2.50%					
Salary Increases	4.25% to 9.25% (CERS) 8.75% (CFPF) including inflation.					
Investment Rate of Return	7.30% net of expenses					
Post-Retirement Cost of Living Adjustments	Annual increases equal to 100% of the June CPI of each year with a cap of 3% applied to the member's current benefit. The first increase will be granted after 36 months of retirement.					

Required Supplementary Information - Fiduciary Funds (Pension Trust)

Schedules of Employer Contributions (\$Thousands)					
Year Ended December 31	Actuarially Determined Contribution	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll**	Actual Contribution as a % of Covered Payroll
City Employee's Retirement System (CERS)					
2014	\$ 11,563	\$ 11,563	\$ -	\$ 51,347	22.52%
2015	11,397	11,418	(21)	49,318	23.15%
2016	11,417	11,417	-	48,754	23.42%
2017	11,610	11,624	(14)	46,306	25.10%
City Firefighters' Pension Fund (CFPF)					
2014	\$ 4,484	\$ 4,484	\$ -	\$ 10,910	41.10%
2015	4,425	4,425	-	11,230	39.40%
2016	4,407	4,407	-	11,479	38.39%
2017	4,664	4,664	-	11,407	40.89%
<p><small>* Includes contributions transferred from the Unallocated Income Reserve</small></p> <p><small>** Payroll is pay provided in connection with the valuation as of December 31, of the applicable year.</small></p>					
Schedule of Investment Returns					
	CERS	CFPF			
2014	6.90%	6.88%			
2015	-0.20%	-0.12%			
2016	8.42%	8.43%			
2017	16.68%	16.80%			
Notes to Schedule					
Valuation Date	Actuarially determined contribution amounts are calculated as of December 31 of each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.				
Methods and Assumptions Used to Determine Contributions for the Fiscal Year Ending December 31, 2017					
Actuarial Cost Method	Entry-Age Normal				
Amortization Method	Level Dollar, Closed				
Remaining Amortization Period	22 Years				
Asset Valuation Method	5-Year smoothed market				
Inflation	2.50%				
Salary Increases	4.25% to 9.25% (CERS) 8.75% (CFPF) including inflation.				
Investment Rate of Return	7.50% net of expenses				
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period 2007 - 2011.				
Mortality	RP-2000 Combined Healthy Mortality table projected 2020 using Projection Scale BB was used for both men and women with 100% of the table rates used for both men and women.				
Other Information	The assumptions used to develop the current Total Pension Liability (TPL) as of December 31, 2017, differ from those noted above.				

Required Supplementary Information - Fiduciary Funds (Pension Trust)

Schedule of City's proportionate share of the Net Pension Liability/(Asset)			
South Dakota Retirement System	As of June 30		
	2017	2016	2015
City's Proportion of the Net Pension Liability/(Asset)	0.9423174%	0.7554055%	0.4407703%
City's Proportionate share of the Net Pension Liability/(Asset)	\$ (85,516)	\$ 2,551,686	\$ (1,869,433)
City's Covered Employee Payroll	\$ 16,977,713	\$ 12,701,513	\$ 7,176,243
City's Proportionate share of the Net Pension Liability/(Asset) as a Percentage of its Covered Employee Payroll	-0.50%	20.09%	-26.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.1%	96.9%	104.1%
 Schedule of City Contributions 			
South Dakota Retirement System	As of December 31		
	2017	2016	2015
Contractually Required Contribution	\$ 1,275,856	\$ 1,038,645	\$ 686,864
Contributions in Relation to the Contractually Required Contribution	<u>(1,275,856)</u>	<u>(1,038,645)</u>	<u>(686,864)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Employee Payroll	18,676,953	15,153,220	9,953,235
Contributions as a Percentage of Covered Employee Payroll	6.83%	6.85%	6.90%

Required Supplementary Information - Fiduciary Funds (Retiree Health 115 Trust)

Schedules of Changes in the Employer's Net OPEB Liabilities (Assets)	
Fiscal Year Ending December 31,	<u>2017</u>
Total Pension Liability (TPL)	
Service Cost	\$ -
Interest on the total OPEB Liability	123,986
Actual versus expected experience	(364,194)
Assumption Changes	(135,976)
Benefit Payments	<u>(1,055,768)</u>
Net Change in Total OPEB Liability	(1,431,952)
Total OPEB Liability - Beginning	<u>6,220,492</u>
Total OPEB Liability - Ending (a)	<u>\$ 4,788,540</u>
Plan Fiduciary Net Position	
Employer Contributions	\$ 301,178
Employee Contributions	-
OPEB Plan Net Investment Income	13,111
Employer Paid Benefit Payments	(1,055,768)
OPEB Plan Administrative Expense	-
Other	<u>6,220,492</u>
Net Change in Plan Fiduciary Net Position	5,479,013
Plan Fiduciary Net Position - Beginning	<u>-</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,479,013</u>
Net OPEB Liability (Asset) - Ending (a) - (b)	<u>\$ (690,473)</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability (Asset)	114.42%
Covered Employee Payroll *	N/A
Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	N/A
<p><small>* GASB Statement No. 74 was implemented for the fiscal year ended December 31, 2017 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.</small></p>	

Required Supplementary Information - Fiduciary Funds (Retiree Health 115 Trust)

Schedules of Employer Contributions						
<u>Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution*</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll**</u>	<u>Actual Contribution as a % of Covered Payroll</u>	
City's OPEB Plan 2017	\$ -	\$ 301,178	\$ (301,178)	N/A	N/A	
<i>* Includes contributions and paid outside of the trust</i>						
Schedule of Investment Returns						
2017	OPEB 0.50%					
Notes to Schedule						
Valuation Date	Actuarially determined contribution amounts are calculated as of December 31 of each year, which is 12 months prior to the beginning of the fiscal year in which contributions are reported. As the plan is fully funded, no actuarial contributions are required. The below assumptions are illustrative if contributions are required.					
Methods and Assumptions Used to Determine Contributions for the Fiscal Year Ending December 31, 2017						
Valuation Date	December 31, 2015					
Actuarial Cost Method	Entry-Age Normal					
Amortization Method	Level Dollar					
Remaining Amortization Period	12 years for police and 17 years for General, Closed					
Asset Valuation Method	Market Value of Assets					
Salary Increases	N/A - No active employees					
Investment Rate of Return	7.50% net of OPEB plan investment expense					
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.					
Mortality	RP-2000 Combined Healthy Mortality table projected 2020 using Projection Scale BB was used for both men and women					
Health Care Trend Rates	Initial trend of 9.00% gradually decrease to an ultimate trend of 4.25% in 10 years.					
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"					
Other Information	The Total OPEB Liability as of December 31, 2017 was based on a discount rate of the municipal bond rate of December 29, 2017. Please refer to the 2016 valuation report for additional information.					