

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 OPEB Trust</u>	<u>Total</u>
Assets				
Cash and Cash Equivalents	\$ 7,911,913	\$ 5,276,221	\$4,909,043	\$ 18,097,177
Receivables:				
Contribution	522,832	214,265	-	737,097
Interest	<u>722,736</u>	<u>257,629</u>	<u>21,998</u>	<u>1,002,363</u>
Total Receivables	<u>1,245,568</u>	<u>471,894</u>	<u>21,998</u>	<u>1,739,460</u>
Investments at Fair Value:				
US Government	37,392,573	15,685,882	-	53,078,455
Corporate Obligations	40,337,420	12,195,502	-	52,532,922
Foreign Obligations	5,442,980	1,191,972	-	6,634,952
State and Local Obligations	-	-	-	-
Domestic Stocks	101,454,754	35,159,432	-	136,614,186
Foreign Stocks	16,671,086	5,743,361	-	22,414,447
Index Funds:				
Equity	63,479,985	22,091,968	-	85,571,953
Government / Corporate Bonds	28,571,924	10,166,075	-	38,737,999
Mutual Funds:				
Foreign Equity	92,533,843	31,568,520	-	124,102,363
Domestic Equity	12,249,011	4,282,500	-	16,531,511
Real Estate	<u>33,889,753</u>	<u>12,115,394</u>	<u>-</u>	<u>46,005,147</u>
Total Investments	<u>432,023,329</u>	<u>150,200,606</u>	<u>-</u>	<u>582,223,935</u>
Total Assets	<u>441,180,810</u>	<u>155,948,721</u>	<u>4,931,041</u>	<u>602,060,572</u>
Liabilities				
Total Liabilities	<u>6,380</u>	<u>3,888</u>	<u>-</u>	<u>10,268</u>
Net Position				
Restricted for Pension and Post Employment Health Care Benefits	<u>\$ 441,174,430</u>	<u>\$ 155,944,833</u>	<u>\$4,931,041</u>	<u>602,050,304</u>

**City of Sioux Falls
Comprehensive Annual Financial Report
Year Ended December 31, 2018**

Notes to Financial Statements - Fiduciary Funds Changes in Net Position

	Employees' Retirement Pension	Firefighters' Pension	City of Sioux Falls OPEB Trust	Total Pension and Health Care Trust Funds
Additions				
Contributions				
Employer	\$ 11,166,523	\$ 4,443,152	\$ -	\$ 15,609,675
Plan Members	3,026,165	1,181,980	-	4,208,145
Total Contributions	<u>14,192,688</u>	<u>5,625,132</u>	<u>-</u>	<u>19,817,820</u>
Investment Income (Loss)	(18,354,336)	(6,192,376)	71,934	(24,474,778)
Less Investment Expense	1,439,906	550,663	-	1,990,569
Net Investment Income (Loss)	<u>(19,794,242)</u>	<u>(6,743,039)</u>	<u>71,934</u>	<u>(26,465,347)</u>
Total Additions	<u>(5,601,554)</u>	<u>(1,117,907)</u>	<u>71,934</u>	<u>(6,647,527)</u>
Deductions				
Benefit Payments				
Pension	22,222,590	7,695,195	-	29,917,785
Health Premiums	-	-	619,906	619,906
Total Benefit Payments	<u>22,222,590</u>	<u>7,695,195</u>	<u>619,906</u>	<u>30,537,691</u>
Refunds	200,644	-	-	200,644
Administrative Expense	202,788	117,337	-	320,125
Total Deductions	<u>22,626,022</u>	<u>7,812,532</u>	<u>619,906</u>	<u>31,058,460</u>
Change in Net Position	(28,227,576)	(8,930,439)	(547,972)	(37,705,987)
Total Net Position, January 1	<u>469,402,006</u>	<u>164,875,272</u>	<u>5,479,013</u>	<u>639,756,291</u>
Total Net Position, December 31	<u>\$ 441,174,430</u>	<u>\$ 155,944,833</u>	<u>\$ 4,931,041</u>	<u>\$ 602,050,304</u>

City of Sioux Falls
 Comprehensive Annual Financial Report
 December 31, 2018

Required Supplementary Information - Fiduciary Funds (Pension Trust)

Fiscal Year Ending December 31,	City Employee's Retirement System (CERS)					City Firefighters' Pension Fund (CFPF)				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
Schedules of Changes in the Net Pension Liability and Related Ratios (\$Thousand)										
Total Pension Liability (TPL)										
Service Cost	\$ 8,060	\$ 8,142	\$ 8,510	\$ 8,300	\$ 8,593	\$ 3,375	\$ 3,205	\$ 3,223	\$ 3,051	\$ 2,891
Interest on the total Pension Liability	33,560	33,140	31,878	30,431	28,266	12,160	12,083	11,662	11,177	10,499
Actual versus expected TPL#	(2,569)	(7,243)	(2,996)	(192)	6,785	(2,365)	(2,091)	(1,965)	(723)	(73)
Assumption Changes	(5,000)	5,546	-	7,740	2,210	-	(237)	-	2,814	2,188
Benefit Payments and Refunds	(22,423)	(20,923)	(19,834)	(18,441)	(16,384)	(7,695)	(7,460)	(7,123)	(6,914)	(6,542)
Net Change in Total Pension Liability	11,628	18,662	17,558	27,838	29,470	5,475	5,500	5,797	9,405	8,963
Total Pension Liability - Beginning	466,915	448,253	430,695	402,857	373,387	168,734	163,234	157,437	148,032	139,069
Total Pension Liability - Ending (a)	\$ 478,543	\$ 466,915	\$ 448,253	\$ 430,695	\$ 402,857	\$ 174,209	\$ 168,734	\$ 163,234	\$ 157,437	\$ 148,032
Plan Fiduciary Net Position										
Employer Contributions	\$ 11,166	\$ 11,624	\$ 11,418	\$ 11,418	\$ 10,670	\$ 4,443	\$ 4,664	\$ 4,407	\$ 4,425	\$ 4,089
Employee Contributions	3,026	3,113	3,237	3,331	2,966	1,182	1,188	1,169	1,150	1,057
Pension Plan Net Investment Income	(19,794)	68,398	30,218	60	24,406	(6,743)	23,857	10,749	31	8,701
Benefit Payments and Refunds	(22,423)	(20,923)	(19,834)	(18,441)	(16,384)	(7,695)	(7,460)	(7,123)	(6,914)	(6,541)
Pension Plan Administrative Expense	(203)	(232)	(228)	(182)	(164)	(117)	(143)	(160)	(110)	(99)
Other	-	21,965	-	-	-	-	4,947	-	-	-
Net Change in Plan Fiduciary Net Position	(28,228)	83,945	24,811	(3,814)	21,494	(8,930)	27,053	9,042	(1,418)	7,207
Plan Fiduciary Net Position - Beginning	469,402	385,457	360,646	364,460	342,966	164,875	137,822	128,780	130,198	122,991
Plan Fiduciary Net Position - Ending (b)	\$ 441,174	\$ 469,402	\$ 385,457	\$ 360,646	\$ 364,460	\$ 155,945	\$ 164,875	\$ 137,822	\$ 128,780	\$ 130,198
Net Pension Liability - Ending (a) - (b)	\$ 37,369	\$ (2,487)	\$ 62,796	\$ 70,049	\$ 38,397	\$ 18,264	\$ 3,859	\$ 25,412	\$ 28,657	\$ 17,834
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.19%	100.53%	85.99%	83.74%	90.47%	89.52%	97.71%	84.43%	81.80%	87.95%
Covered Payroll *	\$ 44,454	\$ 46,306	\$ 48,755	\$ 49,318	\$ 51,347	\$ 11,710	\$ 11,407	\$ 11,479	\$ 11,230	\$ 10,910
Net Pension Liability as a Percentage of Covered Payroll	84.06%	-5.37%	128.80%	142.04%	74.78%	155.97%	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%
2018	478,543	441,174	37,369	92.19%	44,454	84.06%
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%
2018	174,209	155,945	18,264	89.52%	11,710	155.97%
* 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, 2018						
Inflation	4.25%					
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)

<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 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%
2018	10,624	11,166	(542)	44,454	25.12%
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%
2018	4,270	4,443	(173)	11,710	37.94%

* Includes contributions transferred from the Unallocated Income Reserve

** Payroll is pay provided in connection with the valuation as of December 31, of the applicable year.

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%
2018	-4.30%	-4.19%

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, 2018

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	21 Years
Asset Valuation Method	5-Year smoothed market
Inflation	4.25%
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, 2018, 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			
	2018	2017	2016	2015
City's Proportion of the Net Pension Liability/(Asset)	1.1161784%	0.9423174%	0.7554055%	0.4407703%
City's Proportionate share of the Net Pension Liability/(Asset)	\$ (26,031)	\$ (85,516)	\$ 2,551,686	\$ (1,869,433)
City's Covered Payroll	\$ 20,566,446	\$ 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 Payroll	-0.13%	-0.50%	20.09%	-26.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.0%	100.1%	96.9%	104.1%
Schedule of City Contributions				
South Dakota Retirement System	As of December 31			
	2018	2017	2016	2015
Contractually Required Contribution	\$ 1,558,009	\$ 1,275,856	\$ 1,038,645	\$ 686,864
Contributions in Relation to the Contractually Required Contribution	<u>(1,558,009)</u>	<u>(1,275,856)</u>	<u>(1,038,645)</u>	<u>(686,864)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	22,714,519	18,676,953	15,153,220	9,953,235
Contributions as a Percentage of Covered Payroll	6.86%	6.83%	6.85%	6.90%

Required Supplementary Information - Fiduciary Funds (OPEB Trust)

Schedules of Changes in the Employer's Net OPEB Liabilities (Assets)

Fiscal Year Ending December 31,	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service Cost	\$ -	\$ -
Interest on the total OPEB Liability	148,241	123,986
Benefit Changes	2,565	-
Actual versus expected experience	(639,812)	(364,194)
Assumption Changes	(34,571)	(135,976)
Benefit Payments	<u>(619,906)</u>	<u>(1,055,768)</u>
Net Change in Total OPEB Liability	(1,143,483)	(1,431,952)
Total OPEB Liability - Beginning	<u>4,788,540</u>	<u>6,220,492</u>
Total OPEB Liability - Ending (a)	<u>\$ 3,645,057</u>	<u>\$ 4,788,540</u>
Plan Fiduciary Net Position		
Employer Contributions	\$ -	\$ 301,178
Employee Contributions	-	-
OPEB Plan Net Investment Income	71,934	13,111
Employer Paid Benefit Payments	(619,906)	(1,055,768)
OPEB Plan Administrative Expense	-	-
Other	<u>-</u>	<u>6,220,492</u>
Net Change in Plan Fiduciary Net Position	(547,972)	5,479,013
Plan Fiduciary Net Position - Beginning	<u>5,479,013</u>	<u>-</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,931,041</u>	<u>\$ 5,479,013</u>
Net OPEB Liability (Asset) - Ending (a) - (b)	<u>\$ (1,285,984)</u>	<u>\$ (690,473)</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability (Asset)	135.28%	114.42%
Covered Payroll *	N/A	N/A
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A

* GASB Statement No. 74/75 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.

Required Supplementary Information - Fiduciary Funds (OPEB 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					
2018	\$ -	\$ -	\$ -	N/A	N/A
2017	\$ -	\$ 301,178	\$ (301,178)	N/A	N/A
<i>* Includes contributions and paid outside of the trust</i>					
 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 amortization method shown below is illustrative if contributions are required.				
 Methods and Assumptions Used to Determine Contributions for the Fiscal Year Ending December 31, 2018					
Valuation Date	December 31, 2016				
Actuarial Cost Method	Entry-Age Normal				
Amortization Method	Level Dollar				
Remaining Amortization Period	11 years for police and 16 years for General, Closed				
Asset Valuation Method	Market Value of Assets				
Salary Increases	N/A - No active employees				
Investment Rate of Return	2.25% 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 8.00% 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, 2018, was based on a discount rate of the municipal bond rate of December 31, 2018. Please refer to the 2016 valuation report for additional information.				